[FORTIS LOGO]

FORTIS SA/NV

(a public limited liability company with registered office at Rue Royale/Koningsstraat 20, 1000 Brussels, Belgium)

FORTIS N.V.

(a public limited liability company with corporate seat at Archimedeslaan 6, 3584 BA Utrecht, The Netherlands)

Offering of up to 1,076,000,000 new shares in the framework of a capital increase in cash with preference right

Fortis is offering new Fortis shares ("**Fortis Shares**") each comprised of an ordinary share of Fortis SA/NV, without nominal value (a "**Fortis SA/NV Share**") with a Fortis SA/NV VVPR strip (a "**Fortis SA/NV VVPR Strip**") and an ordinary share of Fortis N.V., with a nominal value of EUR 0.42 (a "**Fortis N.V. Share**"). The purpose of this offering of new Fortis Shares is to finance a portion of the contribution to be made by Fortis to the consideration payable by RFS Holdings B.V. in connection with its offer for the securities of ABN AMRO Holding N.V. ("**ABN AMRO**") as described in more detail in Section 3 of this Prospectus.

The new Fortis Shares are being offered initially to shareholders who may lawfully subscribe to new Fortis Shares pro rata to their shareholdings at an issue price per new Fortis Share which will be announced on or around 21 September 2007 (the "**Issue Price**"), subject to applicable securities laws and on the terms set out in this Prospectus. For such a purpose, and subject to applicable securities laws, all Fortis shareholders as at the closing of each relevant stock exchange on 24 September 2007 are being granted non-statutory preference rights ("**Rights**") that will entitle eligible persons to subscribe to new Fortis Shares (the "**Eligible Persons**") at the Issue Price and in accordance with the Ratio (as defined below). The offering of new Fortis Shares to be issued upon the exercise of Rights is referred to in this Prospectus as the "**Right Offering**".

The Rights, represented by coupon No. 40 of the Fortis Shares, will be separated from the underlying Fortis Shares on 24 September 2007 after the closing of the regulated market of Euronext Brussels, Eurolist by Euronext Amsterdam and the EU regulated market of the Luxembourg Stock Exchange. Application has been made to admit the Rights to trading on the regulated market of Euronext Brussels, on Eurolist by Euronext Amsterdam and on the EU regulated market of the Luxembourg Stock Exchange. Trading in the Rights is expected to commence on such markets on 25 September 2007, and will continue until 9 October 2007. The Rights will be admitted to trading under the symbol FO40 on Euronext Brussels, FOA40 on Euronext Amsterdam and FOL40 on the Luxembourg Stock Exchange.

Investing in the new Fortis Shares and trading in the Rights involve certain risks. See "Risk Factors" beginning on page 22 of this Prospectus to read about factors you should carefully consider before investing in the new Fortis Shares or trading in the Rights.

An Eligible Person (whether a holder of Fortis Shares being granted Rights or a subsequent transferee of Rights) will be entitled to subscribe to new Fortis Shares at the Issue Price and in accordance with the Ratio (as defined below), which will both be announced on or around 21 September 2007. The "**Ratio**" will be the ratio at which an Eligible Person, against payment of the Issue Price, will have the right to subscribe to new Fortis Shares for each certain number of Rights held. Eligible Persons holding Rights may subscribe to new Fortis Shares through the exercise of Rights from 25 September 2007 until 9 October 2007 (the "**Right Subscription Period**"). If you are an Eligible Person and you have not validly exercised your Rights by the last day of the Right Subscription Period, you will no longer be able to exercise those Rights. Once you have exercised your Rights, you will not be able to revoke that exercise except as described in Section 8.3.10 of this Prospectus.

After the Right Subscription Period has expired, any new Fortis Shares not subscribed through the exercise of Rights will be available for subscription in the form of scrips (the "**Scrips**"), which will be sold in a private placement, (i) in the European Economic Area and in Switzerland, only to qualified investors (as defined respectively, in the European Directive 2003/71/EC (the "**Prospectus Directive**") and in the Swiss Federal Act on Collective Capital Investments) and, (ii) in the United States, only to qualified institutional buyers ("**QIBs**") as defined in Rule 144A under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") (the "**Scrip Offering**", and together with the Right Offering, the "**Offering**"), in each case facilitated by Merrill Lynch International and Fortis Bank as the joint global coordinators in the Offering (the "**Joint Global Coordinators**"). Purchasers of Scrips will have the obligation to subscribe to new Fortis Shares corresponding to the Scrips acquired by them. References herein to the new Fortis Shares include the new Fortis Shares issued as a result of the Scrip Offering. The Scrip Offering is expected to start on 11 October 2007 and to end on the same day (the "**Scrip Offering Period**").

The results of the Offering are expected to be announced on 13 October 2007.

The statutory preference right of existing holders of Fortis Shares has been excluded with respect to the Offering, but the Rights, each representing a non-statutory preference right, are being granted to such holders as described above. Fortis is not taking any action to permit a public offering of the Rights or the new Fortis Shares in any jurisdiction outside Belgium, The Netherlands and Luxembourg. The Rights are being granted by Fortis to all Fortis shareholders subject to applicable securities laws. The new Fortis Shares are being offered only in those jurisdictions in which, and only to those persons to whom, granting of the Rights and offering of the new Fortis Shares (pursuant to the exercise of Rights or otherwise) may lawfully be made.

The Offering is subject to the terms and conditions of an Underwriting Agreement between Fortis SA/NV, Fortis N.V. and Merrill Lynch International.

None of the U.S. Securities and Exchange Commission ("**SEC**"), any U.S. state securities commission or other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this Prospectus. Any representation to the contrary is a criminal offence under the laws of the United States. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, any securities including the Rights and new Fortis Shares to which they relate in any circumstances in which such offer or solicitation is unlawful. This Prospectus is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose.

This Prospectus is being distributed in the United States only to persons who are "qualified institutional buyers", as defined in Rule 144A under the U.S. Securities Act. The distribution of this Prospectus in other jurisdictions may be restricted by law, and persons into whose possession this Prospectus comes should inform themselves about, and observe, any such restrictions. By accepting this Prospectus you agree to be bound by the foregoing instructions. No person has been authorised to give any information or to make any representation other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Fortis since the date of this Prospectus or that the information contained herein is correct as of any time subsequent to such a date.

Notice to New Hampshire Residents

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("**RSA 421-B**") WITH THE STATE OF NEW HAMPSHIRE, NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT, NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Application has been made to admit the new Fortis Shares to trading on the regulated market of Euronext Brussels, on Eurolist by Euronext Amsterdam and on the EU regulated market of the Luxembourg Stock Exchange. The new Fortis Shares will be admitted to trading on such markets under the symbol FORBBB on Euronext Brussels, the symbol FORANA on Euronext Amsterdam, the symbol FORLX on the EU regulated market of the Luxembourg Stock Exchange and the ISIN code BE0003801181. On 19 September 2007, the closing price of Fortis Shares on Euronext Brussels was EUR 26.50 and EUR 26.49 on Eurolist by Euronext Amsterdam. It is expected that payment for and delivery of the new Fortis Shares will be made on or around 15 October 2007.

This document constitutes a prospectus for the purposes of Article 3 of the Prospectus Directive and has been prepared in accordance with the Belgian Law of 16 June 2006 on the public offering of securities and the admission of securities to be traded on a regulated market and with the Dutch Financial Markets Supervision Act and the rules promulgated thereunder. This Prospectus has been approved by both the Belgian Banking, Finance and Insurance Commission (*Commission bancaire, financière et des assurances/Commissie voor het Bank-, Financie- en Assurantiewezen*) (the "**CBFA**") and The Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) (the "**AFM**"), on 20 September 2007. The AFM has sent an approval certificate to the CBFA, and the CBFA has sent an approval certificate to the AFM, attesting that this Prospectus is in compliance with the Prospectus Directive in order to permit the offering of the Rights and the new Fortis Shares in Belgium and in The Netherlands, as well as their admission to trading on the regulated market of Euronext Brussels and on Eurolist by Euronext Amsterdam, respectively. Furthermore, the CBFA and the AFM have sent an approval certificate to the Supervisory Commission for the Financial Sector (*Commission de Surveillance du Secteur Financier*) in Luxembourg attesting that this Prospectus is in compliance with the Prospectus Directive in order to permit the offering of the Rights and the new Fortis Shares in Luxembourg, as well as their admission to trading on the EU regulated market of the Luxembourg Stock Exchange.

20 September 2007

Joint Global Coordinators and Joint Bookrunners

Merrill Lynch International   Fortis Bank

Joint Global Coordinators and Joint Bookrunners

Merrill Lynch International

Fortis Bank

Joint-Lead Managers

ING Wholesale Banking

Rabo Securities

Fox-Pitt Kelton
Cochran Caronia Waller
Financial Advisor to Fortis

Co-Lead Managers

Mediobanca Banca
di Credito Finanziario SpA

Santander Investment

Keefe, Bruyette & Woods

Co-Managers

Dresdner Kleinwort

CALYON

KBC

Petercam & Dexia

Bank Degroof

APPROVAL OF THE PROSPECTUS

On 20 September 2007, the CBFA and the AFM approved this Prospectus in accordance with the Belgian Law of 16 June 2006 on the public offering of securities and the admission of securities to be traded on a regulated market and the Dutch Financial Markets Supervision Act, respectively. This approval does not imply any opinion by the CBFA and the AFM of the suitability and the quality of the transaction or of the position of the persons who are making this Offering.

At the request of Fortis, the AFM has sent an approval certificate to the CBFA, and the CBFA has sent an approval certificate to the AFM, attesting that this Prospectus is in compliance with the Prospectus Directive in order to permit the offering of the Rights and the new Fortis Shares in Belgium and in The Netherlands, as well as their admission to trading on the regulated market of Euronext Brussels and on Eurolist by Euronext Amsterdam, respectively. Furthermore, the CBFA and the AFM have sent an approval certificate to the Supervisory Commission for the Financial Sector (*Commission de Surveillance du Secteur Financier*) in Luxembourg attesting that this Prospectus is in compliance with the Prospectus Directive in order to permit the offering of the Rights and the new Fortis Shares in Luxembourg, as well as their admission to trading on the EU regulated market of the Luxembourg Stock Exchange.

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The following documents are incorporated by reference in the Prospectus:

- The Fortis Annual Accounts 2004 (including the consolidated financial statements and the 2004 statutory auditors' report);
- The Fortis Financial Statements 2005 (including the consolidated financial statements and the 2005 statutory auditors' report);
- The Fortis Financial Statements 2006 (including the consolidated financial statements and the 2006 statutory auditors' report); and
- The Fortis Consolidated Interim Financial Statements for the first half year of 2007 (including the statutory auditors' review report).

AVAILABILITY OF THE PROSPECTUS

The Prospectus is available only in English. A summary of the Prospectus is available in Dutch and in French.

Subject to certain restrictions described in Section 8.3.14 of the Prospectus, copies of the Prospectus and the summary are available without charge, as from 25 September 2007:

- in Belgium, from Fortis Bank on the phone number 0800 90 301 (toll-free number);
- in The Netherlands, from Fortis Bank (Nederland) N.V. on the phone number (+31) 20 527 24 67 (toll number) or by sending an e-mail to prospectus@nl.fortis.com; and
- in Luxembourg, from Fortis Banque Luxembourg SA on the phone number (+352) 42 42 27 34 (toll number).

Subject to certain restrictions described in Section 8.3.14 of the Prospectus, the Prospectus and the summary may be viewed on the website of Fortis: www.fortis.com, as from 24 September 2007. The above-mentioned financial statements (including the auditors' reports) incorporated by reference in the Prospectus may also be viewed on the same website.

Moreover and subject to the same restrictions, copies of the Prospectus and the summary, as well as the financial statements incorporated by reference in the Prospectus, are available, without charge and for at least one year from the date of this Prospectus, at the following addresses, as from 25 September 2007:

- Fortis SA/NV: Rue Royale/Koningsstraat 20, 1000 Brussels, Belgium; and
- Fortis N.V.: Archimedeslaan 6, 3584 BA Utrecht, The Netherlands.

INFORMATION REGARDING ABN AMRO

The information about ABN AMRO presented in this Prospectus on pages 11 and 32 (Risks related to ABN AMRO and the ABN AMRO Businesses) and in Sections 3.3, 3.5, 3.6 and 3.9, including all ABN AMRO financial information on the pages and in the Sections referred to, is derived from publicly available information (essentially (i) the ABN AMRO Form 20-F as referred to on pages 11 and 32 of the Prospectus and (ii) the Current Reports on Form 6-K as referred to on page 32, both filed with or furnished to the SEC and available on the SEC website at www.sec.gov, and (iii) the ABN AMRO annual reports 2005 and 2006 as well as (iv) the ABN AMRO first half 2007 results, both available on the ABN AMRO website at www.abnamro.nl). The information derived from such reports has been accurately reproduced. Although Fortis has no knowledge that would indicate that any statements contained in this Prospectus based upon information contained in such reports are inaccurate, incomplete or untrue, Fortis was not involved in the preparation of such reports and, therefore, cannot verify the accuracy, completeness or truth of the information obtained from such reports or any failure by ABN AMRO to disclose events that may have occurred, but that are unknown to Fortis, that may affect the significance or accuracy of the information contained in such reports. However, Fortis is not aware, as far as it has been able to ascertain from information published by ABN AMRO in such reports, that any facts have been omitted which would render the reproduced information inaccurate or misleading. Such reports are not to be considered part of this Prospectus and are not incorporated by reference herein.

In addition, given that ABN AMRO does not disclose detailed financial information regarding the ABN AMRO Businesses to be acquired by Fortis (as defined below) and has provided Fortis only with limited access to ABN AMRO's accounting records, Fortis does not have the information necessary to verify certain adjustments and assumptions independently, and therefore was not able to verify such adjustments and assumptions, with respect to ABN AMRO's financial information in preparing the pro forma and combined financial information and synergy and cost saving information presented in this Prospectus. In particular, certain financial and other information with respect to the ABN AMRO Business Unit Netherlands in this Prospectus includes estimates based on ABN AMRO's 2005 publicly reported information as ABN AMRO did not report separate information at the same level of detail for this Business Unit in 2006. Any financial information regarding ABN AMRO that may be detrimental to Fortis (including information relating to the ABN AMRO Businesses Fortis plans to acquire after the completion of the transaction) and that has not been publicly disclosed by ABN AMRO, or misapprehensions in Fortis' estimates due to limited access to ABN AMRO, may have an adverse effect on the benefits Fortis expects to achieve in the transaction as well as result in material inaccuracies in the illustrative financial information and synergy and cost saving information included in this Prospectus. In addition, after the completion of the ABN AMRO Offer (as defined in Section 3 of the Prospectus), Fortis may be subject to liabilities of ABN AMRO of which it is currently not aware. These liabilities may have an adverse effect on Fortis' profitability, results of operations and financial position.

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*Fortis is not a legal entity but collectively refers to Fortis SA/NV and Fortis N.V. (the "**Issuers**") and the group of companies owned and/or controlled by Fortis SA/NV and Fortis N.V. In this Prospectus, "Fortis Group", "Fortis", "we", "us" and "our" refer to Fortis SA/NV, Fortis N.V. and the group of companies owned and/or controlled by Fortis SA/NV and Fortis N.V.*

Some figures in this Prospectus may not sum due to rounding. Some percentages in this Prospectus have been calculated using unrounded figures.

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SUMMARY

*This Section constitutes a summary of certain important information contained in this Prospectus. This summary should be read as an introduction to this Prospectus and any decision to invest in new Fortis Shares or to trade in the Rights should be based on a thorough review by the prospective investor of this Prospectus as a whole. No civil liability will attach to any person solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to information contained in this Prospectus is brought before a court in any state party to the European Economic Area (the "**EEA**") under the national legislation of the state of the EEA where the claim is brought, the plaintiff investor might, under the national legislation where the claim is brought, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.*

This summary highlights information contained elsewhere in this Prospectus. This summary is not complete and does not contain all of the information that may be important to you. You should read the entire Prospectus, including all of the financial statements and related notes, before making an investment decision.

Overview

Fortis is an international provider of banking and insurance services to personal, business and institutional customers through its own distribution channels and via intermediaries and other partners.

Fortis was created in 1990 when the activities of AG Group (the predecessor of Fortis SA/NV), a large Belgian insurer and AMEV/VSB (the predecessor of Fortis N.V.) combined their respective operations. AMEV, a large Dutch insurer, and VSB, a medium-sized Dutch savings bank, merged earlier that year. Fortis SA/NV and Fortis N.V. have remained separate legal entities. Since the merger, the operating businesses of Fortis have been managed together.

The Fortis Share, which was created after a unification process which was completed in December 2001, represents the twinned shares of Fortis SA/NV and Fortis N.V. The Fortis Share is listed on the regulated markets of Euronext Brussels and Eurolist by Euronext Amsterdam. Fortis also has a secondary listing on the EU regulated market of the Luxembourg Stock Exchange and a sponsored over-the-counter ADR programme in the United States.

In its home market, the Benelux, Fortis occupies a leading position in each of its principal business segments, banking and insurance. Fortis retail banking operations are a market leader in the Benelux – one of Europe's wealthiest areas. Building on that leadership position, Fortis has developed an integrated, European-wide network to serve its international client base. The same expertise it has developed in its home market is used to provide high net worth individuals, enterprises and entrepreneurs in other jurisdictions with advanced financial services tailored to their specific needs. Fortis also operates worldwide in selected activities, such as fund administration, trade finance, shipping finance, export and project finance and global markets.

With total assets of EUR 775.2 billion and shareholders' equity of EUR 20.6 billion at 31 December 2006 (at 30 June 2007 respectively EUR 917.7 billion and EUR 21.2 billion)[1], Fortis ranks among the 20 largest financial institutions in Europe based on market capitalisation[2]. With its sound solvency position, broad risk spread and the extensive expertise of its approximately 57,000 employees (full time equivalents) as of 31 December 2006 (approximately 61,000 at 30 June 2007), Fortis combines an international presence with local flexibility to provide strong support to its customers. As at 31 December 2006, Fortis core equity[3] was EUR 19,632 million and total capital[4] was EUR 31,780 million (at 30 June 2007, respectively EUR 21,031 million and EUR 34,686 million)[1], largely exceeding the minimum regulatory solvency requirements of Fortis (EUR 22,898 million at 31 December 2006 and EUR 25,946 million at 30 June 2007)[1].

Fortis Competitive Strengths

Fortis believes that there are certain characteristics that set it apart from its competitors in its core Benelux markets and which contribute generally to its strength. Fortis believes these characteristics will be reinforced by the acquisition of the ABN AMRO Businesses (as defined below) it could acquire in the pending consortium ABN AMRO Offer (as defined below), and intends to build upon them following the acquisition:

- A unique position in an attractive Benelux market, the fifth largest market for financial services in Europe[5].
- One of the largest banking and insurance financial institutions in the Benelux[6].
- Successful management of multiple distribution channels, including a unified cross-border distribution network focusing on medium-sized enterprises and delivering high levels of private banking services.
- Proven ability to create value through cross-border combinations of banking activities and a strong bancassurance operating model.
- Strong expertise in broker management.
- A strong track record in insurance joint ventures.
- Proven ability to develop profitable niches within its international banking business.
- Highly diversified portfolio of banking and insurance activities.
- Sound and disciplined cost management.
- High ratings and a strong solvency position.

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1 The figures at 30 June 2007 are unaudited.

2 Source: Bloomberg 31 December 2006.

3 Fortis core equity includes equity capital and reserves and required deductions from core equity. See also Section 5.2.2 regarding solvency.

4 Total capital includes equity capital, reserves and supplementary capital elements and required deductions from total capital. See also Section 5.2.2 regarding solvency.

5 Source: The Banker July 2007, based on total assets 2006.

6 Source: Assuralia (http://www.assuralia.be, section: cijfergegevens/chiffres utiles), year 2005 and Assurantie Magazine (AM *Jaarboek* 2006 based on DNB numbers) based on premium income 2005.

Fortis Strategic Direction

Mission

Fortis aims to be one of Europe's most dynamic and sustainable financial services brands by delivering specialised, innovative and pragmatic customer solutions across a network of channels and by leveraging its operational and entrepreneurial expertise. Fortis believes that the acquisition of the ABN AMRO Businesses (as defined below), if successful, will strongly support these aims.

Strategic Targets

- Strong focus on organic growth.
- Seize non-organic growth opportunities such as acquisitions and strategic partnerships in order to accelerate growth plans.
- Sharpened customer focus as key to sustainable and profitable growth.
- Continued intended commitment to increase non-Benelux net profit share to at least 30% by 2009 (21% in 2006).
- Continue to pursue efficient cost management.
- Strengthen and develop Fortis' position as a leading, Benelux-based financial services provider.

Main Elements of Fortis Growth Strategy

- Strengthen Fortis' competitive position in established markets or client/product segments by focusing on the customer and optimising cross-selling opportunities.
- Enhance support functions ("enablers") to increase efficiency and facilitate controlled growth.
- Roll out core competencies built in the Benelux to new markets.
- Accelerate growth through smart acquisitions.
- Concentrate on Europe while pursuing selective growth in Asia and North America.

ABN AMRO Offer

On 23 July 2007, RFS Holdings B.V. ("**RFS Holdings**"), a company formed by Fortis, the Royal Bank of Scotland Group plc ("**RBS**") and Banco Santander S.A. ("**Santander**" and together with Fortis and RBS, the "**Consortium Banks**") for the purpose of acquiring ABN AMRO, commenced an offer for all of the outstanding ordinary shares of ABN AMRO (the "**ABN AMRO Offer**"). The ABN AMRO Offer consideration payable by RFS Holdings in the aggregate amounts to approximately EUR 71.1 billion[7]. For each ABN AMRO ordinary share tendered, RFS Holdings will pay:

- EUR 35.60 in cash, without interest; and
- 0.296 newly issued RBS ordinary shares, nominal value £ 0.25 per share.

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[7] Based on undiluted number of shares of ABN AMRO as at 31 December 2006, a price of RBS shares of 568 p. at the close of business on 30 August 2007, as listed on the London Stock Exchange Daily Official List on 30 August 2007 and an exchange rate of EUR 1.00 per £ 0.6767 as published in the *Financial Times* on 30 August 2007. On a fully diluted basis, the ABN AMRO Offer consideration will amount to EUR 73 billion.

Under the terms of the Consortium and Shareholders' Agreement described in Section 3.8 of the Prospectus, Fortis will be required to fund to RFS Holdings with EUR 24 billion[8], 33.8% of the total consideration payable in the ABN AMRO Offer.

Fortis intends to finance its portion of the ABN AMRO Offer consideration as follows:

- EUR 2 billion from the sale on 11 July 2007 of Conditional Capital Exchangeable Notes exchangeable into Mandatory Convertible Securities;
- Up to EUR 13 billion from the proceeds of this Offering; and
- EUR 9.5 to 11.0 billion from the proceeds of proceeds of a combination of (i) the issue of other Tier 1 capital instruments (approximately EUR 3.0-5.0 billion); (ii) the sale of specific non-core assets (approximately EUR 2.5 billion); (iii) sale of shared assets of the Consortium (approximately EUR 2.0 billion); and (iv) securitisation and other similar transactions (approximately 2.0 billion).

  In this respect, Fortis announced on 12 July 2007 that already EUR 1.6 billion (sale price) of such an amount had been raised, representing a capital relief of EUR 1.2 billion due to the decrease in the risk weighted assets, by divesting various assets and shareholdings in European financial institutions. This amount includes the proceeds (EUR 980 million) from the sale by Fortis, announced on 11 July 2007, of its share in the joint venture CaiFor to its Spanish partner "la Caixa".

  Based on the price of RBS ordinary shares of 568p at the close of business on 30 August 2007, and using the same exchange rate, the value of the ABN AMRO Offer as at 30 August 2007 was EUR 38.08 per ABN AMRO share. Barclays plc ("**Barclays**") has made a competing offer for ABN AMRO consisting of 2.13 Barclays ordinary shares and EUR 13.15 in cash for each ABN AMRO share (the "**Barclays Offer**"). Based on the price of Barclays ordinary shares of 597.5p at the close of business on 30 August 2007, the value of the Barclays Offer as at 30 August 2007 was EUR 31.96 per ABN AMRO share (using an exchange rate of EUR 1.00 per £0.6767, as published in *The Financial Times* on 31 August 2007).

Plans for the ABN AMRO Businesses

Upon a successful completion of the ABN AMRO Offer, RFS Holdings will acquire ABN AMRO and ABN AMRO will be governed and reorganised as contemplated by the Consortium and Shareholders' Agreement among the Consortium Banks. Upon completion of the ABN AMRO Offer, it is expected that Fortis will hold shares in RFS Holdings that equal its proportionate funding commitment (33.8%) for the ABN AMRO Offer consideration and that the capital and income rights of shares issued to each of the Consortium Banks will be linked to the net assets and income of the respective ABN AMRO Businesses that each of them will acquire following the reorganisation of ABN AMRO. Following the reorganisation, Fortis will acquire:

- the ABN AMRO Business Unit Netherlands (excluding the former Dutch wholesale clients, Interbank, DMC Consumer Finance, as well as certain assets including Hollandsche Bank Unie N.V. proposed to be divested by Fortis following the acquisition of the ABN AMRO Businesses as described further in this summary and in the cautionary statement at the beginning of Section 3 of the Prospectus),
- the ABN AMRO Business Unit Private Clients globally,

[8] Based on undiluted number of shares of ABN AMRO. On a fully diluted basis, Fortis' share of the ABN AMRO Offer consideration will amount to approximately EUR 24.7 billion.

- the ABN AMRO Business Unit Asset Management globally, and
- the ABN AMRO brand name (collectively, the "**ABN AMRO Businesses**").

During the reorganisation period, the Consortium Banks, through their ownership in RFS Holdings, will retain a shared economic interest in all central functions (including Head Office functions) that provide support to ABN AMRO's Businesses. The Consortium Banks will also retain shared economic interests, through their ownership in RFS Holdings, in certain assets and liabilities of ABN AMRO which the Banks regard as non-strategic. These include ABN AMRO's private equity portfolio, its stakes in Capitalia and Saudi Hollandi, and Prime Bank. These are expected to be disposed of over a period of time with a view to maximising value.

Combination with the ABN AMRO Businesses

The following discussion is based on publicly available information regarding the ABN AMRO Businesses and estimates and assumptions regarding the synergies, cost savings and business growth opportunities Fortis expects to achieve following the completion of the acquisition of the ABN AMRO Businesses as well as assumptions regarding the comparability of Fortis and ABN AMRO information. There can be no assurance as to the accuracy, completeness or truth of the ABN AMRO information or the estimates and assumptions upon which these synergies, cost savings and business growth opportunities are based. In addition, actual synergies, cost savings and business growth may differ from those that Fortis expects to achieve. In particular, certain financial and other information with respect to the ABN AMRO Business Unit Netherlands in this Prospectus includes estimates based on ABN AMRO's 2005 publicly reported information as ABN AMRO did not report separate information at the same level of detail for this Business Unit in 2006. In addition, there can be no assurance that Fortis will be able to successfully implement the strategic or operational initiatives that are intended or that the combined information presented is an indication of future results. See also "Information Regarding ABN AMRO", "Risk Factors" and "Forward-Looking Statements".

*The following discussion is further based on certain assumptions in respect of the outcome of discussions with the European Commission on certain divestment measures proposed to be implemented by Fortis following the acquisition of the ABN AMRO Businesses (the "**Proposed Divestment**"), as further described in the Cautionary Statement to Section 3 of the Prospectus.*

The successful combination of Fortis and the ABN AMRO Businesses is expected to create a top European financial institution. Based on pro forma 2006 published data, the combined businesses would have more than 80,000 employees worldwide, more than 10 million customers in the Benelux alone, revenues of EUR 16.4 billion, total net profit of more than EUR 5.5 billion (which is among the top five in the Euro area), 2,500 retail branches and 145 business centres across Europe.

The combination resulting from Fortis and the ABN AMRO Businesses will enjoy pre-eminent positions in all major market segments in the Benelux.

- *Leading positions in The Netherlands*[9]*.* This transaction is truly transformational and a unique opportunity for Fortis to cement its position as a leading financial institution in The Netherlands. The new combined group is expected to occupy a leading position in Retail Banking (No. 3 based on retail banking assets and main bank relationships), Commercial Banking (No. 1 based on number of main bank relationships) and Private Banking (No. 1 based on assets under management). Based on 2006 data, the combined businesses would have had total revenues of EUR 5.12 billion and net profit of EUR 1.027 billion in The Netherlands.

- *A Leading European Private Bank*[10]*.* Fortis and ABN AMRO's combined private bank would be the third largest European private bank with more than EUR 200 billion in assets under management ("**AuM**") globally, based on 2006 data. With one integrated network and a large European and Asian footprint, the combined private bank will be positioned to be the service provider of choice for high net worth clients and ultra high net worth clients, based on a dedicated, broad and differentiated service offering. Based on pro forma 2006 data, the combined private banking businesses would have had total revenues of EUR 2,092 million and net profit of EUR 456 million.

- *Top-tier Asset Management*[11]*.* The combined businesses would also be a top-tier European asset manager, with more than EUR 300 billion in AuM globally based on 2006 data making it the twelfth largest in Europe. The combined asset management business is expected to benefit from a larger geographic footprint and enhanced offering to third-party distributors, leveraging on a wide, innovative and well-performing product range. The combined product range is anticipated to reach top quartile position across many asset classes and achieve scale in core growth products. Based on 2006 data, the combined asset management businesses would have had total revenues of EUR 1,092 million and net profit of EUR 236 million.

Fortis believes that the acquisition will allow it to accelerate its strategy to become one of Europe's most dynamic and sustainable financial services providers, helping it to grow its businesses in "Enlarged Europe", and selectively in Asia and North America.

In addition, Fortis believes that its acquisition of the ABN AMRO Businesses will create substantial synergies. The expected pre-tax synergies are estimated at EUR 1.3 billion, 87% on the cost savings side and 13% on the revenue benefit side. Fortis expects that these synergies will be realised in stages, approximately 30% in 2008, another 40% in 2009 and the remaining 30% in 2010.

Fortis intends to integrate the ABN AMRO Businesses over a 36-month period, focusing on, amongst others, the identification and mitigation of all relevant integration risks. During the integration process, Fortis will focus on ensuring minimal disruption for clients. Fortis expects the total integration costs to be EUR 1.54 billion.

The following table sets out the benefits that Fortis expects to gain within three years of completion of the transaction as a result of the integration of the ABN AMRO Businesses. For further information about the plans, proposals, estimates and assumptions of Fortis for achieving these benefits, see Sections 3.1 and 3.2 of the Prospectus.

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9 Source: Greenwich Associate 2007 based on, amongst others, Credit impact on Domestic and Overall International Cash Management Relationships (2006) and Overall Relationship Performance (2006) (Greenwich Quality Index Score), *TOF (Totaal Onderzoek Financiële Diensten) Particulier* 2006 (2-yearly survey on the retail banking sector in The Netherlands) based on consumer credits, customer cards, investment funds, mortgages, etc., all cross-checked against the overall market data available in reports by the DNB on the Dutch market and in annual accounts.

10 Source: Publicly available information: annual accounts 2006.

11 Source: Global Investor Magazine based on total third party assets under management 2006.

Figures before tax	Estimated cost savings per annum by end of 2010	Estimated revenue synergies per annum by end of 2010
	(EUR million)	
Dutch Retail Business[12] …………..	295-300	45-50
Dutch Commercial Business[13] …..	80-85	5-10
Private Banking………………....	160	43
Asset Management ……………..	145	15
Central Functions ………………	414	54
Total……………………………...	**1,094-1,104**	**162-172**

Allowing for the acquisition of the ABN AMRO Businesses, Fortis Bank's Tier 1 capital ratio is expected to evolve close to 6.7% after the successful completion of the reorganisation of ABN AMRO. After the acquisition, Fortis intends to maintain its previously announced solvency target (i.e. Tier 1 capital ratio at 7%). This projection considers that the acquisition, the financing, the reorganisation and the separation of the ABN AMRO Businesses, the sale of non-core assets and other capital relief transactions are fully executed. After the successful completion of the reorganisation of ABN AMRO and in a situation of full consolidation, the total goodwill will be deducted from Tier 1 capital.

Based on Fortis' forecasts for business growth and transaction benefits, the acquisition is expected to lead to a 2.7%[13] accretion in cash earnings per share in 2010[14] and to produce a return on investment on a cash basis of 11.1% in 2010[15]. The foregoing is based on the assumption that the proceeds of the Proposed Divestment will be used to reduce the core capital as appropriate. These calculations take into account the capital requirements of the organic growth plan for the 2006-2011 period and were calculated on the basis of the current solvency framework (Basel II and Solvency II were not taken into account).

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12 Taking into account the impact of the Proposed Divestment.

13 This percentage is based on a Fortis Share price at the close of the relevant stock exchanges on 19 September 2007, is computed compared to the analyst consensus and is based on the assumption that the proceeds of the Proposed Divestment will be used to reduce the core capital as appropriate.

14 Adjusted for purchased intangibles amortisation.

15 Represents profit after tax, plus post-tax transaction benefits divided by the consideration paid plus post-tax integration costs.

SELECTED FINANCIAL DATA

Key figures consolidated income statement of Fortis, prepared in accordance with International Financial Reporting Standards (IFRS) and as extracted from the Fortis Financial Statements 2006 and the Fortis Consolidated Interim Financial Statements for the first half year of 2007, incorporated by reference in this Prospectus

	First Half-year Ended 30 June		Year Ended 31 December		
	2007	**2006**	**2006**	**2005**	**2004**
			(EUR million)		
Banking					
Total income net	5,812	5,632	10,324	8,991	6,732
Change in impairments	(36)	(50)	(158)	(209)	(208)
Total expenses	(3,393)	(3,007)	(6,315)	(5,603)	(5,344)
Profit before taxation	**2,383**	**2,575**	**3,851**	**3,179**	**1,180**
Insurance					
Total income	12,198	8,914	21,629	21,162	17,457
Total expenses	(11,300)	(8,015)	(19,778)	(19,430)	(15,806)
Profit before taxation	**898**	**899**	**1,851**	**1,732**	**1,651**
General (including eliminations)					
Profit before taxation	**(73)**	**(75)**	**(259)**	**239**	**58**
Consolidated profit before taxation	**3,208**	**3,399**	**5,443**	**5,150**	**2,889**
Income tax expense	(414)	(674)	(1,030)	(1,164)	(510)
Net gain (loss) on discontinued operations[16]	36	30	-	-	-
Net profit attributable to minority shareholders	(48)	(37)	(62)	(45)	(26)
Net profit attributable to shareholders	**2,782**	**2,718**	**4,351**	**3,941**	**2,353**
Basic earnings per Fortis Share (EUR)	**2.15**	**2.11**	**3.38**	**3.07**	**1.84**

[16] As mentioned in the Fortis Financial Statements 2006, the net gains (or losses) on discontinued operations for the years 2004, 2005 and 2006 are not reported in this table. The gains amount, for the years 2004, 2005 and 2006 respectively, to EUR 61 million, EUR 60 million and EUR 57 million. These gains relate to the participation in the joint venture CaiFor (see Section 2.2.4 of the Prospectus).

Key figures consolidated balance sheet of Fortis, prepared in accordance with International Financial Reporting Standards (IFRS) and as extracted from the Fortis Financial Statements 2006 and the Fortis Consolidated Interim Financial Statements for the first half year of 2007, incorporated by reference in this Prospectus

	First Half year Ended 30 June 2007	**Year Ended 31 December**		
		2006	**2005**	**2004**
	(EUR million)			
Total assets	917,653	775,229	728,994	614,085
Due from customers	322,610	286,459	280,759	227,834
Investments	194,519	202,434	193,069	166,168
Due to customers	267,947	259,258	259,064	224,583
Liabilities arising from insurance contracts	94,705	88,920	82,260	65,973
Shareholders' equity	21,228	20,644	18,929	15,337
Assets under management[17]	434,887	421,817	383,230	307,032

[17] Assets under management as reported in the Fortis Financial Statements 2006 include investments for own account, amounting to EUR 202,434 million in 2006, EUR 193,069 million in 2005 and EUR 166,168 million in 2004. At 30 June 2007, the investments for own account amounted to EUR 194,519 million.

SUMMARY OF RISK FACTORS

Investing in the Rights, the Scrips and the Fortis Shares involves risks relating to Fortis and the financial services industry generally, the proposed acquisition and the Offer. These risks could materially affect our business, results of operations or financial condition and cause the value of the securities offered hereunder to decline. You could lose all or part of your investment.

Investors should read carefully the risk factors below. These risk factors are described more fully in "Risk Factors" beginning on page 22.

1. Risks relating to Fortis and the financial services industry

- As part of the financial services industry, we face substantial competitive pressures which could adversely affect our results of operations.
- Market conditions can adversely affect our results.
- Securities market volatility or downturns can adversely affect our banking, asset management and insurance activities.
- Volatility in interest rates may adversely affect our insurance, banking and asset management businesses.
- Asset illiquidity can adversely affect our business.
- Our risk management methods may leave us exposed to unidentified, unanticipated or incorrectly quantified risks, which could lead to material losses or material increases in liabilities.
- While we manage our operational risks, these risks remain an inherent part of all of our businesses.
- Our insurance business is subject to risks concerning the adequacy of our liabilities to cover future losses and benefits.
- We have significant counterparty risk exposure.
- Catastrophic events, terrorist attacks and other acts of war could have a negative impact on our business and results.
- Our results of operations can be adversely affected by significant adverse regulatory developments, including changes in tax laws.
- Our business is sensitive to changes in governmental policies and international economic conditions that could limit our operating flexibility and reduce our profitability.
- Litigation may adversely affect our business, financial condition and results of operations.

2. Risks relating to the ABN AMRO Offer

- If the ABN AMRO Offer is not completed, the net proceeds of the Offering may be distributed to Fortis shareholders at a future time.
- The uncertainties about the effects of the ABN AMRO Offer and any competing offers could materially and adversely affect the businesses and operations of ABN AMRO to be acquired by Fortis.

- We may fail to realise the anticipated business growth opportunities, synergies and other benefits anticipated from the transaction and our results of operations, financial condition and the price of our ordinary shares may suffer.
- The complex nature of the reorganisation plan and the level of cooperation required among the Consortium Banks could have adverse consequences on the transaction and our ability to realise benefits therefrom.
- Obtaining required regulatory approvals may delay completion of the ABN AMRO Offer, and compliance with conditions and obligations imposed in connection with regulatory approvals could adversely affect Fortis and the ABN AMRO Businesses.
- We have conducted a limited due diligence review of ABN AMRO and therefore Fortis may become subject to unknown liabilities of ABN AMRO, in particular, with respect to the ABN AMRO Businesses, which may have an adverse effect on Fortis' financial condition and results of operations.
- Consummation of the ABN AMRO Offer may result in adverse tax consequences resulting from a change of ownership of ABN AMRO.
- Change of control provisions in ABN AMRO's agreements may be triggered upon the completion of the ABN AMRO Offer, upon RFS Holdings' acquisition of 100% of ABN AMRO or upon the completion of the reorganisation, and may lead to adverse consequences for Fortis, including the loss of significant contractual rights and benefits, the termination of joint venture and/or licensing agreements or the requirement to repay outstanding indebtedness.
- Fortis will incur substantial transaction and offer-related costs in connection with the ABN AMRO Offer and the reorganisation of ABN AMRO.
- You may not be able to effectively compare our future financial statements to our historical financial statements or those of ABN AMRO.

3. Risks related to ABN AMRO and the ABN AMRO Businesses

The following risk factors are taken directly as drafted in ABN AMRO's Annual Report on Form 20-F, as filed with the SEC on 2 April 2007 (the "ABN AMRO Form 20-F"). Although Fortis has no knowledge that would indicate that any of these risk factors are inaccurate, incomplete or untrue, Fortis was not involved in the preparation of such risk factors and, therefore, cannot verify the accuracy, completeness or truth of such risk factors or any failure by ABN AMRO to disclose any other risk factors which may be material to ABN AMRO or the ABN AMRO Businesses. For purposes of the risk factors included in this paragraph 3 and the related risk factors included in paragraph 3 of the "Risk Factors" Section beginning on page 32 of this Prospectus only, the terms "we" and "our" refer to ABN AMRO Holding N.V. and its consolidated subsidiaries.

- *Our results can be adversely affected by general economic conditions and other business conditions.*
- *Changes in interest rate and foreign exchange rates may adversely affect our results.*
- *Our performance is subject to substantial competitive pressures that could adversely affect our results of operations.*
- *Regulatory changes or enforcement initiatives could adversely affect our business.*

- *There is operational risk associated with our industry which, when realised, may have an adverse impact on our results.*
- *We are subject to credit, market and liquidity risk, which may have an adverse effect on our credit ratings and our cost of funds.*
- *Systemic risk could adversely affect our business.*
- *Increases in our allowances for loan losses may have an adverse effect on our results.*
- *We depend on the accuracy and completeness of information about customers and counterparties.*
- *We are subject to legal risk, which may have an adverse impact on our results.*

4. Risks relating to this Offering

- The market price of the Fortis Shares may be volatile.
- You may not be able to participate in future equity offerings.
- Shareholders in countries with currencies other than the Euro face additional investment risk from currency exchange rate fluctuations in connection with their holding of Fortis Shares.
- It may be difficult for investors outside Belgium or The Netherlands to serve process on or enforce foreign judgments against us in connection with this Offering.
- Failure to exercise your Rights after the closing of each relevant stock exchange on the last day of the Right Subscription Period will result in your Rights becoming null and void and will result in dilution of your percentage ownership of our Fortis Shares.
- We cannot assure you that a trading market will develop for the Rights and, if a market does develop, the market price for the Rights may be subject to greater volatility than the market price for Fortis Shares.
- The issue of certain new Fortis Shares to Merrill Lynch International and the Managers (as defined below) pursuant to the Underwriting Agreement (as defined below) may be deferred as a result of regulatory constraints and an alternative funding of part of the ABN AMRO Offer may be required.

SUMMARY OF THE MAIN TERMS OF THE OFFERING AND RELATED INFORMATION

Indicative timetable[18]

20 September 2007	T-2	Decision to increase the capital by the Boards of Directors of the Issuers, including the number of new Fortis Shares to be offered, the Issue Price and the Ratio
21 September 2007	T-1	Press release on number of new Fortis Shares to be offered, Issue Price and Ratio
22 September 2007	T	Publication in the Financial Press (as defined below) of number of new Fortis Shares to be offered, Issue Price and Ratio
24 September 2007	T+2	Availability of Prospectus on Fortis website: www.fortis.com
25 September 2007	T+3	Availability of copies of Prospectus Opening of Right Subscription Period
9 October 2007	T+17	End of Right Subscription Period
11 October 2007	T+19	Press release on results of Right Offering Scrip Offering Period
13 October 2007	T+21	Publication in the Financial Press (as defined below) of results of Offering and amount due to holders of unexercised Rights
15 October 2007	T+23	Payment of new Fortis Shares subscribed with Rights and with Scrips Realisation of capital increase in relation to Right Offering and Scrip Offering Listing and delivery to subscribers of new Fortis Shares subscribed with Rights and with Scrips

Use of proceeds

Fortis will use the proceeds of the Offering to finance part of the consideration payable by RFS Holdings in connection with the ABN AMRO Offer.

Pending the application of the proceeds to fund the ABN AMRO Offer, Fortis intends to invest the net proceeds of the Offering in monetary instruments.

If the conditions to the ABN AMRO Offer are not satisfied or the ABN AMRO Offer is otherwise withdrawn, RFS Holdings will not be required to complete the ABN AMRO Offer and Fortis will not be required to fund its portion of the consideration therefor. In the event the Offering is completed but the ABN AMRO Offer is not consummated, Fortis intends to distribute the net proceeds of the Offering to the Fortis shareholders. To that end, the Boards of Directors of the Issuers will convene an Extraordinary General Meeting of Shareholders as soon as reasonably possible, which will decide on a capital decrease in order to return such net proceeds to all Fortis shareholders. The return of capital will be paid to the shareholders of Fortis as of the applicable record date for the distribution as so determined by the Boards of Directors of Fortis SA/NV and Fortis N.V. Persons who have participated in this Offering will not be

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18 "T" refers to calendar days.

entitled to any amounts distributed by Fortis in the event of a return of capital to the extent they are not shareholders of Fortis as of the record date for the distribution. Fortis intends to proceed with such a return in a tax-efficient manner but cannot guarantee that certain Fortis shareholders, or all of them, will not suffer adverse tax consequences.

Please see Section 8.2 of the Prospectus for a discussion of the potential tax consequences of a return of capital.

Number of new Fortis Shares to be issued	Up to 1,076,000,000 new Fortis Shares, together with the same number of Fortis SA/NV VVPR Strips. The exact number of new Fortis Shares to be issued will be decided by the Boards of Directors of the Issuers on 20 September 2007, announced by press release on or around 21 September 2007 and published on or around 22 September 2007 (i) in Belgium, in *L'Echo* and *De Tijd*, (ii) in The Netherlands, in a Dutch national daily newspaper and the Euronext Amsterdam Daily Official List (*Officiële Prijscourant*) and (iii) in Luxembourg, in *D'Wort*, as well as in any other additional newspapers in such countries that Fortis may determine (the "**Financial Press**"). Each new Fortis Share will be accompanied by one Fortis SA/NV VVPR Strip issued by Fortis SA/NV. Fortis SA/NV VVPR Strips enable their holders, if eligible, to benefit from a reduced Belgian withholding tax.
Percentage of capital and rights to vote represented by new Fortis Shares	The issue of a maximum of 1,076,000,000 new Fortis SA/NV Shares will represent a maximum of 44.45% of the share capital and voting rights of Fortis SA/NV on 30 June 2007. Similarly, the issue of a maximum of 1,076,000,000 new Fortis N.V. Shares will represent a maximum of 44.45% of the share capital and voting rights of Fortis N.V. on 30 June 2007.
Issue Price	The Issue Price will be determined by the Boards of Directors of the Issuers prior to the opening of the Offering based on the prices of the Fortis Share as quoted on the regulated market of Euronext Brussels, on Eurolist by Euronext Amsterdam and on the EU regulated market of the Luxembourg Stock Exchange, to which a discount will be applied as is usual for such transactions. The level of discount will be determined in accordance with market practice, depending on market conditions prevailing at the time and taking into account the recent performance of the Fortis Share on the relevant stock exchanges. The Issue Price is expected to be announced by press release on or around 21 September 2007 and will be published in the Financial Press on or around 22 September 2007. The Issue Price will be contributed to Fortis SA/NV and Fortis N.V. in equal amounts.
Ratio	The Ratio, in which an Eligible Person against payment of the Issue Price, will have the right to subscribe to new Fortis Shares for each certain number of Rights held, will be announced in the same manner as the Issue Price.
Form of new Fortis Shares	The subscribers have the choice of receiving the new Fortis Shares and the Fortis SA/NV VVPR Strips in the form of registered securities, bearer securities recorded in an account with a financial intermediary or physical bearer securities in denominations of 1, 10, 100, 500 and 1,000 securities. Subscribers are invited to enquire about the costs that their intermediaries may charge for the physical delivery of such securities, provided in the latter case that applicable law allows subscribers residing in countries other than Belgium, The Netherlands and Luxembourg to receive physical bearer shares.

Ranking and dividends

The new Fortis Shares issued in the Offering will, upon issue, rank equally in all respects with the currently outstanding Fortis Shares and will be eligible for any dividends which Fortis may declare on Fortis Shares in the future, except that they will not be entitled to the interim dividend decided on 8 August 2007 and paid by Fortis on 6 September 2007 (see Section 8.1.3 of the Prospectus).

Offering procedure

Right Offering

Subject to restrictions due to applicable securities laws (see Section 8.3.14 of the Prospectus and as described below), existing shareholders as at the closing of each relevant stock exchange on 24 September 2007 and persons that have acquired Rights during the Right Subscription Period will have a non-statutory preference right to subscribe to the new Fortis Shares.

The Rights, represented by coupon No. 40 of the Fortis Shares, will be separated from the underlying Fortis Shares on 24 September 2007 after the closing of each relevant stock exchange and will be negotiable on the regulated market of Euronext Brussels, on Eurolist by Euronext Amsterdam and on the EU regulated market of the Luxembourg Stock Exchange during the entire Right Subscription Period.

Any sale of Fortis Shares prior to the closing of each relevant stock exchange on 24 September 2007 and to be settled on or after 25 September 2007 will be settled "cum Rights" and any Fortis Shares sold after the closing of each relevant stock exchange on 24 September 2007 will be sold and settled "ex Rights". The Right Subscription Period will open from 25 September 2007 to 9 October 2007 inclusive, as mentioned below.

Subject to restrictions due to applicable securities laws (see Section 8.3.14 of the Prospectus and as described below), existing shareholders, whose holding of Fortis SA/NV Shares is registered in the share register of Fortis SA/NV or whose holding of Fortis N.V. Shares is registered in the share register of Fortis N.V., will receive, at the address indicated in the relevant share register, letters informing them of the aggregate number of Rights to which they are entitled and of the procedures that they must follow to exercise or trade their Rights.

Existing shareholders whose holding of Fortis Shares is held in a securities account will in principle be informed by their financial institution of the procedure that they must follow to exercise or trade their Rights.

Existing shareholders holding physical bearer Fortis Shares can participate in the Right Offering by submitting their Rights, represented by the physical coupon No. 40, at the counters of the financial institution of their choice. For the purpose of the acceptance of such physical coupons, existing shareholders, submitting these coupons at the counters of a financial institution, may be requested to open a current account and/or a securities account, if such an account has not already been opened. Shareholders are advised to request details of the possible costs.

To subscribe to new Fortis Shares, shareholders will be required to certify either that they are outside the United States or qualified institutional buyers ("**QIBs**") (as defined in Rule 144A under the U.S. Securities Act), and QIBs will be required to complete the investor representation letter provided in Annex A herewith.

Subject to restrictions due to applicable securities laws (see Section 8.3.14 of the Prospectus and as described below), Fortis shareholders or transferees of Rights who do not hold the exact number of Rights to subscribe to a round number of new Fortis Shares may elect, during the Right Subscription Period, either to purchase additional Rights in order to acquire additional new Fortis Shares or to transfer or sell their Rights. However, holders of registered Fortis Shares residing in countries other than Belgium and Luxembourg may not proceed with such a purchase, transfer or sale, except for holders of Fortis Shares issued under the Fortis stock option plans described in Section 6.4.2 of the Prospectus residing in The Netherlands who may transfer or sell their Rights (but not purchase additional Rights to be combined with the Rights they are entitled to in their capacity of holder of registered Fortis Shares).

Rights can no longer be exercised after 9 October 2007, the last day of the Right Subscription Period.

Scrip Offering

The Rights that are not exercised at the time of the closing of the Right Subscription Period will correspond to an equal number of Scrips.

After the Right Subscription Period has ended, the Joint Global Coordinators will, subject to the terms and conditions of the Underwriting Agreement and this Prospectus, commence the sale pursuant to this Prospectus by way of a private placement, (i) in the European Economic Area and in Switzerland, only to qualified investors (as defined respectively, in the Prospectus Directive and in the Swiss Federal Act on Collective Capital Investments) and, (ii) in the United States, to QIBs, of the Scrips in the framework of an accelerated bookbuilding procedure. Through such a procedure, the Joint Global Coordinators will build a book of demand to find a single market-clearing price for the Scrips. The number of Scrips offered in the Scrip Offering will be equal to the number of Rights that have not been exercised at the closing of the Right Subscription Period.

Investors that acquire such Scrips irrevocably commit to subscribe at the Issue Price to the number of new Fortis Shares corresponding to the Scrips acquired by them and in accordance with the Ratio. The Scrip Offering will start on 11 October 2007 and will end on the same day.

If the aggregate proceeds for the Scrips offered and sold in the Scrip Offering, and for the new Fortis Shares issued or to be issued pursuant to the Scrip Offering, after deduction of any expenses relating to procuring such subscribers (including any value added tax), exceed the aggregate Issue Price for the new Fortis Shares issued or to be issued pursuant to the Scrip Offering (such an amount, the "**Excess Amount**"), each holder of a Right that was not exercised at the last day of the Right Subscription Period will be entitled to receive, except as noted below, a part of the Excess Amount in cash proportional to the number of unexercised Rights held by such holders at the last day of the Right Subscription Period (rounded down to a whole eurocent per unexercised Right) (the "**Unexercised Rights Payment**"). If the Excess Amount divided by the total number of unexercised Rights is less than EUR 0.01, the holders of any unexercised Rights are not entitled to receive an Unexercised Rights Payment and, instead, any Excess Amount will be transferred to Fortis SA/NV and Fortis N.V. The amount of the Excess Amount will be published in the Financial Press, on or around 13 October 2007.

If the Issuers have announced that an Excess Amount is available for distribution to holders of unexercised Rights and such holders have not received payment thereof within a reasonable time following the closing of the Scrip Offering, they should contact their financial intermediary, except for registered Fortis shareholders who should contact Fortis.

The Scrip Offering will only take place if not all of the Rights have been exercised during the Right Subscription Period. Neither the Issuers, the Collecting Agents, nor the Joint Global Coordinators, the Joint-Lead Managers, the Co-Lead Managers, the Co-Managers nor any other person procuring a sale of the Scrips, will be responsible for any lack of Excess Amount arising from any sale of the Scrips in the Scrip Offering.

Category of potential investors

Since the Offering will be carried out by the granting of a non-statutory preference right to subscribe to new Fortis Shares to the existing Fortis shareholders, Rights will be allocated to all the shareholders of Fortis, subject to applicable securities laws (see Section 8.3.14 of the Prospectus) and except that no Rights will be granted to Fortis SA/NV and Fortis N.V. in respect of their own Fortis Shares. Both the initial holders of the Rights and any transferees of Rights, as well as the qualified investors or QIBs that may purchase Scrips in the Scrip Offering, may subscribe to the new Fortis Shares, subject to the applicable securities laws referred to above.

In accordance with Article 501 of the Belgian Companies Code, certain holders of subscription rights (*droits de souscription/warrants*) issued under the Fortis stock option plans, each giving the right to subscribe to one new Fortis Share, have a right of (early) exercise of their subscription rights. Such a right allows them to exercise or sell the Rights attached to the Fortis Shares resulting from the exercise of such subscription rights, subject to the same restrictions that may apply to existing shareholders in jurisdictions outside Belgium, The Netherlands and Luxembourg. The Issuers have informed the holders of subscription rights accordingly.

Exercise of Rights and participation in the Scrip Offering will be reserved for qualified investors in the European Economic Area and in Switzerland and to QIBs in the United States.

Right Subscription Period

The Right Subscription Period will open from 25 September 2007 to 9 October 2007 inclusive. Application has been made to have the Rights listed and traded on the regulated market of Euronext Brussels, on Eurolist by Euronext Amsterdam and on the EU regulated market of the Luxembourg Stock Exchange during the Right Subscription Period.

Scrip Offering Period

The Scrip Offering Period will start on 11 October 2007 and will end on the same day.

Admission to trading

Fortis has requested admission to trading of up to 1,076,000,000 new Fortis Shares issuable in the Offering on the regulated market of Euronext Brussels, on Eurolist by Euronext Amsterdam and on the EU regulated market of the Luxembourg Stock Exchange and of up to 1,076,000,000 new Fortis SA/NV VVPR Strips on the regulated market of Euronext Brussels. These admissions to trading are expected to take place on or around 15 October 2007, subject to the restrictions set out in Section 8.3.15 of the Prospectus and as described below in connection with the Underwriting Agreement (as defined below).

Settlement	For the issuance of new Fortis Shares issued upon exercise of Rights, settlement will occur by debit of the subscriber's account with value on 15 October 2007 or around such a date. For the issuance of new Fortis Shares issued as a result of the Scrip Offering, settlement will occur by delivery against payment.
Codes for the Rights	ISIN: BE0099992829. Amsterdam security code (*Fondscode*): 603404. Common Code: 032227198. Trading symbol Euronext Brussels: FOR40. Trading symbol Euronext Amsterdam: FOA40. Trading symbol Luxembourg Stock Exchange:FOL40.
Codes for Fortis Shares (including new Fortis Shares)	ISIN: BE0003801181. Amsterdam security code (*Fondscode*): 30086. Common Code: 013906548. Trading symbol Euronext Brussels: FORBBB. Trading symbol Euronext Amsterdam: FORANA. Trading symbol Luxembourg Stock Exchange: FORLX.
Collecting Agents	Fortis Bank, Fortis Bank (Nederland) N.V. and Fortis Banque Luxembourg SA will act as collecting agents to accept, free of charge (with the exception of costs for the acceptance of physical bearer Fortis Shares), subscriptions to new Fortis Shares through the exercise of the Rights. The financial intermediaries through which the subscribers hold their Rights will be responsible for collecting exercise instructions from them and for informing the Collecting Agents of their exercise instructions. Shareholders should request details of the costs that these financial intermediaries may charge.
Intention to subscribe	No major shareholder of either of the Issuers has irrevocably agreed with Fortis to exercise part or all of its Rights.
Underwriting	We will enter into an underwriting agreement (the "**Underwriting Agreement**") with Merrill Lynch International acting as representative for the several managers of the Offering (collectively, the "**Managers**"), before the opening of the Right Subscription Period. Pursuant to the terms and subject to the satisfaction of the conditions of the Underwriting Agreement, the Managers will severally agree to underwrite the Offering. The Managers will agree to procure subscribers and payment for, or to subscribe and pay for, all new Fortis Shares offered in this Offering, subject to the satisfaction of the conditions of the Underwriting Agreement. The Underwriting Agreement entitles Merrill Lynch International acting on behalf of the several Managers, to terminate the Underwriting Agreement in certain limited circumstances.

The Underwriting Agreement will also provide that the Managers will not be obliged to subscribe to new Fortis Shares offered in the Scrip Offering if their underwriting commitment would result in the Managers holding a shareholding in Fortis in excess of 4.99% basis on a fully diluted without having obtained prior approval or consent from regulatory authorities in a significant number of jurisdictions where the Fortis Group conducts banking and/or insurance operations. In the event that the subscription of the Managers would be so restricted, Merrill Lynch International will seek to obtain the relevant regulatory approvals or consents as soon as possible after the Scrip Offering Period, and the Managers will lend to Fortis for three months (subject to extension for subsequent periods of three months with a maximum of twelve months after prior approval of the CBFA), an amount equal to the Issue Price of the unsubscribed new Fortis Shares. These new Fortis Shares will be subscribed by the Managers in one or more times at the latest twelve months after the realisation of the capital increase of Fortis resulting from the Scrip Offering expected to take place on or around 15 October 2007. Fortis intends to request CBFA's approval to treat the loan as Tier 1.

The entering into the Underwriting Agreement will be published, together with the number of new Fortis Shares to be offered, the Issue Price and the Ratio, in the Financial Press on or around 22 September 2007, after such a publication has been approved by the CBFA and the AFM under Article 34 of the Belgian Law of 16 June 2006 on the public offering of securities and the admission of securities to be traded on a regulated market and under Article 5:9(1) of the Financial Markets Supervision Act, respectively.

Stabilisation - Interventions on the market

Pursuant to the terms of the Underwriting Agreement, Merrill Lynch International or any of its agents can intervene in order to support the trading price of the Fortis Shares or the Rights on the regulated market of Euronext Brussels, on Eurolist by Euronext Amsterdam and on the EU regulated market of the Luxembourg Stock Exchange at a level higher than that which might otherwise prevail. However, there is no assurance that such interventions will take place and they may be discontinued at any time.

These interventions may be carried out from 25 September 2007 until 30 calendar days after the date of announcement of the results of the Offering, such an announcement expected to be made on or around 13 October 2007.

If these interventions are carried out, they will respect market integrity and comply with the Belgian Law of 2 August 2002 on the supervision of the financial sector and financial services, with the Dutch Financial Markets Supervision Act and with Commission Regulation 2273/2003 implementing the EU Directive 2003/06/EC of 28 January 2003 on insider dealing and market manipulation as regards exemptions for buy-back programmes and stabilisation of financial instruments, and with the implementing rules of these provisions.

Paying Agents

The Paying Agents for the Fortis Shares are Fortis Bank and Fortis Bank (Nederland) N.V. and provide their financial service free of charge for Fortis Shares.

Proceeds from the Offering	The gross and net proceeds of the Offering are expected to be published in the Financial Press on or around 13 October 2007. The expenses related to the Offering are estimated at up to EUR 240 million and include, among others, the fees due to the CBFA and AFM, Euronext Brussels, Euronext Amsterdam and the Luxembourg Stock Exchange, the compensation of the Joint Global Coordinators, the Joint-Lead Managers, the Co-Lead Managers, the Co-Managers and legal and administrative expenses, as well as publication costs.

ADDITIONAL INFORMATION

Publicly available documents

Documents related to Fortis that are available to the public (articles of association, reports, corporate governance statement, written communications, financial statements and historical financial information of the Issuers for each of the three financial years preceding the publication of the Prospectus) can be consulted on the website of Fortis: www.fortis.com and at the following addresses:

- Rue Royale/Koningsstraat 20, 1000 Brussels, Belgium; and
- Archimedeslaan 6, 3584 BA Utrecht, The Netherlands.

Availability of the Prospectus and the summary

The Prospectus is available only in English. A summary of the Prospectus is available in Dutch and in French.

Subject to certain restrictions described in Section 8.3.14 of the Prospectus, copies of the Prospectus and the summary are available without charge, as from 25 September 2007:

- in Belgium, from Fortis Bank on the phone number 0800 90 301 (toll-free number);
- in The Netherlands, from Fortis Bank (Nederland) N.V. on the phone number (+31) 20 527 24 67 (toll number) or by sending an e-mail to prospectus@nl.fortis.com; and
- in Luxembourg, from Fortis Banque Luxembourg SA on the phone number (+352) 42 42 27 34 (toll number).

Subject to certain restrictions described in Section 8.3.14 of the Prospectus, the Prospectus and the summary may be viewed on the website of Fortis: www.fortis.com, as from 24 September 2007. The above-mentioned financial statements (including the auditors' reports) incorporated by reference in the Prospectus may also be viewed on the same website.

Moreover and subject to the same restrictions, copies of the Prospectus and the summary, as well as the financial statements incorporated by reference in the Prospectus, are available, without charge and for at least one year from the date of this Prospectus, at the following addresses, as from 25 September 2007:

- Fortis SA/NV: Rue Royale/Koningsstraat 20, 1000 Brussels, Belgium; and
- Fortis N.V.: Archimedeslaan 6, 3584 BA Utrecht, The Netherlands.

RISK FACTORS

Investing in the Rights, the Scrips and the Fortis Shares involves risks relating to Fortis and the financial services industry generally, the proposed acquisition of ABN AMRO and the Offering. These risks could materially affect our business, results of operations or financial condition and cause the value of the securities offered hereunder to decline. You could lose all or part of your investment.

1. Risks relating to Fortis and the financial services industry

As part of the financial services industry, we face substantial competitive pressures which could adversely affect our results of operations.

There is substantial competition in the Benelux and the other regions in which we do business for the types of insurance, banking and asset management, and other products and services we provide. Such competition is most pronounced in our core Benelux markets (79% of net profit in 2006 was derived from the Benelux) where we face competition from companies such as ING Group, Aegon N.V., Rabobank, KBC Bank N.V., Dexia and, currently, from ABN AMRO Holding N.V. ("**ABN AMRO**"). As a result, our strategy is to maintain customer loyalty and retention, which can be influenced by a number of factors, including service levels, the prices and attributes of products and services, financial strength and claims-paying ratings and actions taken by competitors. If we are unable to compete with attractive product and service offerings that are profitable, we may lose market share or incur losses on some or all of our activities.

Competition in the financial services industry is affected by a high level of consolidation, both at a national and an international level, in the markets in which we operate, as well as by the emergence of alternative distribution channels for many of the products we offer. Consumer demand, technological changes, regulatory actions and other factors also affect competition in our industry. In other international markets, we face competition from the leading domestic and international institutions active in the relevant national and international markets. Competitive pressures could result in increased pricing pressures on a number of our products and services, particularly as competitors seek to win market share, and may harm our ability to maintain or increase profitability.

Market conditions and volatility can adversely affect our results.

Each of our business segments is affected by changing general market conditions, which can cause our results to fluctuate from year to year, as well as on a long-term basis. These conditions include economic cycles such as insurance industry cycles, particularly with respect to non-life insurance, financial market cycles, including volatile movements in market prices for securities, and banking industry cycles. The non-life insurance industry cycles are characterised by periods of price competition, fluctuations in underwriting results and the occurrence of unpredictable weather-related and other losses. Fluctuations in interest rates and exchange rates, monetary policy, consumer and business spending, demographics and changes with respect to mortality, particularly with respect to life insurance, and competitive and other factors also influence our performance. As a result of changing market conditions, and the influence of financial and industry cycles, our results of operations are subject to volatility that may be outside our control. In particular, the profits of most of our merchant banking, securities trading and brokerage activities before taxation may vary significantly from year to year depending on market conditions. Since July of this year, market conditions have been significantly more volatile than in previous periods and there can be no assurance as to the effect of this volatility, particularly if it is prolonged, on the profits of most of our merchant banking, securities trading and brokerage activities before taxation.

As has been well publicised recently, credit markets and sub-prime residential mortgage markets, particularly in the U.S. but also worldwide, have experienced severe dislocations and liquidity disruptions. Sub-prime mortgage loans have recently experienced increased rates of delinquency, foreclosure and loss. These and other related events have had a significant impact on the capital markets associated not only with sub-prime mortgage backed securities, asset backed securities and collateralised debt obligations, but also with credit and financial markets as a whole. As a result, on the date of this Prospectus, banks world-wide operate in a difficult environment characterised by liquidity constraints and increased short-term funding costs. If such circumstances were further to deteriorate or continue for protracted periods of time, this could have a negative impact on the results of our banking business. Although we do not have any direct mortgage financing activities in the U.S., we are exposed to the U.S. sub-prime mortgage market through our ownership of mortgage backed securities, asset backed securities and collateralised debt obligations. In addition, the values of many of the other instruments we hold and invest in are sensitive to dislocations and disruptions in those markets and the valuing of certain of those instruments has become both more uncertain and more difficult due to volatility and lack of liquidity. In addition, as more hedge funds, banks and other institutions are negatively affected by these market disruptions, our merchant banking, securities trading and brokerage activities may be further affected.

The impact of those factors is described in more detail in Section 5.1.4 of the Prospectus.

Securities market volatility or downturns can adversely affect our banking, asset management and insurance activities.

Market volatility and overall declines in market indices can negatively affect our merchant banking, securities trading, brokerage, asset management and insurance activities. Volatility and declines in market indices can reduce unrealised gains in our various portfolios, the excess solvency margin of our insurance subsidiaries or the demand for some of our banking, asset management or insurance products. We were affected by such declines during the stock market declines in 2000-2002, which adversely impacted investments in, and sales of products linked to, financial assets, particularly equity securities during this period. During this period net operating profit and solvency levels were materially adversely impacted by declines in equity values which affected our operating profit and group equity. Since 2003, financial markets, and equity markets in particular, have recovered and improved significantly, particularly in 2005, which improvement had a material positive effect on various of our businesses. Since July of this year, however, both the credit and the equity markets have been very volatile. There is no assurance that such a volatility will not result in a prolonged market decline, or such market declines for other reasons will not occur in the future. Such market declines, if they did occur, could have a material adverse effect on our financial condition and results of operations. Market downturns and high volatility can occur not only as a result of purely economic factors, but also as a result of war, acts of terrorism, natural disasters or other similar events outside our control.

Volatility in interest rates may adversely affect our insurance, banking and asset management businesses.

Fluctuations in interest rates affect the returns we earn on fixed interest investments. Interest rate changes also affect the market values of, and the amounts of capital gains or losses we take on, the fixed interest securities we hold. These fluctuations and changes affect our net interest income and recognised gains and losses on securities held in our investment portfolios.

While we reduce the impact of interest rate fluctuations on our life insurance business by transferring interest rate exposure to some policyholders through product design, our insurance business can be adversely affected by sustained low interest rates as well as certain interest rate movements. In particular, the profitability of spread-based insurance products depends in large part upon the ability to manage interest rate spreads and the credit and other risks inherent in the investment portfolio. In addition, certain of our traditional life insurance products provide for guaranteed returns. Although the impact of such guarantees on results of operations will be spread out over a period of years in a sustained low interest rate environment, such guarantees may also affect profitability. There can be no assurance that we will be able to successfully manage interest rate spreads or the potential negative impact of risks associated with sustained low rates or interest rate changes.

The results of our banking operations are affected by our management of interest rate sensitivity. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest income. The composition of our banking assets and liabilities, and any gap position resulting from the composition, causes our banking operations' net interest income to vary with changes in interest rates. In addition, variations in interest rate sensitivity may exist within the repricing periods or between the different currencies in which we hold interest rate positions. A mismatch of interest-earning assets and interest-bearing liabilities in any given period may, in the event of changes in interest rates, have a material effect on the financial condition or results of operations of our banking businesses.

Asset illiquidity can adversely affect our business.

Liquidity risk is inherent in much of our business. Each asset purchased and liability sold has liquidity characteristics that are unique. Some liabilities are surrenderable while some assets, such as privately placed loans, mortgage loans, real estate and limited partnership interests, have low liquidity. Additionally, protracted market declines can reduce the liquidity of markets that are typically liquid. If, in the course of our insurance or other activities, we require significant amounts of cash on short notice in excess of anticipated cash requirements, we may have difficulty selling these investments at attractive prices, in a timely manner, or both.

Our risk management methods may leave us exposed to unidentified, unanticipated or incorrectly quantified risks, which could lead to material losses or material increases in liabilities.

We devote significant resources to developing risk management policies, procedures and assessment methods for our banking, insurance and asset management businesses. We use a sophisticated value-at-risk (VaR) model, duration analysis and sensitivity analysis as well as other risk assessment methods. Nonetheless, our risk management techniques and strategies may not be fully effective in mitigating our risk exposure in all economic market environments or against all types of risk, including risks that we fail to identify or anticipate. Some of our qualitative tools and metrics for managing risk are based upon use of observed historical market behaviour. We apply statistical and other tools to these observations to arrive at quantifications of risk exposures. These tools and metrics may fail to predict future risk exposures. Our losses thus could be significantly greater than our measures would indicate. In addition, our quantified modelling does not take all risks into account. Our more qualitative approach to managing risks takes into account a broader set of risks, but is less precise than quantified modelling and could prove insufficient. Unanticipated or incorrectly quantified risk exposures could result in material losses in our insurance, banking and asset management businesses.

While we manage our operational risks, these risks remain an inherent part of all of our businesses.

The operational risks that we face include the possibility of inadequate or failed internal or external processes or systems, human error, regulatory breaches, employee misconduct or external events such as fraud. These events can potentially result in financial loss as well as harm to our reputation. Additionally, the loss of key personnel could adversely affect our operations and results.

Our business inherently generates operational risks. The business is dependent on processing a large number of complex transactions across numerous and diverse products, and is subject to a number of different legal and regulatory regimes. Additionally, because of the long-term nature of much of our business, accurate records have to be maintained for significant periods.

We attempt to keep operational risks at appropriate levels by maintaining a sound and well controlled environment in light of the characteristics of our business, the markets and the regulatory environments in which we operate. While these control measures mitigate operational risks they do not eliminate them.

Our insurance business is subject to risks concerning the adequacy of our technical provisions to cover future losses and benefits.

Our technical provisions may prove to be inadequate to cover our actual losses and benefits experience. For example, we derive our life and health insurance reserves from actuarial practices and assumptions, including an assessment of mortality and morbidity rates. If the actual future mortality and morbidity rates deviate from those we have projected, our insurance reserves could be inadequate. Other assumptions that influence insurance reserves relate to long-term development of interest rates, guaranteed return levels, investment returns, policyholder bonus rates, policyholder lapses and future expense levels. Additionally, some of our insurance products are affected by certain unpredictable events, including catastrophic events. For example, some weather-related events could result in substantial costs to us.

To the extent that technical provisions are insufficient to cover our actual insurance losses, loss adjustment expenses or future policy benefits, we would have to add to these technical provisions and incur a charge to our earnings. Additional losses, including losses arising from changes in the legal environment, the type or magnitude of which we cannot foresee, may emerge in the future. Any insufficiencies in technical provisions for future claims could have a material adverse effect on our consolidated financial condition, results of operations and cash flows.

We have significant counterparty risk exposure.

We are subject to general credit risks, including credit risks of borrowers, as well as credit risks of our reinsurers. Third parties that owe us money, securities or other assets may not pay or perform under their obligations. These parties include borrowers under loans made, the issuers whose securities we hold, customers, trading counterparties, counterparties under swaps and credit and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other reasons.

We transfer our exposure to certain risks in our non-life and life insurance businesses to others through reinsurance arrangements. Under these arrangements, other insurers assume a portion of our losses and expenses associated with reported and unreported losses in exchange for a portion of policy premiums. The availability, amount and cost of reinsurance depend on general market conditions and may vary significantly. Any decrease in the amount of our reinsurance relative to our own primary insurance liability will increase our risk of loss. When we obtain reinsurance, we are still liable for those transferred risks if the reinsurer cannot meet its obligations. Therefore, the inability of our reinsurers to meet their financial obligations could materially affect our results of operations. Although we conduct periodic reviews of the financial statements and reputations of our reinsurers, the reinsurers may become financially unsound by the time they are called upon to pay amounts due, which may not occur for many years.

Catastrophic events, terrorist attacks and other acts of war could have a negative impact on our business and results.

Catastrophic events, terrorist attacks, other acts of war or hostility, and responses to those acts may create economic and political uncertainties, which could have a negative impact on economic conditions in the regions in which we operate and, more specifically, on our business and results in ways that cannot be predicted.

Our results of operations can be adversely affected by significant adverse regulatory developments, including changes in tax laws.

We conduct our businesses subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies and interpretations in the European Union, the Benelux and the other regions in which we do business. The timing and form of future changes in regulation are unpredictable and beyond our control, and changes made could materially adversely affect our business, the products and services we offer or the value of our assets or extent of our liabilities.

Insurance products enjoy certain tax advantages, particularly in The Netherlands, which permit the tax-deferred accumulation of earnings on the premiums paid by the holders of annuities and life insurance products under certain conditions and within limits. Taxes, if any, are payable on accumulated tax-deferred earnings when earnings are actually paid. Recent tax changes have included the abolition of a standard amount of tax-deductible life insurance premium. This has reduced the attractiveness of life insurance products in The Netherlands. The current administration in The Netherlands has indicated that it is contemplating further changes in tax law. These changes could affect the tax advantages of certain of our products, including group savings products. twenty-eight per cent of our total insurance business in 2006, (based on gross premiums written), was derived from our Netherlands life insurance business. Any changes in Dutch tax law, or the tax laws of other jurisdictions in which we operate which affect our products, could have a material adverse effect on our insurance or other businesses and results of operations and financial condition.

Our business is sensitive to changes in governmental policies and international economic conditions that could limit our operating flexibility and reduce our profitability.

Our business and results of operations may be materially affected by market fluctuations and by economic factors, including governmental, political and economic developments relating to inflation, interest rates, taxation, currency fluctuations, trade regulations, social or political instability, diplomatic relations, international conflicts and other factors that could limit its operating flexibility and reduce our profitability. In addition, results of operations in the past have been, and in the future may continue to be, materially affected by many factors of a global nature, including: political, economic and market conditions; the availability and cost of capital; the level and volatility of equity prices, commodity prices and interest rates; currency values and other market indices; technological changes and events; the availability and cost of credit; inflation; and investor sentiment and confidence in the financial markets. In addition, there has been a heightened level of legislative, legal and regulatory developments related to the financial services industry in the European Union, the United States and elsewhere that potentially could increase costs, thereby affecting our future results of operations. Such factors may also may have an impact on our ability to achieve our strategic objectives on a global basis.

In addition, there is continuing political and regulatory scrutiny of the operation of the retail banking and consumer credit industries in Belgium, The Netherlands and elsewhere. The nature and impact of future changes in policies and regulatory action are not predictable and are beyond our control but could have an adverse impact on our businesses and earnings.

In the European Union, these regulatory actions included an inquiry into retail banking in all of the Member States by the European Commission's Directorate General for Competition. The inquiry examined retail banking in Europe generally. On 31 January 2007, the European Commission announced that barriers to competition in certain areas of retail banking, payment cards and payment systems in the European Union had been identified. The European Commission indicated that it will use its powers to address these barriers and will encourage national competition authorities to enforce European and national competition laws where appropriate. Any action taken by the European Commission and national competition authorities could have an adverse impact on our payment cards and payment systems businesses and on our retail banking activities in the European Union countries in which we operate.

Litigation or other proceedings or actions may adversely affect our business, financial condition and results of operations.

Our business is subject to the risk of litigation by customers, employees, shareholders or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The outcome of litigation or similar proceedings or actions is difficult to assess or quantify. Plaintiffs in these types of actions may seek recovery of large or indeterminate amounts or other remedies that may affect our ability to conduct business, and the magnitude of the potential loss relating to such actions may remain unknown for substantial periods of time. The cost to defend future actions may be significant. There may also be adverse publicity associated with litigation that could decrease customer acceptance of our services, regardless of whether the allegations are valid or whether we are ultimately found liable. As a result, litigation may adversely affect our business, financial condition and results of operations.

2. Risks relating to the ABN AMRO Offer

If the ABN AMRO Offer is not completed, the proceeds of the Offering may be distributed to Fortis shareholders at a future time.

If the conditions to the ABN AMRO Offer are not satisfied or the ABN AMRO Offer is otherwise withdrawn, including as a result of any competing offer, RFS Holdings will not be required to complete the ABN AMRO Offer and Fortis will not be required to fund its portion of the consideration therefor. In the event the Offering is completed but the ABN AMRO Offer is not consummated, Fortis intends to distribute the net proceeds of the Offering to all the Fortis shareholders at a future time. To that end, the Boards of Directors of the Issuers will convene an Extraordinary General Meeting of Shareholders as soon as reasonably possible, which will decide on a capital decrease in order to return such proceeds to all Fortis shareholders. The return of capital will be paid to the shareholders of Fortis as of the applicable record date for the distribution, as so determined by the Boards of Directors of the Issuers. Persons who have participated in this Offering will not be entitled to any amounts distributed by Fortis in the event of a return of capital to the extent they are not shareholders of Fortis as of the record date for the distribution. If such persons retain Fortis Shares acquired in the Offering until such a record date, any such a distribution per share will amount to less than the full amount that they paid per share with respect to such Fortis Shares in the Offering. Fortis intends to proceed with such a return in a tax-efficient manner but cannot guarantee that certain Fortis shareholders, or all of them, will not suffer adverse tax consequences. In particular, U.S. shareholders may suffer adverse tax consequences in respect of any amounts returned and should take this into account in determining whether to participate in the Offering. Please see Section 8.2 of the Prospectus for a discussion of the potential tax consequences of a return of capital.

The uncertainties about the effects of the ABN AMRO Offer and any competing offers could materially and adversely affect the businesses and operations of ABN AMRO to be acquired by Fortis.

Uncertainty about the effects of the ABN AMRO Offer and any competing offers (including the Barclays Offer) on employees, partners, regulators and customers may materially and adversely affect the ABN AMRO Businesses acquired by Fortis and their operations, i.e. the Business Unit Netherlands (excluding the former Dutch wholesale clients, Interbank and DMC Consumer Finance), the Business Unit Private Clients globally, the Business Unit Asset Management globally as well as the trademarks held by ABN AMRO (the "**ABN AMRO Businesses**"). These uncertainties could cause customers, business partners and other parties that have business relationships with ABN AMRO to defer the consummation of other transactions or other decisions concerning ABN AMRO Businesses, or to seek to change existing business relationships with ABN AMRO. In addition, employee retention may be challenging until the ABN AMRO Offer is completed.

We may fail to realise the anticipated business growth opportunities, synergies and other benefits anticipated from the transaction and our results of operations, financial condition and the price of our ordinary shares may suffer.

There is no assurance that our acquisition of the ABN AMRO Businesses will achieve the anticipated business growth opportunities, synergies and other benefits Fortis anticipates. Fortis believes the offer consideration is justified, in part, by the business growth opportunities, synergies, revenue benefits, cost savings and other benefits it expects to achieve by combining its operations with the ABN AMRO Businesses. However, these expected business growth opportunities, synergies and other benefits may not develop and other assumptions upon which Fortis determined the offer consideration may prove to be incorrect, as, among other things, such assumptions were based on publicly available information.

The reorganisation plan is complex and involves a restructuring of, and the implementation of substantial changes to, a significant portion of ABN AMRO's operations. In addition, the reorganisation contemplates actions being taken in a number of businesses and jurisdictions simultaneously. Implementation of the planned reorganisation and realisation of the forecast benefits will be challenging within the timeframe contemplated. Successful implementation of this plan will require a significant amount of management time and, thus, may affect or impair management's ability to run the business effectively during the period of implementation. In addition, we may not have, or be able to retain, personnel with the appropriate skill sets for the tasks associated with Fortis' reorganisation plan, which could adversely affect the implementation of the plan.

The estimated expense savings and revenue synergies contemplated by the reorganisation plan are significant. There can be no assurance that Fortis will realise these benefits in the time expected or at all. In addition, Fortis currently anticipates that the total costs associated with the implementation of the reorganisation will amount to approximately EUR 1.54 billion and there can be no assurance that the costs will not exceed this amount.

In particular, the reorganisation plan currently contemplated may have to be modified as a result of employee consultations and approvals, which may delay its implementation. Fortis may also face challenges in obtaining the required approvals of various regulatory agencies, any of which could refuse or impose conditions or restrictions on its approval, retaining key employees, redeploying resources in different areas of operations to improve efficiency, minimising the diversion of management attention from ongoing business concerns, and addressing possible differences between our business culture, processes, controls, procedures and systems and those of the ABN AMRO Businesses. In addition, because Fortis has had only limited access to information regarding ABN AMRO's tax situation and structure, unanticipated substantial tax costs may be incurred in the implementation of the reorganisation plan.

The complex nature of the reorganisation plan and the level of cooperation required among the Consortium Banks could have adverse consequences on the transaction and our ability to realise benefits therefrom.

Although the Consortium and Shareholders' Agreement (as defined in Section 3 below) provides a mechanism for assets to be re-allocated or transferred among the Consortium Banks where it is established that any asset is held by or will be held by the wrong Consortium Bank, disputes may otherwise arise in implementing the Consortium and Shareholders' Agreement. Such disputes would be resolved in accordance with the dispute resolution processes set out in the Consortium and Shareholders' Agreement. Whilst these processes have been designed to resolve any disagreements swiftly, such disputes could result in delay to implementation of the reorganisation.

Under any of these circumstances, the business growth opportunities, synergies, revenue benefits, cost savings and other benefits anticipated by Fortis to result from the reorganisation may not be achieved as expected, or at all, or may be delayed. To the extent that Fortis incurs higher integration costs or achieves lower revenue benefits or fewer cost synergies than expected, its results of operations, financial condition and the price of our ordinary shares may suffer.

Obtaining required regulatory approvals may delay completion of the ABN AMRO Offer, and compliance with conditions and obligations imposed in connection with regulatory approvals could adversely affect Fortis businesses and the ABN AMRO Businesses.

The acquisition and subsequent proposed restructuring of ABN AMRO will require various approvals or consents from, among others, the Dutch Central Bank, the Board of Governors of the U.S. Federal Reserve System, the FSA, the Bank of Spain, the European Commission and various other bank regulatory, antitrust, securities, insurance and other authorities in The Netherlands, the United States, the UK, Spain, Belgium, other countries of the European Union and any other member state of the European Union that has successfully sought jurisdiction to review the ABN AMRO Offer under its national competition law and certain other jurisdictions. The subsequent proposed restructuring of the ABN AMRO group may also require further antitrust clearance in, among other jurisdictions, the United Sates, Russia and Argentina. The governmental entities from which these approvals are required, including the Dutch Central Bank, the U.S. Federal Reserve Board, the FSA and the European Commission and others, may refuse to grant such approval, or may impose conditions on, or require divestitures or other changes in connection with, the completion of the transaction. In this regard, Fortis is currently discussing with the European Commission alternative remedies to competition concerns of the Commission in the commercial banking segment in The Netherlands, including the business dispositions described in the Cautionary Statement in Section 3 below. These or any conditions, remedies or changes could have the effect of delaying completion of the acquisition and reorganisation of ABN AMRO, reducing the anticipated benefits of the transaction or imposing additional costs on or limiting our revenues following the transaction, any of which might have a material adverse effect on Fortis following the transaction. In order to obtain these regulatory approvals, Fortis may have to divest, or commit to divesting, certain businesses or assets to third parties. In addition, Fortis may be required to make other commitments to regulatory authorities.

These divestitures and other commitments, if any, may have an adverse effect on Fortis' business, results of operations, financial condition or prospects after the transaction.

In addition, the DNB has imposed and made public certain specific restrictions and conditions on the reorganisation process (as more fully described in Section 3.7.4 below) and it may impose further restrictions and conditions, some of which may adversely affect Fortis' business, results of operations, financial condition or prospects after the transaction.

Certain jurisdictions claim jurisdiction under their competition or antitrust laws in respect of acquisitions or mergers that have the potential to affect their domestic marketplace. A number of these jurisdictions may claim to have jurisdiction to review the acquisition and reorganisation of ABN AMRO. Such investigations or proceedings may be initiated and, if initiated, may have an adverse effect on Fortis' business, results of operations, financial condition or prospects after the transaction. For further details on the status of the approval process, please see Section 3.7.4 below.

We have conducted only a limited due diligence review of ABN AMRO and therefore Fortis may become subject to unknown liabilities of ABN AMRO, in particular, with respect to the ABN AMRO Businesses, which may have an adverse effect on Fortis' financial condition and results of operations.

In making the ABN AMRO Offer and determining its terms and conditions, we have relied principally on publicly available information relating to ABN AMRO and the ABN AMRO Businesses, including the ABN AMRO Form 20-F (as defined on page 11 above), as filed with the SEC on 2 April 2007 and Current Reports on Form 6-K submitted by ABN AMRO to the SEC prior to the date hereof. We have also conducted a limited, high-level due diligence review of additional information about ABN AMRO and the ABN AMRO Businesses that was provided to us by ABN AMRO. This information in relation to ABN AMRO and the ABN AMRO Businesses has not been subject to comment or verification by ABN AMRO, the Consortium Banks or their respective directors. As a result, after the completion of the ABN AMRO Offer, Fortis may be subject to unknown liabilities of ABN AMRO, which may have an adverse effect on Fortis' financial condition and results of operations.

Consummation of the ABN AMRO Offer may result in adverse tax consequences resulting from a change of ownership of ABN AMRO.

We have had access only to publicly available information concerning ABN AMRO's tax situation. It is possible that the consummation of the ABN AMRO Offer may result in adverse tax consequences arising from a change of ownership of ABN AMRO and the ABN AMRO Businesses. The tax consequences of a change of ownership of a corporation can lead to an inability to carry-over certain tax attributes, including, but not limited to, tax losses, the tax credits and/or tax basis of assets. Moreover, a change of ownership may result in other tax costs not normally associated with the ordinary course of business. Such other tax costs include, but are not limited to, stamp duties, land transfer taxes, franchise taxes and other levies.

Change of control provisions in ABN AMRO's agreements may be triggered upon the completion of the ABN AMRO Offer, upon RFS Holdings' acquisition of 100% of ABN AMRO or upon the completion of the reorganisation, and may lead to adverse consequences for Fortis, including the loss of significant contractual rights and benefits, the termination of joint venture and/or licensing agreements or the requirement to repay outstanding indebtedness.

ABN AMRO may be a party to joint ventures, licences and other agreements and instruments that contain change of control provisions that will be triggered upon the completion of the ABN AMRO Offer, upon RFS Holdings' acquisition of 100% of ABN AMRO or upon completion of the reorganisation. ABN AMRO has not provided us with copies of any of the agreements to which it is party and these agreements are not generally publicly available.

Agreements with change of control provisions typically provide for or permit the termination of the agreement upon the occurrence of a change of control of one of the parties or, in the case of debt instruments, require repayment of all outstanding indebtedness. If, upon review of these agreements after completion of the ABN AMRO Offer, RFS Holdings determines that such provisions can be waived by the relevant counterparties, it will consider whether it will seek these waivers. In the absence of these waivers, the operation of the change of control provisions, if any, could result in the loss of material contractual rights and benefits, the termination of joint venture agreements and licensing agreements or the requirement to repay outstanding indebtedness.

In addition, employment agreements with members of the ABN AMRO senior management and other ABN AMRO employees may contain change of control provisions providing for compensation to be paid in the event the employment of these employees is terminated, either by ABN AMRO or by those employees, following completion of the ABN AMRO Offer, RFS Holdings' acquisition of 100% of ABN AMRO or completion of the post-closing reorganisation. Such employment agreements may also contain change of control provisions providing for compensation to be paid following the occurrence of such events even if the employee is not terminated. We have established a reserve in respect of losses arising on the operation of change of control provisions, including compensation arising on change of control clauses in employment agreements. If payments made under these provisions were substantially in excess of the reserve, our results of operations in the period they become payable could be adversely affected.

Fortis will incur substantial transaction and offer-related costs in connection with the ABN AMRO Offer.

Fortis expects to incur a number of non-recurring transaction fees and other costs associated with completing the ABN AMRO Offer, combining its operations with the ABN AMRO Businesses and achieving desired synergies. These fees and costs will be substantial and include financing, financial advisory, legal and accounting fees and expenses. Additional unanticipated costs may be incurred in the integration of Fortis and the ABN AMRO Businesses. Although Fortis expects that the realisation of other efficiencies related to the transaction will offset the incremental and transaction costs over time, this net benefit may not be achieved in the near term, or at all.

You may not be able to effectively compare our future financial statements to our, or ABN AMRO's, historical financial statements or those of ABN AMRO.

Fortis is not proposing to acquire all of ABN AMRO, and the businesses which Fortis is to acquire are not currently segregated by segment or business line in ABN AMRO's financial statements. In addition, prior to the proposed acquisition, the ABN AMRO Businesses did not operate as a stand-alone company and relied upon their parent entities for administrative, treasury, management and other services. As a result, the consolidated financial statements of ABN AMRO and the financial information regarding the ABN AMRO Businesses included in this Prospectus do not necessarily reflect what the ABN AMRO Businesses' results of operations, financial position or cash flows will be in the future or what its results of operations, financial position or cash flow would have been in the past had the ABN AMRO Businesses been a stand-alone company during the periods presented. In addition, the proposed acquisition will be a fundamental change to the organisation, business segments and reporting of Fortis as compared with periods prior to the transaction. Accordingly, you may not be able to effectively compare Fortis 2006 and future consolidated financial statements to the historical financial statements of ABN AMRO or the ABN AMRO Businesses.

3. Risks related to ABN AMRO and the ABN AMRO Businesses

The following risk factors are taken directly as drafted in ABN AMRO's Annual Report on Form 20-F, as filed with the SEC on 2 April 2007 (the "ABN AMRO Form 20-F"). Although Fortis has no knowledge that would indicate that any of these risk factors are inaccurate, incomplete or untrue, Fortis was not involved in the preparation of such risk factors and, therefore, cannot verify the accuracy, completeness or truth of such risk factors or any failure by ABN AMRO to disclose any other risk factors which may be material to ABN AMRO or the ABN AMRO Businesses. For purposes of the risk factors included in this paragraph 3 only, the terms "we" and "our" refer to ABN AMRO Holding N.V. and its consolidated subsidiaries.

Our results can be adversely affected by general economic conditions and other business conditions.

Changes in general economic conditions, the performance of financial markets, interest rate levels, the policies and regulations of central banks or other business conditions may negatively affect our financial performance by affecting the demand for our products and services, reducing the credit quality of borrowers and counterparties, putting pressure on our loan loss reserves, changing the interest rate margin between our lending and borrowing costs, changing the value of our investment and trading portfolios and putting pressure on our risk management systems.

Changes in interest rate and foreign exchange rates may adversely affect our results.

Fluctuations in interest rates and foreign exchange rates, particularly in our three home markets of The Netherlands, the United States Midwest and Brazil and in Italy where we have a significant presence, influence our performance. The results of our banking operations are affected by our management of interest rate sensitivity. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest income. A mismatch of interest-earning assets and interest-bearing liabilities in any given period may, in the event of changes in interest rates, have a material adverse effect on the financial condition of our business or results from operations. In addition, we publish our consolidated financial statements in euros. Fluctuations in the exchange rates used to translate other currencies into euros affect our reported consolidated financial condition, results of operations and cash flows from year to year.

For 2006, 14.9% of our operating income and 14.4% of our operating expenses were denominated in USD and 13.6% of our operating income and 10.2% of our operating expenses were denominated in Brazilian Real. For 2005, 18.5% of our operating income and 18.3% of our operating expenses were denominated in USD and 11.8% of our operating income and 10.1% of our operating expenses were denominated in Brazilian Real. For a discussion of how interest rate risk and foreign exchange rate fluctuation risk is managed, see "Item 11. Quantitative and Qualitative Disclosures about Market Risk" [in the ABN AMRO Form 20-F] as well as Note 39 to [ABN AMRO's] consolidated financial statements.

Our performance is subject to substantial competitive pressures that could adversely affect our results of operations.

There is substantial competition for the types of banking and other products and services that we provide in the regions in which we conduct large portions of our business, including The Netherlands, the United States and Brazil. The intensity of this competition is affected by consumer demand, technological changes, the impact of consolidation, regulatory actions and other factors. We expect competition to intensify as continued merger activity in the financial services industry produces larger, better-capitalised companies that are capable of offering a wider array of products and services, and at more competitive prices. In addition, technological advances and the growth of e-commerce have made it possible for non-depositary institutions to offer products and services that were traditionally banking products and for financial institutions to compete with technology companies in providing electronic and internet-based financial solutions. If we are unable to provide attractive product and service offerings that are profitable, we may lose market share or incur losses on some or all of our activities.

Regulatory changes or enforcement initiatives could adversely affect our business.

We are subject to banking and financial services laws and government regulation in each of the jurisdictions in which we conduct business. Banking and financial services laws, regulations and policies currently governing us and our subsidiaries may change at any time in ways which have an adverse effect on our business. If we fail to address, or appear to fail to address, these changes or initiatives in an appropriate way, our reputation could be harmed and we could be subject to additional legal risk. This could, in turn, increase the size and number of claims and damages asserted against us or subject us to enforcement actions, fines and penalties. As previously reported, in July 2004 we signed a Written Agreement with the U.S. regulatory authorities concerning our dollar clearing activities in the New York branch. In addition, in December 2005, we agreed to a Cease and Desist Order with the Dutch Central Bank and various U.S. federal and state regulators. This involved an agreement to pay an aggregate civil penalty of USD 75 million and a voluntary endowment of USD 5 million in connection with deficiencies in the U.S. dollar clearing operations at the New York branch and OFAC compliance procedures regarding transactions originating at the Dubai branch. See "Item 4. Information on the Company - B. Business overview - Legal and regulatory proceedings" [in the ABN AMRO Form 20-F]. We and members of our management continue to provide information to law enforcement authorities in connection with ongoing criminal investigations relating to our dollar clearing activities, OFAC compliance procedures and other Bank Secrecy Act compliance matters. These compliance issues and the related sanctions and investigations have had, and will continue to have, an impact on the Bank's operations in the United States, including limitations on expansion. The Bank is actively exploring all possible options to resolve these issues. The ultimate resolution of these compliance issues and related investigations and the nature and severity of possible additional sanctions cannot be predicted, but regulatory and law enforcement authorities have been imposing severe and significant monetary and other penalties against a number of banking institutions for violations of the Bank Secrecy Act and related statutes.

There is operational risk associated with our industry which, when realised, may have an adverse impact on our results.

We, like all financial institutions, are exposed to many types of operational risk, including the risk of fraud or other misconduct by employees or outsiders, unauthorised transactions by employees and operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems. We may also be subject to disruptions of our operating systems, arising from events that are wholly or partially beyond our control (including, for example, computer viruses or electrical or telecommunication outages), which may give rise to losses in service to customers and to loss or liability to us. We are further exposed to the risk that external vendors may be unable to fulfil their contractual obligations to us, and to the risk that their business continuity and data security systems prove to be inadequate. We also face the risk that the design of our controls and procedures prove to be inadequate or are circumvented. Although we maintain a system of controls designed to keep operational risk at appropriate levels, we have suffered losses from operational risk in the past and there can be no assurance that we will not suffer material losses from operational risk in the future.

For a discussion of how operational risk is managed see "Item 11. Quantitative and Qualitative Disclosures about Market Risk" [in the ABN AMRO Form 20-F].

We are subject to credit, market and liquidity risk, which may have an adverse effect on our credit ratings and our cost of funds.

Our banking businesses establish instruments and strategies that we use to hedge or otherwise manage our exposure to credit, market and liquidity risk. To the extent our assessments of migrations in credit quality and of risk concentrations, or our assumptions or estimates used in establishing our valuation models for the fair value of our assets and liabilities or for our loan loss reserves, prove inaccurate or not predictive of actual results, we could suffer higher-than-anticipated losses. For more information relating to our credit ratings, refer to "Item 5. Operating and Financial Review and Prospects - B. Liquidity and capital resources" [in the ABN AMRO Form 20-F]. Any downgrade in our ratings may increase our borrowing costs, limit our access to capital markets and adversely affect the ability of our businesses to sell or market their products, engage in business transactions - particularly longer term and derivatives transactions - and retain our current customers. This, in turn, could reduce our liquidity and have an adverse effect on our operating results and financial condition.

Systemic risk could adversely affect our business.

In the past, the general credit environment has been adversely affected by significant instances of fraud. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. This risk is sometimes referred to as 'systemic risk' and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom we interact on a daily basis, and could have an adverse effect on our business.

Increases in our allowances for loan losses may have an adverse effect on our results.

Our banking businesses establish provisions for loan losses, which are reflected in the loan impairment and other credit risk provisions on our income statement, in order to maintain our allowance for loan losses at a level that is deemed to be appropriate by management based upon an assessment of prior loss experiences, the volume and type of lending being conducted by each bank, industry standards, past due loans, economic conditions and other factors related to the collectability of each entity's loan portfolio. For further information on our credit risk management, *refer to "Item 11. Quantitative and Qualitative Disclosures about Market Risk" [in the ABN AMRO Form 20-F]. Although management uses its best efforts to establish the allowances for loan losses, that determination is subject to significant judgment, and our banking businesses may have to increase or decrease their allowances for loan losses in the future as a result of increases or decreases in non-performing assets or for other reasons. Please also refer to the section "Accounting Policies" included in our consolidated financial statements. Any increase in the allowances for loan losses, any loan losses in excess of the previously determined provisions with respect thereto or changes in the estimate of the risk of loss inherent in the portfolio of non-impaired loans could have an adverse effect on our results of operations and financial condition.*

We depend on the accuracy and completeness of information about customers and counterparties.

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished to us by or on behalf of the customers and counterparties, including financial statements and other financial information. We also may rely on the audit report covering those financial statements. Our financial condition and results of operations could be negatively affected by relying on financial statements that do not comply with generally accepted accounting principles or that are materially misleading.

We are subject to legal risk, which may have an adverse impact on our results.

It is inherently difficult to predict the outcome of many of the litigations, regulatory proceedings and other adversarial proceedings involving our businesses, particularly those cases in which the matters are brought on behalf of various classes of claimants, seek damages of unspecified or indeterminate amounts or involve novel legal claims. In presenting our consolidated financial statements, management makes estimates regarding the outcome of legal, regulatory and arbitration matters and takes a charge to income when losses with respect to such matters are probable and can be reasonably estimated. Changes in our estimates may have an adverse effect on our results. Please also refer to "Item 4. Information on the Company - B. Business overview - Legal and regulatory proceedings" [in the ABN AMRO Form 20-F].

4. Risks relating to this Offering

The market price of the Fortis Shares may be volatile.

The market price of the Fortis Shares may be volatile in response to various factors, many of which are beyond our control. The factors include, but are not limited to, the following:

- actual or anticipated fluctuations in our results of operations or financial condition;
- market expectations for our financial performance;
- changes in the estimates of our results of operations by securities analysts;
- investor perception of the impact of the proposed acquisition and this Offering on us and our shareholders;
- potential or actual sales of blocks of our Fortis Shares in the market, including announcements of or actual sales of Fortis Shares by us;
- the entrance of new competitors or new products in the markets in which we operate; and
- the risk factors mentioned in this Section of the Prospectus.

The market price of our Fortis Shares may be adversely affected by any of the preceding or other factors regardless of our actual results of operations and financial condition.

You may not be able to participate in future equity offerings.

Our constitutional documents provide for preference rights to be granted to our existing shareholders unless such rights are disapplied by resolution of the Shareholders' Meeting or the Board of Directors; however, certain shareholders including those in the United States, Australia, Canada or Japan, may not be entitled to exercise such rights unless the rights and shares are registered or qualified for sale under the relevant legislation or regulatory framework. As a result, there is the risk that you may suffer dilution of your shareholding should you not be permitted to participate in this Offering or future preference right equity or other offerings.

Shareholders in countries with currencies other than the Euro face additional investment risk from currency exchange rate fluctuations in connection with their holding of Fortis Shares.

Our Fortis Shares are quoted only in Euro and any future payments of dividends on our Fortis Shares will be denominated in Euro. The U.S. dollar - or other currency - equivalent of any dividends paid on our Fortis Shares or received in connection with any sale of our Fortis Shares could be adversely affected by the appreciation of the Euro against these other currencies.

It may be difficult for investors outside Belgium or The Netherlands to serve process on or enforce foreign judgments against us in connection with this Offering.

Fortis SA/NV is incorporated in Belgium and Fortis N.V. is incorporated in The Netherlands. As a result it may be difficult for investors outside of Belgium or The Netherlands or to serve process on or enforce foreign judgments against us in connection with this Offering. See Section 7.9 below.

Failure to exercise your Rights after the closing of each relevant stock exchange on the last day of the Right Subscription Period will result in your Rights becoming null and void and will result in dilution of your percentage ownership of our Fortis Shares.

If you do not exercise your Rights after the closing of each relevant stock exchange on the last day of the Right Subscription Period, your Rights will become null and void. To the extent that you do not exercise your Rights to subscribe to the Fortis Shares, your proportionate ownership and voting interest in us will be reduced, and the percentage that the Fortis Shares you held prior to the Offering represents, of our increased share capital after the Offering, will accordingly be reduced.

We cannot assure you that a trading market will develop for the Rights and, if a market does develop, the market price for the Rights may be subject to greater volatility than the market price for Fortis Shares.

The Rights are expected to be traded on the regulated market of Euronext Brussels, on Eurolist by Euronext Amsterdam and on the EU regulated market Luxembourg Stock Exchange from 25 September 2007 to 9 October 2007. We do not intend to apply for the Rights to be traded on any other exchange. We cannot assure you that an active trading market in the Rights will develop during that period or, if a market does develop, we cannot assure you of the nature of such trading market. In particular, because the trading price of the Rights depends on the trading price of our Fortis Shares, any volatility in the price of Fortis Shares and the related factors above may cause even greater volatility in the price of the Rights.

The issue of certain new Fortis Shares to Merrill Lynch International and the Managers pursuant to the Underwriting Agreement may be deferred as a result of regulatory constraints and an alternative funding of part of the ABN AMRO Offer may be required.

Pursuant to the Underwriting Agreement that we will enter into with Merrill Lynch International acting as representative for the several Managers of the Offering, the Managers will not be obliged to subscribe to new Fortis Shares offered in the Scrip Offering if their underwriting commitment would result in the Managers holding more than the number of Fortis Shares that can be held by them without having obtained prior approval or consent from regulatory authorities in a significant number of jurisdictions where the Fortis Group conducts banking and/or insurance operations. In the event that the subscription of the Managers would be so restricted, the Managers have agreed to lend to Fortis an amount equal to the issue price of the unsubscribed new Fortis Shares. These new Fortis Shares will be subscribed by the Managers, when such regulatory approvals or consents shall be obtained or when otherwise permitted and at the latest twelve months after the realisation of the capital increase of Fortis resulting from the Scrip Offering expected to take place on or around 15 October 2007.

This deferred settlement mechanism may result in adverse consequences for Fortis and its shareholders, including the fact that the ABN AMRO Offer may have failed or may have been withdrawn prior to the settlement of this mechanism, whereas the purpose of the Offering is to finance a portion of the consideration payable in the ABN AMRO Offer.

FORWARD-LOOKING STATEMENTS

There are statements in this Prospectus, such as statements that include the words or phrases "will likely result", "are expected to", "will continue", "is anticipated", "estimate", "project", or similar expressions, that are "forward-looking statements". These statements are subject to certain risks and uncertainties. Actual results may differ materially from those suggested by these statements due to risks or uncertainties associated with Fortis' expectations with respect to, among others, its market risk evaluations or potential acquisitions, potential cost and revenue synergies associated with acquisitions, or with respect to expansion and premium growth and investment income or cash flow projections and, more generally, to general economic conditions, including changes in interest rates and the performance of the financial markets, changes in domestic and foreign laws, regulations and taxes, changes in competition and pricing environments, regional or general changes in asset valuations, the occurrence of significant natural disasters, the inability to reinsure certain risks economically, the adequacy of technical provisions, as well as general market conditions, competition, pricing and restructurings, uncertainties over the ABN AMRO Offer and the acquisition by Fortis of the ABN AMRO Businesses it will acquire as a result of the ABN AMRO Offer and the integration of those ABN AMRO Businesses into Fortis and the costs and liabilities related to such an acquisition. See "Risk Factors" for further discussion of risks and uncertainties that could impact the Fortis Group's business.

These forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Fortis and are difficult to predict, that may cause actual results or developments to differ materially from any future results or developments expressed or implied from the forward-looking statements. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include, among other factors:

- costs (including taxes) or difficulties related to the integration of acquisitions, including the proposed acquisition of ABN AMRO and the ABN AMRO Businesses, may be greater than expected;
- the risk of unexpected consequences resulting from acquisitions, including the proposed acquisition of ABN AMRO and the ABN AMRO Businesses;
- our ability to achieve revenue synergies and cost savings from the integration of the ABN AMRO Businesses and related assets;
- Fortis', RBS', Santander's and RFS Holdings' ability to obtain regulatory approvals for the proposed acquisition of ABN AMRO without materially onerous conditions;
- any change-of-control provisions in ABN AMRO's agreements that might be triggered by the transactions described in this Prospectus;
- the potential exposure of Fortis and ABN AMRO to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity and equity price risk. Such statements are subject to risks and uncertainties. For example, certain of the market risk disclosures are dependent on choices about key model characteristics and assumptions and are subject to various limitations. By their nature, certain of the market risk disclosures are only estimates and, as a result, actual future gains and losses could differ materially from those that have been estimated;
- general economic conditions in the European Union, in particular in Belgium and The Netherlands, and in other countries in which we or ABN AMRO have significant business activities or investments, including the United States;

- the monetary and interest rate policies of central banks, in particular the Dutch Central Bank, the European Central Bank, the Board of Governors of the U.S. Federal Reserve System, the Bank of England, and other G-7 central banks;
- changes or volatility in interest rates, foreign exchange rates (including the sterling/U.S. dollar and Euro/U.S. dollar rates), asset prices, equity markets, commodity prices, inflation or deflation;
- the effects of competition and consolidation in the markets in which we or ABN AMRO operate, which may be influenced by regulation, deregulation or enforcement policies;
- tax consequences of restructuring;
- changes in consumer spending and savings habits, including changes in government policies which may influence investment decisions;
- changes in applicable laws, regulations and taxes in jurisdictions in which we and ABN AMRO operate, including the laws and regulations governing the structure of the transactions described in this Prospectus, as well as actions or decisions by courts and regulators;
- natural and other disasters;
- the inability of Fortis or ABN AMRO to hedge certain risks economically;
- the adequacy of our or ABN AMRO's impairment provisions and loss reserves;
- technological changes; and
- the success of Fortis and/or ABN AMRO in managing the risks involved in the foregoing.

We caution that these statements are further qualified by the risk factors disclosed in this Prospectus that could cause actual results to differ materially from those in the forward-looking statements. See "Risk Factors" beginning on page 22. Without prejudice to our obligations under Belgian law in relation to disclosure and ongoing information, we undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The statements relating to the revenue synergies, costs savings and business growth opportunities the Banks expect to achieve following the transactions are based on assumptions. However, these expected revenue synergies, cost savings and business growth opportunities may not be achieved. There can be no assurance that we will be able to implement successfully the strategic and operational initiatives that are intended.

The prospective financial information included in this Prospectus, in the summary and in the Sections 3.4, 3.5, 3.6 and 5.1.4 below has been prepared by, and is the responsibility of, Fortis' management. PricewaterhouseCoopers Reviseurs d'Entreprises SCCRL and KPMG Accountants N.V. have neither examined nor compiled the prospective financial information and, accordingly, PricewaterhouseCoopers Reviseurs d'Entreprises SCCRL and KPMG Accountants N.V. do not express an opinion or any other form of assurance with respect thereto. The auditors' reports incorporated by reference in this Prospectus relate to the Fortis' historical financial information. They do not extend to the prospective financial information and should not be read to do so.

This prospective financial information was not prepared with a view to complying with published guidelines of the Securities and Exchange Commission or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information

NON GAAP AND INDUSTRY SPECIFIC MEASURES

Parts of this Prospectus contain information regarding European Embedded Value ("**EEV**"), Annual Premium Equivalent ("**APE**"), Value Added by New Business ("**VANB"**), Present Value of New Businesses Premiums ("**PVNBP**") and other banking - and insurance - specific measures and other financial information that are sometimes used by investors to evaluate the performance of companies in the banking and insurance sectors. The financial information included in this Prospectus is not intended to comply with SEC or other specific reporting requirements. Compliance with such requirements would require the modification or exclusion of some of these financial measures. EEV, APE, VANB, PVNBP and such other financial information included herein are industry measures and investors should not consider such items as alternatives to the applicable GAAP measures.

These alternative financial measures are explained in detail in this Prospectus and investors should review such explanations to understand fully how they have been prepared. In particular, an investor should not consider EEV, APE, VANB, PVNBP or such other financial information as measures of the Fortis Group's financial performance or liquidity under IFRS or U.S. GAAP or as an alternative to profit for the period, operating profit or any other performance measures derived in accordance with IFRS or U.S. GAAP.

USE OF PROCEEDS

Fortis will use the proceeds of the Offering to finance part of the consideration payable by RFS Holdings in connection with the ABN AMRO Offer.

Pending the application of the proceeds to fund the ABN AMRO Offer, Fortis intends to invest the net proceeds of the Offering in monetary instruments.

If the conditions to the ABN AMRO Offer are not satisfied or the ABN AMRO Offer is otherwise withdrawn, RFS Holdings will not be required to complete the ABN AMRO Offer and Fortis will not be required to fund its portion of the consideration therefor. In the event the Offering is completed but the ABN AMRO Offer is not consummated, Fortis intends to distribute the net proceeds of this Offering to the Fortis shareholders. To that end, the Boards of Directors of the Issuers will convene an Extraordinary General Meeting of Shareholders as soon as reasonably possible, which will decide on a capital decrease in order to return such net proceeds to all Fortis shareholders. The return of capital will be paid to the shareholders of Fortis as of the applicable record date for the distribution as so determined by the Boards of Directors of the Issuers. Persons who have participated in this Offering will not be entitled to any amounts distributed by Fortis in the event of a return of capital to the extent they are not shareholders of Fortis as of the record date for the distribution. To the extent such persons retain Fortis Shares acquired in the Offering until such a record date, they will not receive the full amount that they paid with respect to such Fortis Shares in the Offering. In addition, Fortis intends to proceed with such a return in a tax-efficient manner but cannot guarantee that certain Fortis shareholders, or all of them, will not suffer adverse tax consequences. Please see Section 8.2 below for a discussion of the potential tax consequences of a return of capital.

1 LEGAL RESPONSIBILITY FOR THE INFORMATION AND THE AUDITING OF THE ACCOUNTS

1.1 Person responsible for the Prospectus

The Issuers assume responsibility for the Prospectus.

1.2 Certification of the person responsible for the Prospectus

Having taken all reasonable care to ensure that such is the case, the Issuers attest that the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

1.3 Fortis statutory auditors

As to Fortis SA/NV:	**As to Fortis N.V.:**
PricewaterhouseCoopers Reviseurs d'Entreprises SCCRL	**KPMG Accountants N.V.**
represented by Y. Vandenplas and L. Discry	represented by S.J. Kroon
Woluwedal 18 1932 Sint-Stevens-Woluwe Belgium	Burgemeester Rijnderslaan 10 1185 MC Amstelveen The Netherlands
Member of the *Instituut der Bedrijfsrevisoren/Institut des Reviseurs d'Entreprises*	Member of the *Koninklijk Nederlands Instituut van Register accountants*

The statutory auditors' reports on Fortis consolidated financial statements for the years ended 31 December 2004, 2005 and 2006 are incorporated by reference in this Prospectus (see Section 7.1.1 below). These reports contain an unqualified audit opinion for each of the period they cover.

The Fortis Financial Statements 2006 and 2005 were prepared in accordance with IFRS - including International Accounting Standards and Interpretations - as adopted by the European Union.

None of the financial information in this Prospectus has been audited in accordance with auditing standards generally accepted in the United States of America ("**U.S. GAAS**") or auditing standards of the United States Public Company Accounting Oversight Board ("**PCAOB**"). In addition, there could be other differences between the auditing standards issued by the *Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren* and those required by U.S. GAAS or the auditing standards of the PCAOB. Investors should consult their own professional advisors to gain an understanding of the financial information contained herein and the implications of differences between the auditing standards noted herein and how these differences might affect the information herein.

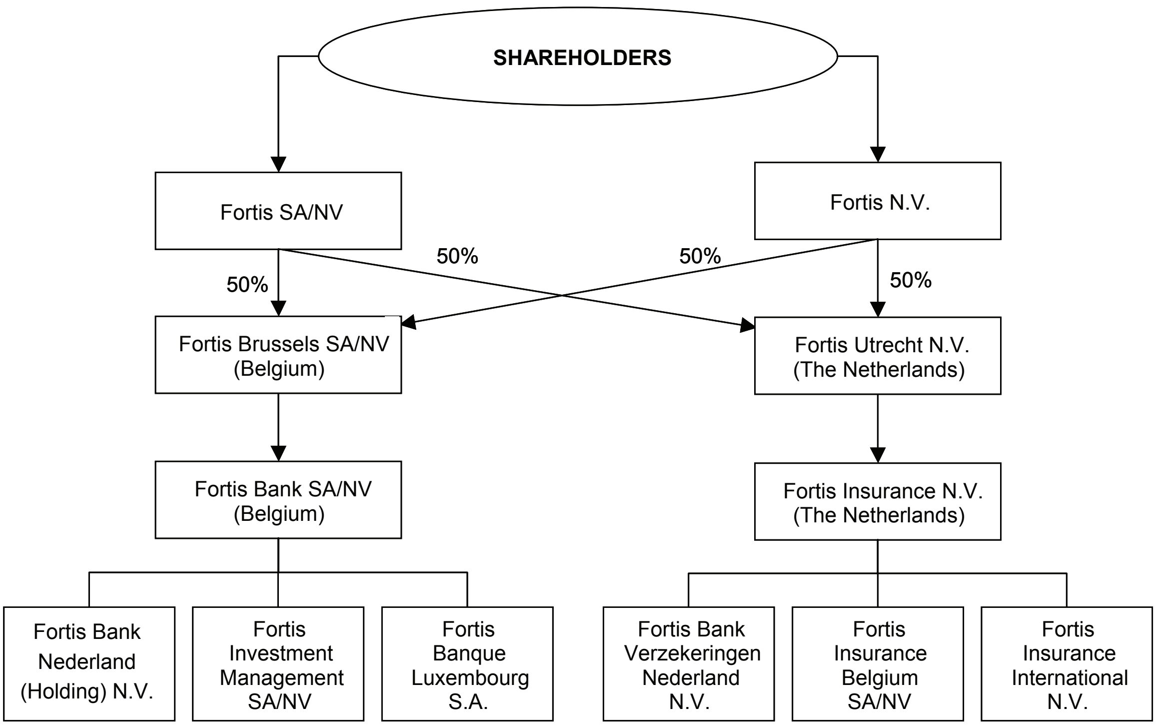
2 BUSINESS

2.1 Organisational structure

The Fortis Share was created after a unification process, which was completed in December 2001 and represents the twinned Fortis SA/NV Shares and Fortis N.V. Shares. The Fortis Share is listed on the regulated market of Euronext Brussels and Eurolist by Euronext Amsterdam. Fortis also has a secondary listing on the EU regulated market of the Luxembourg Stock Exchange and a sponsored over-the-counter ADR program in the United States.

As part of the unification process, Fortis implemented a number of mergers and other legal steps. The operating companies of the Fortis Group are owned by Fortis Bank (principally banking and asset management) and Fortis Insurance N.V. (principally insurance). Fortis banking operations, which include its asset management operations, and Fortis insurance operations contributed 72% and 33%, respectively, to the net profit for 2006. The general segment (which consists of group treasury and finance and other holding activities) reduced net operating profit by 5% in 2006.

The diagram below summarises the legal structure of Fortis as of 30 June 2007.



2.2 Information about Fortis SA/NV and Fortis N.V.

2.2.1 Overview

Fortis is the market leader in banking and insurance in the Benelux – one of Europe's wealthiest areas[19]. Building on that leadership, Fortis has developed an extensive European footprint in the retail banking market, operating through a variety of distribution channels. Fortis offers skill-oriented financial services to companies, institutional clients and high net worth individuals and provides integrated solutions to the enterprise and the entrepreneur. Fortis unique expertise has made it a regional and in some cases global leader in niche markets, such as energy in North America and fund administration, commodities and transportation worldwide. Fortis successfully combines its banking and insurance skills in growth markets in Europe and Asia.

Fortis ranks among Europe's top 20 financial institutions, with a market capitalisation of EUR 43 billion and total assets of EUR 775 billion at year-end 2006[20]. With excellent solvency, a presence in over 50 countries and a dedicated, professional workforce of 57,000 employees, Fortis combines global strength with local flexibility.

The below listed ratings have been confirmed by Fitch Ratings, Moody's and Standard & Poor's immediately after the announcement of the terms of the ABN AMRO Offer on 16 July 2007, and are still current at the date of publication of this Prospectus.

	Long-Term Debt	**Short-Term Debt**
Fitch Ratings...........................	AA-	F1
Moody's	Aa3	P-1
Standard & Poor's	A+	A-1

Fortis intends to continue growing in Europe, with the enlarged European Union as its home market and with selective expansion in Asia and North America. Fortis therefore wants to become a fully-integrated financial service provider, building on its two profitable core competencies, banking and insurance, and gaining an excellent strategic position with satisfactory critical mass in each business. This will be achieved by means of a combination of organic growth, acquisitions and strategic partnerships.

To realise its ambitions, Fortis has opted expressly for accelerated growth, although in conjunction with strict cost control.

For 2004-2011, this translates into the following long-term financial targets:

- Compound annual growth rate (CAGR) of net profit per share of at least 15%; this corresponds to a 12% CAGR based on the 2006 cycle-neutral profit base[21] of EUR 3.8 billion;

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[19] Source: Assuralia (http://www.assuralia.be, section: cijfergegevens/chiffres utiles), year 2005 and Assurantie Magazine (AM *Jaarboek* 2006 based on DNB numbers) based on premium income 2005.

[20] Source: Bloomberg 31 December 2006.

[21] The 2006 cycle-neutral profit base corresponds to the 2006 net profit of EUR 4.35 billion adjusted to EUR 3.8 billion by substituting impairments on loans by their expected loss and adjusting the treasury and financial markets income at Merchant Banking to EUR 900 million, due to exceptional gains in trading and private equity.

- Return on Equity of 18.5% and Risk-Adjusted Return on Risk-Adjusted Capital (RARORAC) of 18.5% (compared to the previous target of 15%);
- Average operating leverage[22] of at least 250 basis points;
- 30% of net profit to come from outside Benelux by 2009 (21% in 2006); and
- Cash dividend at least stable or growing in line with long-term EPS growth.

2.2.2 History and strategic direction

Fortis was created in 1990 when the activities of AG Group (the predecessor of Fortis SA/NV), a large Belgian insurer, and AMEV/VSB (the predecessor of Fortis N.V.) combined their respective operations. AMEV, a large Dutch insurer and VSB, a medium-sized Dutch savings bank, merged earlier that year. At the time of the merger, AG Group held a strong position in the Belgian insurance market and was a market leader in various sectors but had a fairly restricted international presence and only minimal banking interests, while AMEV held a relatively strong position in the Dutch insurance market and enjoyed a fairly strong international insurance position. VSB held a strong position in the Dutch retail market, but lacked a nationwide distribution network. The parent companies, Fortis AG (now Fortis SA/NV) and Fortis AMEV (now Fortis N.V.), remained separate legal entities. Since the merger, the operating businesses of Fortis have been managed together. Fortis is not a legal entity but collectively refers to Fortis SA/NV and Fortis N.V. and the group of companies owned and/or controlled by Fortis SA/NV and Fortis N.V. Since its formation, Fortis has grown significantly through both organic development and acquisitions.

The positive results in 2005 and 2006, combined with its new organisational structure (see Section 5.1.2 below), gave Fortis the confidence to reaffirm and accelerate its strategy of becoming a leading European provider of high-quality financial services, with a strong customer focus, pursuing growth in Europe and selectively in Asia and North America.

Fortis strategy will now be focused on the following three growth levers: Perform, Grow and Expand.

(i) Perform: in its established markets and segments, Fortis will seek to protect and strengthen its leadership positions, building scale and client relevance, increasing cross-selling and enhancing efficiency. Revenue and cost synergies, increased return on the investment portfolio, positive effects from the new Insurance and Merchant & Private Banking businesses, and Fortis-wide cost management is expected to result in additional net profit growth. Management believes this lever could generate two-thirds of total net profit growth by 2011.

Perform builds on the enhanced operating model: Fortis will strengthen its positions in established markets.

- Retail Banking is introducing a more differentiated cross-border distribution organisation focused on three client segments: Mass Retail, Affluent and Professionals & Small Enterprises. It is planning to invest EUR 350 million in a harmonised cross-border core banking platform and will seek to raise customer satisfaction through services tailored to each segment.

[22] Operating leverage is defined as the difference between the percentage growth in total revenues, prior to changes in provisions, and in total expenses.

- The new Merchant & Private Banking organisation will optimise client service and streamline international expansion through coordination among business lines, resulting in integration synergies. Continued investment in IT, recruitment and development will be aimed at reinforcing market leadership in the Benelux and in specific sectors like shipping and commodities.
- Insurance is building a new, strengthened organisation, including new common functions to ensure the sharing of best practices and implementation of a single insurance strategy. Strategic initiatives will be developed across the core regions (Belgium, The Netherlands, Europe and Asia) in order to leverage skills globally, while creating scale locally. Further investments will be made in multi-channel distribution, product/market innovation, operational excellence and enhanced service levels.

(ii) Grow: invest in growth engines (i.e. selected core competencies) to enter new markets, launch new business activities and unlock new value chains. The target for these activities is a compound annual growth rate of at least 15% for the period 2006–2011.

This lever entails propelling our growth rate to a higher level and is expected to contribute one-third of total organic growth to 2011. Businesses will roll out proven models to new markets and segments.

- Retail Banking, for example, will expand its Personal Banking and Banking for Professionals & Small Enterprises in Poland and Turkey. Further investments will be made in the continued international expansion of consumer finance, primarily in Turkey, Poland and Germany, and in the roll-out of the postal banking model in Ireland and selective new markets. Finally, in asset gathering, Fortis Investments will seek to further enhance its product offering and expand geographically (including Turkey, South Korea, Japan and Indonesia).
- Acceleration in Merchant & Private Banking is expected to come from building scale in selected countries, such as Turkey and France, seizing market opportunities in Poland and rolling out Merchant & Private Banking capabilities in Asia. The business will compete as a global integrated player in the Energy, Commodities & Transportation sectors and will aim to capture opportunities in structured capital markets products and in Clearing, Funds & Custody. It will also leverage the “Enterprise & Entrepreneur” model (i.e. offering an integrated range of solutions to entrepreneurs, addressing both their corporate/management needs and their needs as individuals) by extending the Private Banking offer to corporate clients.
- Insurance, which in 2006 entered five new markets (Germany, Ukraine, Russia, Turkey and India), will leverage its extensive knowledge of insurance products and distribution models. This will be done in a number of ways, including expanding the bancassurance model and, in The Netherlands, combining the strengthened broker distribution with the extension of other distribution channels. Insurance will also plan to transfer innovative products and proven concepts, such as the Portuguese unit-linked proposition, Belgian multi-product solutions and UK affinity success, to other markets. In Asia,

finally, the business is expected to build on strong forecast regional growth to further expand its product portfolio and distribution channels.

(iii) Expand: continue to pursue external growth by making further selective add-on acquisitions, within strict investment criteria. Acquisitions should fit from a strategic, resource and financial point of view.

Fortis is frequently presented with acquisition opportunities which it considers from time to time. Before making an acquisition, Fortis will consider its overall financial targets, as well as other factors such as return on investment and strategic fit. As a result, Fortis may decide to pursue an acquisition at any time if the right opportunities are available.

2.2.3 Investments

The major and material investments made by Fortis in 2007, 2006, 2005 and 2004 are reported below.

(i) Pacific Century Insurance

On 25 May 2007, Fortis announced that it finalised the acquisition of 50.45% of the share capital of Pacific Century Insurance (PCI, a listed Hong Kong Life insurer) for a total consideration of EUR 341 million (HKD 3.5 billion).

Fortis commenced a mandatory general offer to acquire the remaining shares and options of PCI was launched on 21 May and closed on 11 June 2007. Following that mandatory general offer, Fortis has acquired 98.59% of the shares and options of PCI. The combined acquisition cost for such shares and options totalled EUR 660 million (HKD 7 billion).

Fortis considers PCI as a strong platform to become a leading player in the Hong Kong insurance market and to build upon the model Fortis has developed in Asia through its partnerships in China, Malaysia, Thailand and more recently India. PCI has more than 280 employees and over 2000 tied agents, the fifth largest agency sales force in Hong Kong.

Based on the provisional calculation, VOBA amounts to EUR 262 million and the goodwill to EUR 266 million as reflected in the Fortis financial statements.

(ii) Dominet

On 22 March 2007, Fortis completed the acquisition of 100% of the shares of Dominet SA, the parent company of Dominet Bank SA, a full-service retail bank with 869 employees and a nation-wide branch network in Poland for a purchase price of EUR 241 million. Dominet occupies a strong position in the car finance segment and has a fast-growing portfolio of cash loans. Dominet also supplies other banking products to retail customers. The goodwill was EUR 222 million at the acquisition date and is reflected in the Fortis financial statements.

(iii) Fortis Energy Marketing & Trading and FB Energy Canada, Corp.

Fortis completed the acquisition of Cinergy Marketing & Trading, and Cinergy Canada, Inc., from Duke Energy early October 2006. Fortis renamed the new trading entities to Fortis Energy Marketing & Trading (FEMT) in the U.S. and FB Energy Canada, Corp. (FBECC) in Canada.

FEMT's and FBECC's power and natural gas trading activities are organised into regional desks across the USA and Canada. FEMT and FBECC employ 200 people, in their Houston based headquarters and 25 people in Calgary. FEMT and FBECC results are reported within the Merchant Banking segment.

The purchase price was EUR 356 million (USD 451 million), which includes the base purchase price and the value of the current trading portfolio. The amount of goodwill recognised amounted to EUR 138 million.

(iv) Cadogan

On 10 November 2006, Fortis Investment Management, Inc. and Cadogan Management, LLC announced that they had entered into an agreement to combine their respective Fund of Hedge Funds activities into a new stand-alone asset management company. The new business trades under the name 'Cadogan', with Fortis Investments as the majority shareholder, holding 70% of the shares. The acquisition was completed at the end of December 2006. Cadogan results are reported within the Retail Banking segment.

The purchase price was EUR 119 million (USD 157 million) and the goodwill amounted to EUR 116 million.

(v) Dişbank

On 4 July 2005 Fortis acquired 89.4% of the shares of Dişbank, the seventh largest bank in Turkey with some 173 branches throughout the country. Dişbank is active in the fields of retail banking and commercial and private banking and serves over one million customers. Dişbank was renamed Fortis Bank AS.

On 23 September 2005, Fortis made a public offer on all outstanding shares of Dişbank quoted on the exchange of Istanbul. At year end 2005, Fortis interest in Dişbank came to 93.3% of the share capital of Dişbank.

Recognised in the balance sheet upon acquisition and included in the goodwill and other intangible assets are EUR 333 million for goodwill and EUR 49 million for the credit card business of Dişbank.

The acquisition price amounted to EUR 919 million and was settled in cash.

(vi) Millenniumbcp Fortis

In the first quarter of 2005, Fortis completed the acquisition of a controlling interest of 51% in Millenniumbcp Fortis. The remaining 49% of the share capital is owned by Banco Commercial de Portugal (BCP). Millenniumbcp Fortis is a Portuguese insurance company that sells insurance policies via the branch network of BCP.

Goodwill and other intangible assets include an amount of EUR 182 million for goodwill and an amount of EUR 528 million for value of business acquired (VOBA). The acquisition was settled in cash.

(vii) Other

Acquired company	Quarter of acquisition	Acquisition amount	Percentage acquired	Capitalised intangible assets	Goodwill/ (negative goodwill)	Segment
		(EUR million, except %)				
Muang Thai	Q2 2004	61	40%	3	30	Insurance International
Centrapriv	Q4 2004	38	100%	0	26	C&P Banking
Fortis Lease SPA	Q1 2005	52	100%	23	5	C&P Banking
Able Brookers	Q3 2005	27	100%	3	21	Insurance International
Atradius	Q4 2005	64	100%	0	36	C&P Banking
Dryden	Q4 2005	79	100%	7	(17)	C&P Banking
Dreieck Industrie Leasing AG	Q1 2006	64	100%	29	4	C&P Banking
O'Connor & Company	Q1 2006	58	100%	0	14	Merchant Banking
Von Essen KG Bankgesell schaft	Q1 2006	93	100%	3	31	Retail Banking

The intangible assets and the goodwill (negative goodwill) presented above are the initial amounts, converted to euros and taking into account changes that were necessary because the accounting for a business combination was only determined provisionally by the end of the period in which the combination was effected, but excluding subsequent changes due to net exchange differences and other changes.

The acquisitions did not have a substantial impact on Fortis financial position and performance.

2.2.4 Disposals

On 12 July 2007, Fortis and la Caixa announced that they agreed that la Caixa will acquire all Fortis' interests in the Spanish bancassurance joint venture CaiFor for a total cash consideration of EUR 980 million. The transaction remains subject to the approval of relevant regulatory authorities and is expected to complete within the next months. In accordance with IFRS 5 *Non-current Assets held for Sale and Discontinued Operations*, Fortis' investment in CaiFor is presented as a discontinued operation as of 30 June 2007. Fortis presents the post-tax results of discontinued operations separately from continuing operations in its income statement under the item Net gain (loss) on discontinued operations. Prior period results are reported in line with this presentation. The participation in CaiFor is reported on Fortis' balance sheet under the item Investments in Associates and Joint Ventures and amounts to EUR 9 million at 30 June 2007 (EUR 7 million at 31 December 2006).

2.2.5 Intellectual property rights

FORTIS ® is a registered trademark in the name of Fortis SA/NV and Fortis N.V. FORTIS BANK ® is a registered trademark in the name of Fortis SA/NV and Fortis N.V. The companies belonging to the Fortis Group also use a logo which is registered as a trademark in the name of Fortis SA/NV and Fortis N.V.

2.3 Business overview

2.3.1 Principal activities

Fortis is an international provider of banking and insurance services to personal, business and institutional customers. The company delivers a comprehensive package of financial products and services through its own distribution channels and via intermediaries and other partners. Fortis operates in geographical areas that are subject to different rates of profitability, opportunities for growth, future prospects and risk. The primary format for reporting segment information is based on business segments. Fortis core activities are banking and insurance.

Prior to 1 January 2007, Fortis organised its banking and insurance activities in six business lines. Within Banking, the business lines were Retail Banking, Commercial & Private Banking and Merchant Banking. Within Insurance the business lines were Insurance Belgium, Insurance Netherlands and Insurance International. Each business line was headed by a member of the Executive Committee.

As of 1 January 2007, Fortis has reorganised its activities into three core businesses:

- Retail Banking: provides financial services to individuals, professionals and small businesses;
- Merchant & Private Banking: offers tailored financial products and skill-oriented services to large international companies and institutions, to Europe-oriented medium-sized enterprises and entrepreneurs, and to private banking clients; and
- Insurance: provides life and non-life products in our home markets of Belgium and The Netherlands and in selected European and Asian markets.

Fortis businesses are supported by the following support functions:

- Group Resources, including Technology, Operations & Process Services (TOPS), Human Resources, Facilities and Purchasing;
- Finance, including Performance Management, Consolidation & Accounting, Group Development & Acquisitions, Tax and Reporting, Ratings, Structuring & Capital Management;
- Strategy, including Strategy, Investor Relations, Global Branding & Communications, Public Affairs, CSR and Fortis Investments;
- Risk, including Risk, Legal, Compliance, Investigations and Customer & Management Processes. A key objective is to enhance risk strategies and further develop the risk function across Fortis. It will also drive the businesses and support functions to improve quality of processes.
- Investment, including Asset & Liability Management (ALM), which has been established to enhance Fortis-wide synergies in this area and to optimise return on assets.

As per Fortis management structure, each core business and support function is managed by a member of the Executive Committee.

2.3.2 Segment reporting

Fortis is as of 1 January 2007 organised on a worldwide basis into three businesses, further subdivided into business segments as described below:

(i) Retail Banking

Overview

The mission of Retail Banking is to become and remain the preferred "customer" bank for individuals, professionals and small enterprises in the market segments where it is active through a differentiated customer approach, offering a full range of financial products and services delivered through multiple distribution channels. Retail Banking is currently active in nine countries, with Belgium, The Netherlands and Luxembourg as home markets. Outside of the Benelux, Retail Banking is active in Poland as a niche bank providing services to professionals, business owners and executives. In 2005, Retail Banking acquired key assets in Turkey and Germany and during 2006 continued its expansion in Poland and Ireland as more fully described below.

As of 31 December 2006 Retail Banking had over 17,000 employees and contributed 25% of Fortis net profit. In addition, Retail Banking provided financial services to more than six million customers via a range of distribution channels: more than 1,600 branches and 2,500 Selfbank terminals and ATMs, online banking, telephone banking, third party distribution networks and 25 credit shops.

In pursuit of its goal of becoming the preferred bank for retail customers, Retail Banking continuously aligns its services and commercial organisation with the needs and expectations of its customers, putting customers firmly at the heart of its service model and culture. Retail Banking is evolving towards a true cross-border distribution organisation with a segmented customer approach. This revamped customer approach towards Mass Retail, Affluent and Professionals & Small Businesses (P&S) is expected to allow for a greater offer differentiation per segment while targeting the best in class cost/income ratio. Focusing on these three customer segments with their own specific needs and serving them with a tailored value proposition is expected to raise customer satisfaction and sustain a profitable growth track.

Strategy

Retail Banking is building on two waves of growth, the strengthening of its leadership position in Belgium and the international roll out of proven models[23]. In mature and wealthy markets like the Benelux, Retail Banking will continue to focus on its customers by differentiating between segments, selectively deepening relationships and offering integrated, multi-channel accessibility. At the same time, it will roll out proven models to continue its growth path in developing markets. More specifically, Retail Banking has identified five growth engines to be rolled out internationally, relating to targeted segments and distribution, including Affluent Banking, P&S banking, Mass Retail through Consumer Finance, the postal banking model and Asset Gathering through Fortis Investments.

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[23] Source: *De Tijd* (Belgian newspaper), 2006 based on saving deposits.

Key strategic goals

- Improve customer satisfaction by a differentiated service approach;
- Strengthen leadership position in Belgium;
- International rollout of proven models to expand European presence.

European presence

Retail Banking has a leadership position in the Benelux[24], one of Europe's wealthiest areas. It is the second-largest bank in terms of retail financial services[25], and is a very large credit card issuer, with 3 million credit card holders in the Benelux. This presence will be further expanded through the acquisition of the ABN AMRO Businesses.

As customer convenience is key for Fortis, Retail Banking continuously invests in its distribution network.

Belgium

Retail Banking Belgium offers banking and insurance services to individuals, professionals and small enterprises through an integrated bancassurance model supported by multi-channel distribution. As of 31 December 2006, Retail Banking Belgium had 1,092 branches, many of which have been upgraded and their opening hours extended. Additionally, at strategic and frequented places throughout Belgium, Retail Banking is installing a network of Cash Points. Under a Fortis branding, these additional sales points offer customers cash withdrawal and transfer services, compensating for the decreasing number of ATMs. Fortis state of the art online banking system has been upgraded and as of 31 December 2006 was actively being used by approximately 1.2 million customers (a 20% increase compared to year-end 2005).

To better serve the customers in the Affluent and P&S segment and building on the efforts of the past two years, Retail Banking intends to hire more than 100 Affluent advisers and an additional 100 Professional advisers in 2007.

In addition to the Fortis labelled network, Fortis Bank products are sold through 340 independent agents operating under the Fintro brand.

Banque de la Poste/Bank van de Post, a 50/50 joint venture with the Belgian Post Office, has 1.3 million customers and distributes Fortis Bank products through approximately 1,300 post offices giving Fortis Bank access to the third largest distribution network in Belgium based on number of outlets.

Netherlands

Retail Banking Netherlands offers banking and insurance services to the retail customer segment in The Netherlands, focusing on the mortgage and small business market.

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24 Source: The Banker, July 2007, based on total assets 2006.

25 Source: ING broker report: Benelux banks - Chocolate and tulips, October 2006, based on a mix of selected products: mortgages, number of consumers, saving accounts, corporate loans, life insurance, non-life premiums, mutual funds and number of branches.

In 2006, Direktbank, a mortgage bank, enjoyed positive results in the sale of mortgages through the intermediary network, and this resulted in an increase in its market share.

In its proprietary network, Retail Banking expanded its DirectService concept to the majority of its 159 branches. This “open concept” is based on the idea that the bank should stimulate qualitative “traffic” in the branch combining cross-channel facilities, convenience and personalised value added advice to customers. The DirectService concept consists of user-friendly multifunctional machines with Customer Service Representatives, as well as dedicated staff who are able to advise customers who have more complex needs.

Luxembourg

Retail Banking Luxembourg offers banking and insurance services to the retail customer segment in Luxembourg. EU fiscal harmonisation had a limited impact in 2005, due to Retail Luxembourg’s innovative alternative product offering. Since November 2005, the Luxembourg business is conducted under the Fortis brand. Retail Banking Luxembourg is one of the Grand Duchy’s leading banks, with a network of 37 branches. In addition to its branch network, Fortis online banking service, Web Banking, enables customers to carry out standard transactions over the internet.

Turkey

In Turkey, Retail Banking offers banking and insurance services to the retail customer segment through 211 branches, all operating under the Fortis brand since November 2005. In 2006, 40 new branches were opened and an ambitious branch expansion program is in place for the next five years.

Poland

In Poland, Retail Banking is focusing on the development of the Personal Banking model. Personal banking is seeking to leverage the contacts from the P&S clients and vice versa. Additionally, through the acquisition of Dominet Bank, Retail Banking gained access to the ninth largest branch franchise in Poland (176 branches) and to an important car dealer distribution network where it can sell its car insurance and financing products.

Ireland

Through the recently announced joint venture with An Post in Ireland, Retail Banking made an important step in extending its multi-channel network throughout Europe. Using Fortis international experience and expertise in bancassurance, in particular with the Belgian Banque de la Poste, the new bank in Ireland will offer daily banking, savings products, insurance, mortgages and credit cards. These services will be rolled out gradually in the course of 2007 and will include telephone and internet banking in addition to the distribution network of 2,800 PostPoint agents and 1,400 post office branches.

Consumer Finance

Consumer Finance focuses on the distribution of credit cards and consumer loans and is currently active in eight countries. It is the first credit card issuer in the Benelux, leveraging its Dutch International Card Service (ICS) experience. In the past two years, Consumer Finance significantly expanded its European franchise through the acquisition of Von Essen KG Bankgesellschaft in Germany in the first quarter of 2006 of 2005 and the recently acquired Dominet Bank in Poland (March 2007). The acquisition of the ABN AMRO Businesses will strengthen that position.

In addition to this external growth, Consumer Finance is rolling out its innovative credit shop distribution model in Germany and Poland. This alternative network of smaller-sized points of sale, called ‘credit4me’ in Germany and ‘twojkredit’ in Poland have the same ‘look and feel’ concept as retail outlets and offer a variety of credit products. The credit shops provide consumers a wealth of information on consumer finance products and qualified credit advisers assist in personal consultation. The leading principle of this service concept is the idea that obtaining a credit is comparable to buying any other consumer product: easy, fast and reliable. As of 31 December 2006, 25 credit shops were operational.

Products

Fortis provides a comprehensive range of retail banking products and banking solutions to its customer segments. The table below sets forth certain data with respect to the retail banking operations of Fortis for the periods presented.

	At 31 December 2006			
Retail Banking	**Belgium**	**Netherlands**	**Luxembourg**	**Total**
		(EUR billion)		
Mortgage loans	23.9	29.1	2.2	56.7
Consumer loans	1.9	0.5	0.8	7.1
Commercial loans	9.7	1.5	1.1	14.6
Other retail loans	0.1	0.0	0.0	0.3
Total	**35.6**	**31.1**	**4.3**	**78.7**
Demand deposits	11.8	5.3	3.2	22.7
Saving deposits	44.5	7.8	1.8	54.5
Time deposits	7.5	0.4	3.9	14.5
Total	**60.7**	**13.5**	**8.9**	**91.7**

Retail Banking	At 31 December 2005 Belgium	Netherlands	Luxembourg	Total
	(EUR billion)			
Mortgage loans	21.8	25.1	1.7	49.3
Consumer loans	1.8	0.9	0.9	6.0
Commercial loans	8.6	1.2	1.1	12.3
Other retail loans	(0.2)	(0.1)	0.1	(0.6)
Total	**32.0**	**27.1**	**3.8**	**67.4**
Demand deposits	12.1	3.8	2.9	20.2
Saving deposits	44.2	9.5	1.9	56.0
Time deposits	4.4	0.5	3.4	8.7
Total	**60.7**	**13.7**	**8.2**	**84.9**

Retail Banking	At 31 December 2004 Belgium	Netherlands	Luxembourg	Total
	(EUR billion)			
Mortgage loans	19.6	19.8	1.6	41.6
Consumer loans	1.7	1.1	0.9	5.0
Commercial loans	8.9	1.1	1.0	12.3
Other retail loans	(0.2)	0.0	0.1	(0.1)
Total	**30.0**	**22.0**	**3.6**	**58.8**
Demand deposits	11.4	2.5	2.6	17.8
Saving deposits	40.9	8.2	2.0	51.1
Time deposits	4.4	1.8	3.7	10.3
Total	**57.0**	**12.5**	**8.3**	**79.7**

Fortis Investments

Fortis Investments is Fortis' asset manager operating through 20 key investment centers in Europe, the United States and Asia. The company is consolidating its position as a leading European asset manager with niche markets in Asia and the United States. It serves a global base of local investors, both institutional customers and distribution partners.

In 2006, funds under management increased significantly to EUR 121 billion, compared to EUR 105 billion in 2005. This increase was driven largely by net new inflows of EUR 9.9 billion, split across institutional and wholesale retail. During 2006, Fortis Investments signed an agreement with CIT Finance Investment Bank to establish a Russian asset management joint venture, CIT Fortis Investments. The joint venture will service both Russian and international investors, offering a range of domestic and international asset management solutions.

In recognition of ever-increasing demand for fund of hedge fund products across its client base, Fortis Investments enhanced its offering by acquiring a 70% majority stake in Cadogan, a leading U.S. fund of hedge funds platform. The new business, into which Fortis Investments' existing fund of hedge funds activity is integrated, has combined assets under management of USD 3.7 billion. A specialist investment center for Sustainable and Responsible Investments (SRI) was also established in Frankfurt to accommodate the rapidly growing demand for these products. Strong relative and absolute performance in these products resulted in large inflows during the year. In November 2006, Fortis Investments also established an Amsterdam-based fiduciary management capability to supply the full chain of investment services to its client base.

Fortis expects the acquisition of the ABN AMRO Businesses will give it the benefits of a large geographic footprint and enhanced offering to third-party distributors.

	At 31 December		
	2006	**2005**(1)	**2004**(1)
		(EUR million)	
Funds under management	120,774	105,067	87,056
Group	71,116	66,838	58,942
Third-party	40,661	32,993	25,090
Collateralised Debt Obligations	8,997	5,236	3,024

Note:

(1) 2004 and 2005 have been restated to reflect the Collateralised Debt Obligations ("**CDO**") activity on a separate line.

Fortis Investments is structured around 20 specialist investment centers, each focused on one asset class and based in 11 locations worldwide:

- Paris — European equities, emerging markets equities and bonds, Euro-bonds and European convertibles;
- Frankfurt — Sustainable and responsible investments;
- Boston — U.S. and global equities, U.S. fixed income, U.S. balanced funds and structured finance;
- Amsterdam — real estate, balanced funds and Fortis OBAM NV investment fund;
- Luxembourg — funds of funds and balanced funds;
- Brussels — balanced funds and asset allocation;
- London — global fixed income, emerging fixed income and equities and European equities small caps;
- Tokyo — Japanese equities;

- Hong Kong — Asian equities;
- Jakarta — Indonesian balanced funds; and
- Shanghai, through a joint venture with Haitong — Chinese balanced funds.

These centers, supported by a highly experienced team of 236 investment professionals, share their information but are autonomous and fully accountable for their investment performance.

Fortis Investments aims to maintain a diversified customer base and fund mix. Through its distribution partners division, the company focuses on third-party customers such as funds of funds, private banks and other financial institutions that buy funds in order to sell them on to their own clients. The Institutional Division concentrates on customers that buy on their own account, such as pension funds, banks and insurers, companies and not-for-profit organisations.

Sales and client services to both segments are provided through local client relationship teams based in the eleven locations mentioned above as well as Madrid, Milan, Vienna and New York. This organisation provides Fortis Investments with first-hand knowledge of local markets and client needs.

Key strategic goals

- Consolidate its leading position in Europe;
- Leverage its extensive product and distribution opportunities;
- Pursue innovation in its product offering;
- Exploit growth potential in Asia.

The acquisition of the ABN AMRO Businesses is entirely in this aim.

Investment Philosophy

Fortis Investments is an active manager who believes that fundamental analysis, utilising proprietary research and quantitative tools, is the best approach to secure consistent, long-term excess returns. The Fortis Investments investment process is research-based and consists of three phases:

- Research — decision preparation through top-down macroeconomic research as well as bottom-up equity/bond research;
- Portfolio Construction — decision making through active management of model portfolios, which are customised along client specific requirements; and
- Risk Assessment and Performance Reporting.

Product Range

Fortis Investments continues to extend and develop its range of products to meet growing client needs and to take advantage of market developments. New segments were added to its range of funds allowing customers to diversify their exposure and to customise the risk profiles of their investments further. Fortis Investments has a broad range of fixed income, equity, balanced, sector and other funds.

Distribution and Client Service

Fortis Investments provides its services to customers by organising its distribution and client servicing by customer segment and by geographic location within customer segments. In Europe, mutual funds are distributed in Fortis major markets of the Benelux and France using Fortis Bank and insurance distribution channels as well as third parties. Fortis Investments continues to develop distribution agreements with third parties in other European countries, primarily for distribution of the flagship, Fortis L. Fund. For institutional clients, Fortis Investments adopts a direct approach using locally based teams to market services which can be managed via discretionary mandates or other suitable vehicles. Client servicing is also local to ensure close contact with the clients. Fortis Investments' major markets for institutional clients are France, Luxemburg, Belgium and The Netherlands. Institutional clients are made up from, among others, corporate pension plans, endowments, foundations and public funds.

(ii) Merchant & Private Banking

Merchant & Private Banking is the combination into one core business unit of Fortis Bank's old business lines: Merchant Banking and Commercial & Private Banking. The new organisational structure became effective as of 1 January 2007. Merchant & Private Banking is organised around (i) core competences and products: Skills; and (ii) customer relations: Clients.

Merchant & Private Banking offers a comprehensive range of banking products and skill-oriented financial services to large international companies and institutional customers, medium sized enterprises and their entrepreneurs-owners and private banking clients. Merchant & Private Banking boasts a strong client franchise in the Benelux and in selected European markets. The solid regional or even global position in many of its products and skills means Fortis is well placed to capture growth.

Overview

Fortis Bank supports its clients in their international growth by advising them and structuring and arranging financial solutions to meet their often complex financial needs. The solutions Fortis offers its customers are based on a variety of activities, including foreign exchange (Forex) trading and derivatives, money and capital markets, cash management, equity and fixed-income investments, business and asset financing, private equity, project finance, structuring, clearing and custody.

In Europe, Merchant & Private Banking is investing in the expansion of its operations in several European countries, including the UK, France, Italy, Germany, Spain, Poland and Turkey. It is also developing its dealing room coverage and selected niche activities, such as shipping finance, export and project finance, trade and commodity finance, and clearing services on a more global scale, in areas such as the United States and Asia.

Merchant & Private Banking seeks to optimise its operational structure and effectively streamline processes with a view to enhancing overall efficiency. Specifically, it will continue to pursue its growth targets by further leveraging its core client relationships, by expanding in selected client and product niches and by increased cross-selling and geographical expansion. At the same time, it will retain its focus on maintaining tight control of risk exposure. Merchant & Private Banking will use three key levers to meet its goal: revenue growth, cost efficiency and risk management.

Merchant & Private Banking continues to invest in global risk management integrating credit, market and operational risk, and its real-time management of credit limits on market transactions allows it to minimise risks and to limit operating costs. In addition, Fortis Bank has developed a Value-at-Risk model that also takes non-linearity of complex derivative products into account. The model is used for internal risk monitoring but also for external solvency reporting. The advanced method of calculating and reporting market risks has resulted in a decrease in the required regulatory capital. Merchant Banking is well prepared for the most advanced approaches of Basel II relating to credit and operational risk capital consumption. In addition, Merchant Banking has developed a Credit Portfolio Management system whereby credit risk is measured and reviewed on a portfolio basis, enabling better control.

In February 2006, Merchant & Private Banking adopted the Equator Principles, guidelines for responsible project financing. In so doing, Fortis Bank joined a group of 40 leading international financial institutions. Fortis applies the principles globally to project finance for all industry sectors.

Strategy

Key strategic goals

- Pursue focused growth by leveraging key client relationships and strong product franchises;
- Exploit opportunities in the United States and Asia by following key clients and leveraging existing expertise;
- Constantly improve sound risk management structure and disciplined cost management;
- Combine product innovation and cross-selling, particularly through cross-selling of products to existing ABN AMRO customers after the ABN AMRO acquisition;
- Superior customer advice backed by international expertise.

Customer Approach and Product Development

The Merchant & Private Banking organisation has enhanced its customer focus by placing an emphasis on developing client knowledge and managing client relationships. All corporate and institutional clients have been segmented according to their particular needs and circumstances. Each significant client has a global relationship manager or client director who oversees the entire client relationship.

In order to provide tailored solutions, client service teams, with specialists from various merchant banking activities, combine and structure a variety of financial products and services to meet the needs of the client. They operate under the coordination of a client director to efficiently provide the variety of resources that are required by the client.

Fortis has continued to invest in the development of innovative products. In addition to currency, equity and interest rate derivatives, Fortis has established a strong and innovative profile in credit derivatives, energy derivatives, inflation swaps and CO_2 emission trading. In 2006, Global Markets realised Fortis first Certified Emission Rights (CEr) transaction. In addition to currently trading in and providing advice on commodities, Fortis has also become a broker on the London Metal Exchange, providing a full range of services in precious metals to its client base and was nominated in 2007 for the third consecutive year for “Best Soft Commodity Finance Bank” by the Trade and Forfaiting Review Magazine. Finally, the acquisition of Cinergy Marketing & Trading (CMT) in Texas has provided Fortis with a platform for physical gas and power trading.

In the securitisation area, Fortis Bank has used its strong European position and reputation to structure and sell a variety of transactions on both its own account and for European customers such as the “Gauguin CDO” which was the first long-short synthetic CDO squared (CDO of CDO’s). Another example was the securitisation program for aircraft engine lessor Willis Lease, which was the first securitisation of this kind.

Creating a virtual dealing room has enabled Fortis to optimise its customer services, with a more coordinated product offering, individualised management of customer relationships and preservation of customer contacts with local sales teams and dealing rooms. To this end, it registers and processes all Benelux customer transactions via a single IT platform, which is expected to be gradually extended to other countries. Back offices, risk management and financial control management are administered centrally.

Capitalising on its long-standing relationships with Corporate and Institutional clients, Merchant Banking has set up a coordinated and global sales approach across its various business units. This resulted in continued increase in cross-selling and contributed to the strengthening of its position outside the Benelux

In 2006, Merchant Banking more than tripled its presence in the United States clearing market by acquiring Chicago-based O’Connor & Co., a leading provider of clearing services to the U.S. equity, futures and options markets. Also in 2006, Merchant Banking acquired HFS, the largest Fund Administrator in the British Virgin Islands. These developments reflect Fortis goal of simultaneously providing clients with global reach and with local focus and expertise.

Business segments

Merchant & Private Banking is organised around four client oriented business segments: Commercial Banking; Private Banking; Corporate, Institutional & Public Banking and Energy, Commodities & Transportation and four skills-oriented business segments: Global Markets; Investment Banking; Clearing, Funds & Custody and Specialised Financial Services.

Clients Business Segments

Commercial Banking

Commercial Banking offers business services to medium-sized enterprises with annual sales between EUR 2.5 million and EUR 250 million, with an emphasis on internationally active companies with complex financial needs. In particular, it focuses on businesses seeking multiple banking services, such as leasing, factoring, acquisition finance, trade finance, international credit facilities and international cash management. Due to the specific needs of its customer base, Commercial Banking has developed its “Act as One” strategy for these businesses, enabling them to arrange all their financial services internationally through a single contact — the Global Relationship Manager — who provides specialised, tailored solutions via an integrated European network of Business Centers. As of 1 January 2007, this network consists of 125 dedicated Business Centers in 19 countries covering most of Europe but also China and Turkey. Fortis Bank expanded its network of Business Centers in 2006 by opening seven new Business Centers in the EU (Austria, Hungary and the Czech Republic), two in China and 12 in Turkey. Through this network, Commercial Banking can provide a broad range of services based on its experience within and outside the European market, and its contacts with local networks. This network is being expanded in other regions, which Fortis believes offer strong growth potential at a rate of three new countries and four Business Centers in existing countries per year. Commercial Banking aims to be present in 25 European countries by 2009. Commercial Banking added 8,000 new customers in 2006, mainly through organic growth and looks to further expand in the near future as a result of the ABN AMRO Offer.

Commercial Banking provides a wide range of financial products and services to its medium-sized enterprises. With these customers, Fortis pursues a relationship banking approach in order to obtain a thorough understanding of a client’s business. It then provides financial solutions designed to meet the client’s needs. Fortis Bank’s product range includes:

- Payment and electronic banking services, treasury services, and cash and liquidity management;
- Trade services such as documentary credits and guarantees;
- Financing products such as working capital financing, medium and long-term financing (including export financing and loan syndication) and asset-backed financing (including leasing, factoring, receivables financing and asset securitisations); and
- Risk management products, covering exchange rate, interest rate, commodity and equity risks;
- Advisory and financial engineering (e.g., Private Equity and Trust).

In addition to the network, online banking facilities are crucial to Fortis Bank's quality of service. Traditional financial products and services geared to the needs of today's corporate management are distributed to all enterprises through Fortis Bank's portal, www.fortisbusiness.com. This portal functions as an information platform not only for existing customers but also for prospective customers. It has a dedicated edition for each country in which Commercial Banking is present, addressing customers in the local language and English. It currently provides access to foreign exchange and money market transactions, trade finance transactions, cash management services and payment services, and commercial finance transactions.

Private Banking

Private Banking aims to be the service provider of choice for high-net-worth and ultra high-net-worth clients, with a broad service offering covering both assets and liabilities, leveraging Fortis' skills and network to provide innovative solutions that are enhanced by the 'best brains in business' concept (i.e. for products not confined to Fortis, active seek for the best in class/best of breed provider for a product). The co-operation with Commercial and Merchant Banking has accelerated the development of dedicated international services for "enterprise and entrepreneur". These efforts have been recognised by clients and the Private Banking industry, and Fortis won the award for 'Outstanding Business Private Bank for 2006' (Private Banker International). The acquisition of the ABN AMRO Businesses will increase this strong market position.

The ambition of Fortis Private Banking is to service its high-net-worth clients worldwide throughout the different stages of their lives and in any economic environment. At the heart of Private Banking's distinctive business philosophy is a client-needs based approach. As an international provider of Wealth Management Services, Private Banking focuses on establishing long-term relationships built on an in-depth understanding of each client's needs and goals.

The assets under management as at 31 December 2006 amounted to EUR 78.9 billion.

In January 2007, Euromoney ranked Fortis Private Banking fifteenth among the best global private banks. Fortis Private Banking also won the title of "Best Relationship Management" in The Netherlands and "Best Philanthropy services" in a number of countries, including Belgium, for philanthropy services.

During 2006 Private Banking started operations in Turkey and Poland, while the acquisition of Dryden expanded Fortis presence in the UK (the largest European private banking market), Taiwan and Monaco.

Corporate & Institutional & Public Banking

Corporate & Institutional & Public Banking is responsible for the global relationship management of corporate, banking and institutional clients. It serves large enterprises in their financing needs from pure lending to the most sophisticated financial structures and leveraged financing. It also offers specialised services to the public sector and non-commercial customers, where it targets federal, regional and local authorities and public sector entities and district and public welfare centres and cities in Belgium and The Netherlands.

Corporate & Institutional Banking offers large international companies an extensive range of financial products and services.

The Corporate Finance and Capital Markets unit specialises in investment banking advisory services to companies. It is active in mergers and acquisitions, initial public offerings and secondary offerings and structuring. Fortis Bank advises companies, public authorities and institutions on capital market transactions and is one of the leading companies in the field of mergers and acquisitions in the Benelux.

Energy, Commodities & Transportation

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

Skills Business Segments

Global Markets

Global Markets provides services to institutions and large and medium-sized enterprises and performs a wide range of trading, sales and research activities.

Its customer-based activities are organised into specialised business units operating in the foreign exchange and money markets, fixed-income securities and derivatives, credit derivatives, securities financing, equities and equity derivatives as well as commodities and energy derivatives. Services are provided through trading, sales and research desks.

Fortis Bank’s trading rooms in the major financial centres provide clients with 24-hour coverage and execution. Furthermore, customers have direct access to the trading room via the Merchant Banking client portal that allows them to trade currency and money market products on-line in a secure environment. They can also view their entire portfolio of trades with Fortis Bank in all financial products.

Merchant Banking participates in the development of a European benchmark credit default model for unlisted companies. Fortis Bank operates a rating advisory desk to assist corporate customers in negotiations with rating agencies and to enable these companies to attract new sources of finance and expand the investment alternatives for institutional investors.

Clearing, Funds & Custody

Clearing Funds & Custody offers integrated services to institutional investors, banks, mainstream and alternative fund managers, and professional traders. Its main activities comprise a combination of transaction processing, financial logistics, risk management, portfolio financing and asset optimisation. In practice, this means that Global Securities & Funds Solutions offers services in the areas of custody, cash and derivatives clearing, securities financing and administration for on- and offshore investment funds.

Investment banking

Investment Banking offers a wide variety of financial services, including corporate finance, structure finance and private equity. It provides integrated financial solutions in the fields of export and project finance, acquisition and leveraged finance and real estate finance.

Private Equity provides venture capital and private equity to small and medium-sized enterprises for management buy-outs and corporate restructuring. Capital is contributed both directly, through shareholdings in companies, and indirectly through investments in private equity funds or fund-of-funds in order to have a broadly diversified portfolio.

Private Equity manages all the Private Equity assets of Fortis Bank. Total assets under management at 31 December 2006 exceeded EUR 1.4 billion.

It provides venture, development, buy-out capital and mezzanine finance to a broad spectrum of companies in both traditional and innovative sectors.

Private Equity operates via dedicated local teams focusing on direct investments. Complementary to these direct investments, it manages a diversified funds-portfolio, made up of top quartile fund relationships over Europe, the United States and Asia.

Structured Finance offers structured finance products and adds value by offering innovative and tailored solutions.

Specialised Financial Services

Specialised Financial Services (SFS) consists of leasing, commercial finance, global trade services, trust and corporate services and Global Cash Management. Each of these product lines and services are managed by separate entities with different internal and external distribution channels and client bases. A description of each Specialised Financial Service is provided below.

Fortis Lease specialises in leasing investment products such as vehicles, machinery, forklift trucks, IT equipment and real estate. Fortis Lease Group currently operates in Belgium, The Netherlands, Luxembourg, France, Spain, Portugal, the United Kingdom, Germany, Italy, Poland, Switzerland, Hungary, Turkey, the Czech Republic, Romania, Norway, Denmark, Finland, Sweden, Malaysia, Singapore and Hong Kong. Through its product expertise, knowledge of the international leasing market and international presence, Fortis Lease believes it is able to meet the growing demand of its customers for European solutions. With leasing assets of EUR 11 billion at 31 December 2006, Fortis Lease Group ranks in number 11 of leasing companies in Europe and is among the top four for those with a European coverage[26].

The objective of Fortis Lease is to consolidate and strengthen its position within the top European cross-border leasing companies, and to implement a European Vendor Leasing Business to support its continuous growth. During 2007, Fortis Lease plans to start its activities in Asia and will search for opportunities to expand in the United States.

During 2006, Fortis Lease acquired five new companies, pursuing its strategy of setting up an international network in the leasing sector. The first acquisition was Dreieck Industrie Leasing, a leading Swiss leasing company specialising in asset-backed financing solutions. It was followed by the acquisition of Captive Finance, specialised in vendor lease financing in the technology sector.

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[26] Source: European Federation of Leasing Company Associations 2005, based on total new business within Europe http://www.leaseurope.org/pages/studies_and_statements.

It gave Fortis Lease access to the leasing market in Malaysia, Singapore, Hong Kong, Norway, Denmark, Finland and Sweden. The Hungarian market was accessed through the acquisition of Innotrade Leasing Rt. and Takleasing Rt. in February 2006. Lastly, at the end of 2006, Fortis Lease acquired Global, a Romanian leasing specialist.

Fortis Commercial Finance (FCF) is active as a factoring company in 15 countries and is the fifth largest factor in Europe based on volume in 2006[27]. The acquisition of Atradius Factoring reinforced FCF's presence in Denmark, Sweden, France, Italy and Germany. A new back-office service provider, Finodis, was set up, offering outsourcing solutions for corporate credit management, factoring and commercial finance. In September 2006, FCF acquired "4 Faktor", a Polish factor company. FCF is linked to a worldwide network of 180 factoring companies, present in 65 countries. FCF distinguishes itself from its competition by offering pan-European multi-local solutions and Fortis branded credit cover services. FCF also offers a "factoring factory" (Finodis), a back-office utility aimed at servicing present and future FCF companies and large clients who have decided to outsource their accounts receivable and credit management.

Management believes that FCF's consolidated structure offers several competitive advantages. One advantage is that Fortis Commercial Finance can satisfy factoring needs internationally, i.e. the export factor in one's own country. Another advantage is the ability to offer customers across national borders services from the Fortis Commercial Finance group operating consistently and with common systems.

Fortis believes that the internationalisation of its factoring business offers adds value for Fortis clientele.

In addition to European integration, Fortis Commercial Finance is also expanding into credit management, account receivables managements, and financing of commerce. Current developments in e-business and new services areas within the Internet environment complement the internationalisation of Fortis Commercial Finance. As part of its growth strategy, FCF regularly considers acquisition opportunities and joint venturing solutions in a number of European countries.

The **Global Trade Services (GTS)** division of Fortis Bank helps customers to meet payment and delivery risk, an essential role in both import and export transactions. To this end, it offers a variety of risk-mitigating products including letters of credit, collections and international guarantees and provides support in developing special payment techniques.

Today most of GTS operations are centralised in the European Documentary Credits and Collections Centre, giving customers direct access to back-office systems through the Click n' Trade on-line application.

Fortis Intertrust, is a worldwide leader in Trust and Corporate Services, employing over 1,200 people and already present in more than 20 countries: Belgium, China, Denmark, Isle of Man, Ireland, Italy, The Netherlands, The Netherlands Antilles, Liechtenstein, Luxembourg, France, Russia, the United Kingdom, Spain, Sweden, Switzerland, Turkey, the United States, Dubai, Poland, and Singapore.

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[27] Source: FCI Statistics (Factors Chain International) / Business Money UK / Deutscher Factoring (2006).

Fortis Intertrust is able to provide cross-border structuring solutions to private individuals and corporate clients. Fortis Intertrust often has a spearheading function entering new markets, such as China, Russia and Turkey, or developing highly sophisticated new products and services, such as Corporate Governance, Carbon Management Trading and Yacht Management services.

Fortis Intertrust set up offices in Russia, Poland and Dubai (UAE) and launched new services such as Yacht and Aircraft Solutions in cooperation with Fortis Lease. Global Trade Services established a presence in the majority of the Business Centers and continued centralising back-office activities to further boost efficiency. The new Dubai office offers wealth management services in the Middle East and Southeast Asia.

Global Cash Management (GCM) division of Fortis Bank assists customers with accounts, payments and cash management services. Cash management is the day to day management of a company's current accounts, payments and collections and liquidity and therefore is an important corner stone in delivering Specialised Financial Services for all steps in the financial supply chain of Fortis' clients, together with the other Specialised Financial Services skills.

(iii) Insurance

Fortis is a prominent player in Europe's insurance market, and is among the top ten European insurers based on gross written premiums[28]. Fortis benefits from market leadership in the Benelux where it offers a comprehensive range of life and non-life insurance products and strong positions in the bancassurance and broker channels. Fortis Insurance leverages its existing skills in distribution, operations and products from its home markets in the Benelux and has established leading positions in selected European and Asian markets.

Strategy

Fortis Insurance aims to create revenue synergies by leveraging proven skills across borders and across businesses. At the same time, it wants to achieve economies of scale in local markets and share best practices within the organisation. To this end, all the insurance businesses have been brought under the leadership of one Chief Executive Officer and an organisational structure was created to support the sharing of best practices, skills and expertise across borders.

The strategy of Fortis Insurance involves alignment of local business strategies with several key strategic levers to 'fortify' growth and is centred on around products/market innovation, multi-channel distribution, operational excellence international expansion and an organisation equipped to foresee developments in the insurance industry.

The objective is to get closer to the end-customer and in doing so to improve Fortis Insurance's competitive position. Fortis Insurance will use its brand and varied distribution expertise to focus on a multi-channel approach. The strategy may differ between existing markets, depending on the local situation, and new markets, in which a true multi-channel strategy has yet to be established.

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[28] Source: Assuralia (http://www.assuralia.be, section: cijfergegevens/chiffres utiles), year 2005 and Assurantie Magazine (AM *Jaarboek* 2006 based on DNB numbers) based on premium income 2005.

Fortis is implementing a single organisation to support and accelerate the growth of Fortis Insurance.

The key strategic levers are:

- Multi-channel distribution (Brokers/IFA's, Bancassurance, Direct, Agents and Affinity);
- Product/market innovation (end-customer focus, exchange and roll-out of proven products across countries and shared innovation);
- Operational excellence (enhance service levels, lower cost to serve, leverage platforms, optimise local character and lean operation);
- International expansion (selectively expands to new product/markets in Europe/Asia, roll-out JV management/reinforce involvement).

This enhanced strategy aims at increasing the profit potential of Fortis insurance business.

The following table shows the contribution of the business lines within Fortis Insurance to Fortis insurance results as a whole for the year ended 31 December 2006.

	Year Ended 31 December 2006			
	Insurance Belgium	**Insurance Netherlands**	**Insurance International**	**Total Insurance(1)**
		(EUR million)		
Result before taxation	698	810	343	1,851
Gross earned life premiums.....	4,353	3,437	1,357	9,147
Gross earned non-life premiums.................................	1,253	1,944	1,739	4,936
Gross earned inflows	6,727	5,381	4,953	17,061
Total assets.............................	51,772	40,451	23,327	114,927

Note:

(1) Total Insurance, including consolidation eliminations.

Insurance Belgium

Overview

In July 2006, Fortis AG and FB Insurance, two Belgian Fortis insurance companies, merged into one single company, resulting in the largest insurance company in Belgium: Fortis Insurance Belgium (FIB)[29]. FIB operates through three distribution channels:

[29] Source: Assuralia (http://www.assuralia.be, section: cijfergegevens/chiffres utiles), year 2005.

- The Bank Channel distributes retail life and non-life products, primarily to individuals and small companies, exclusively through the branch networks of Fortis Bank and Banque de La Poste/Bank van De Post;
- The Broker Channel distributes retail life and non-life products through independent intermediaries; and
- The Employee Benefits & Health Care (EB&HC) Channel provides group life, pension and healthcare insurance solutions to large enterprises both directly and through large and international brokers and consultants.

Since the merger of Fortis AG and FB Insurance into the single legal entity Fortis Insurance Belgium (FIB), the integration process has progressed steadily, and a shared reporting and asset management platform came into operation in early 2006. FIB's market strategy will remain channel-specific, but FIB expects to achieve synergies and cost savings by sharing IT and support functions. The most important Information Services and Technology (IST) project concerns the integration of the two non-life platforms; the main tasks of such integration are expected to be finalised by 2008.

FIB's strategy with the Broker Channel is to strengthen its market position through product innovation, providing optimum support for intermediaries and controlling costs. The Broker Channel focuses on profitable growth by deepening relationships with growth-oriented brokers with good technical profitability. The growing use of information and communication technology and meeting the quality demands of the intermediaries are the main drivers for improved service and efficiency. In order to improve communication with intermediaries and transaction process, FIB Broker Channel has invested heavily in chain integration. On average more than 1,400 insurance brokers use the online transaction system each day. These systems are helping FIB to improve the efficiency and quality of the administrative processing, thus leading to greater satisfaction among intermediaries and clients.

FIB, through Bank Channel, offers integrated bancassurance solutions to complete or enhance the product and service range of Fortis Bank, in order to realise a full wealth planning and protection approach. Fortis Insurance Belgium's ten-year insurance distribution agreement with Banque de La Poste/Bank van De Post became operational in 2005. Under this agreement, FIB launched structured unit-linked contracts alongside traditional pension contracts. As a result, inflow of EUR 154.5 million was recorded in 2006.

In the employee benefits market, Employee Benefits & Health Care (EB/HC) Channel aims to build on its experience in the field of employee benefits insurance for large companies[30]. It strengthened its position in the market by signing a number of key group healthcare contracts in 2005 and 2006. In the past three years, it has nearly doubled its healthcare portfolio from 400,000 affiliates in 2003 to 730,000 in 2006. FIB's EB/HC channel is the leading second pillar group, (which includes various company plans, sector-wide plans, early-retirement plans and individual plans), life insurance provider in Belgium.

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[30] Source: Assuralia (http://www.assuralia.be, section: cijfergegevens/chiffres utiles), year 2005.

It provides pension plans, disability insurance products and health insurance. The solutions offered to clients have the benefit of complete customisation and flexibility.

Fortis Real Estate NV/SA ("**Fortis Real Estate**"), which is FIB's subsidiary for property activities is the largest real estate asset manager in Belgium (including buildings held for own use) [31]. Fortis Real Estate continues developing its property activities for the account of third parties.

Strategy

Fortis Insurance Belgium aspires to strengthen its market leading position in the Belgian insurance market[32]. It aims to continue showing profitable growth in its three market segments, retail life, non-life and employee Benefits, through a multi-channel approach. Its key strategic goals are:

- Reinforce leadership position in the broker and bank channels;
- Sustain focus on innovative product and service offerings leading to competitive advantage;
- Maintain tight relationships with insurance brokers;
- Increase penetration and cross-selling in bancassurance;
- Further cost containment through intensive use of chain integration and synergies.

The following table shows the contribution of insurance in Belgium to Fortis total insurance results for the year ended 31 December 2006.

	Year Ended 31 December 2006		
	Insurance Belgium	**Total Insurance**	**Insurance Belgium as a % of Total Insurance**
	(EUR million, except %)		
Result before taxation	698	1,851	38%
Gross earned life premiums	4,353	9,147	48%
Gross earned non-life premiums	1,253	4,936	25%
Gross earned inflows	6,727	17,061	39%
Assets	51,772	114,927	45%

31 Source: Expertisenews (http://www.expertisenews.be) based on fair value of 2006.

32 Source: Assuralia (http://www.assuralia.be, section: cijfergegevens/chiffres utiles), year 2005.

Market position

According to the Belgian Insurance Company Association, Assuralia, in 2006, the Belgian insurance market had EUR 29.6 billion of total inflow of which EUR 9.0 billion were non-life premiums, primarily motor, fire, accident, health and liability policies. Individual life policies, mostly pensions and savings products, accounted for the largest segment, EUR 16.6 billion of inflow. Group life, primarily companies' occupational pension schemes, accounted for EUR 4.1 billion.

The Belgian non-life market returned to overall profitability in 2005. A favourable economic environment allowed such profitability to continue during 2006. The positive trend reflected a number of factors, including the effect of earlier rate increases and a stable claims frequency, especially in motor insurance. Non-Life premium growth in 2006 was 4.0%, which was higher than the 3.0% rise in GDP.

The Belgian insurance industry is highly concentrated among a few large companies, with the six largest insurance groups (Fortis, KBC, Ethias, AXA, Dexia and ING) accounting for 79% of the market's total inflow in 2005. Fortis Insurance Belgium has a strong position in this market for all the products and services it provides.

Fortis Insurance had an overall market share of 23.4% in terms of total gross inflow in 2006. According to the market estimates published by Assuralia in its Annual Report 2006, Fortis Insurance Belgium has increased its life insurance market share from 20.9% in 2005 to 26.5% in 2006, and its non-life insurance market share from 15.7% in 2005 to 16.2% in 2006. Through its subsidiary Fortis Real Estate, Fortis Insurance Belgium is the largest real estate asset manager in Belgium (including buildings held for own use)[33].

According to the market estimates published by Assuralia in its 2006 Annual Report, Fortis Insurance Belgium's market share in individual life increased from 20.4% in 2005 to 27.6% in 2006. This strong growth in market share was the result of a decline in the individual life market of 22%, while Fortis Insurance Belgium realised a growth of 4% in this segment. When excluding first pillar group life insurance, FIB is the largest provider of second pillar group life insurance in Belgium, with a market share of 29.9%[34].

Product Developments

A focus on innovative products and services is a key strategic priority. Two of these innovative products are "Familis" and "Modulis". The "Familis" and "Modulis" concepts distinguish FIB from its competitors. Familis is a modular multi-product concept for the retail market that enables the client to place several non-life insurance policies efficiently in a single portfolio, while Modulis targets the SME market, self-employed and liberal professions. In addition, the application process, management and processing by the intermediary take place rapidly and efficiently via a secure online transaction system.

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33 Source: Expertisenews (http://www.expertisenews.be) based on fair value of 2006.

34 Source: Assuralia (http://www.assuralia.be, section: cijfergegevens/chiffres utiles), year 2005.

When Modulis was launched in 1999 and Familis in 2002, the possession rate (i.e. average number of Property & Casualty policies divided by number of Familis or Modulis policies, as applicable) attained 1.5 contracts per client; as of March 2007 the possession rate increased to 2.3 for Familis and 3.7 for Modulis. As of 31 December 2006, the Modulis portfolio consisted of 52,400 clients (14,000 new clients were added during 2006), which represents 194,000 policies. More than 30% of our retail clients have their polices in the Familis portfolio, which already covers 1 household out of 8; as of 31 December 2006, Fortis Families portfolio amounted to 330,000 clients (89,000 of which were added during 2006), representing 758,000 policies. Modulis already covers more than 6% of the market and at the moment represents 30% of FIB's portfolio realised in the SME, self-employed and liberal professions segments.

Another very successful innovative product concept is the "Pack". A "Pack" offers extended insurance cover for a specific group of risks, for a small additional premium only. The generic packs, launched at the end of 2004 (Pack Auto+ and Pack Woning+), continue to be very successful. In 2006, two more specific packs have been launched: the Pack Garden and the Pack Swimming Pool.

Fortis Bank and FIB expect to launch a new synergy project relating to SME clients. Rather than being a Fortis Bank or a Fortis Insurance client, this synergy stimulates the SME to become a total Fortis client ("Fortis V.I.P."), while benefiting from the advice linked to each specific channel (the Bank for banking advice/service and the broker for insurance advice/service).

Products

The following table sets forth Fortis Insurance Belgium's gross inflow life and the gross earned premiums non-life by type of policy for the periods indicated.

	Year Ended 31 December		
	2006	**2005**	**2004**
		(EUR million)	
APE[(1)]	511	494	417
Life			
Individual contracts	766	614	670
Group contracts	903	933	877
Investments contracts with discretionary participation features	2,684	2,592	2,122
Total gross earned premiums life	**4,353**	**4,139**	**3,669**
Investment contracts without discretionary participation features	1,121	1,141	631
Gross inflow life	5,474	5,280	4,300

	Year Ended 31 December		
	2006	**2005**	**2004**
		(EUR million)	
Non-Life			
Property & Casualty.........................	886	830	784
Accident & Health	367	329	309
Total gross earned premiums non-life	1,253	1,159	1,093
Total gross earned premiums	**5,606**	**5,298**	**4,762**

Note:

(1) New life business annual premiums and 10% of new life business single premiums.

- Life Products

  Fortis Insurance Belgium's life products consist of a broad range of participating (with profit sharing) and non-participating (without profit sharing) policies written for both individual and group customers. Participating policies share in either the results of the issuing company or investment returns on specified assets.

  Individual. FIB's individual life products include a variety of endowment, pure endowment, term and whole life and universal life type insurance policies designed to meet specific market needs. FIB offers single and regular premium policies used primarily for the funding of individual retirement benefits. Due to the fiscal segmentation, most of the benefits under these policies are payable at age 60 to 65 or on premature death.

  Fortis Insurance Belgium's tax-advantaged mortgage funding products include regular premium endowment policies, as well as policies that combine term insurance and savings features. Regular premium endowment policies are also marketed as savings products or sold in connection with residential mortgages. In addition, through its bancassurance distribution channel, Fortis offers investment products such as insurance bonds. FIB individual life products are mostly "universal life", offering investment style products, both investment-linked and non-investment linked.

  FIB also offers investment-linked insurance policies, where the policyholder bears the investment risk. Premiums are invested in investment funds chosen by the policyholder and the return on the investments is reinvested in the fund on behalf of the policyholder. An optional death benefit at specified levels is offered as well. Policy terms allow the policyholder to switch periodically among funds.

Group. FIB's group life policies are designed to fund private pension benefits offered by a wide range of businesses, public authorities and institutions to their employees as a supplement to government provided benefits. These benefits include sums assured by life or death, annuities, disability benefits and spouses' and orphans' benefits.

For large groups, customised policies are offered to meet the needs of individual employers. For other groups, standardised policies providing specified benefits are offered.

Legally, the different types of group policies are "traditional" group insurance, key man insurance, early retirement pensions and public sector pensions. Fortis currently offers three different group products. The first consists of contracts with guaranteed interest increased by an annual profit sharing. The second group product consists of contracts with a guaranteed interest rate whereby profit sharing is based on the return on a segregated portfolio of investments. These investments are managed separately from other investments and Fortis receives a related management fee. The third type consists of contracts without a guaranteed interest rate whereby the policyholder bears investment risk and the return on the portfolio in which premiums are invested are solely for the benefit of the policyholder. Here FIB also receives a related management fee.

The following table sets forth certain data with respect to Fortis Insurance Belgium's individual and group life premiums by type of policy for the periods indicated.

	Year Ended 31 December		
	2006	**2005**	**2004**
		(EUR million)	
Unit-linked contracts			
Single premiums-written	16	8	1
Periodic premiums-written	39	32	33
Group business total........................	55	40	34
Single premiums-written	1	1	1
Periodic premiums-written	0	0	0
Individual business total...................	1	1	1
Unit-linked contracts total	56	41	35
Non unit linked contracts			
Single premiums-written	256	291	234
Periodic premiums-written	592	602	609
Group business total........................	848	893	843
Single premiums-written	430	185	259
Periodic premiums-written	335	428	411

	Year Ended 31 December		
	2006	2005	2004
		(EUR million)	
Individual business total..................	765	613	669
Total non unit linked contracts.........	1,613	1,506	1,512
Investment contracts with discretionary participation features			
Single premiums-written	0	15	0
Periodic premiums-written	0	14	0
Group business total........................	0	29	0
Single premiums-written	2,460	2,071	1,638
Periodic premiums-written	224	492	484
Individual business total..................	2,684	5,563	2,122
Total investment contracts with discretionary participation features..	2,684	2,592	2,122
Total gross written premiums..........	4,353	4,139	3,669

- Non-Life Products

  The following table sets forth FIB's gross earned written premium income by product for the periods indicated:

	Gross earned premiums		
	2006	2005	2004
		(EUR million)	
Accident & Health................	367	329	309
Property & Casualty	866	830	784
Total..................................	**1,253**	**1,159**	**1,093**

- Property & Casualty

  Fire. Fortis Insurance Belgium's fire insurance policies provide coverage to both individual and commercial customers. Fire policies generally provide coverage for a variety of losses, including fires, storms, burglary and other perils. Individual coverage is provided on both a single-risk and multi-risk basis, with multi-risk policies providing coverage for loss or damage to dwellings, damage to personal goods, and liability to third parties.

Commercial coverage is provided to Belgian companies for buildings and facilities in Belgium, and includes ordinary and commercial risks. Fortis Insurance Belgium is the largest provider of fire insurance in Belgium based on gross written premiums, with a market share of 21.7% in 2006[35].

Motor. The motor policies commercialised by Fortis Insurance Belgium provide coverage to individual and commercial (fleet) insurers for third-party liability (including property damage and bodily injury), as well as coverage for theft, fire and collision damage. Belgian law requires that coverage for third-party liability be maintained with respect to each licensed motor vehicle. Other coverage, including collision, first party medical and damage suffered by the policyholder, the driver of the vehicle or the vehicle itself are optional. Each of the various optional types of coverage provided by Fortis Insurance Belgium is available with deductibles, which enables policyholders to reduce the cost of coverage by selecting higher deductible amounts. Policies are generally written for a minimum period of one year.

The terms and features of motor insurance offered by FIB are generally similar to those offered by its competitors in the Belgian market, though slight variations may occur as a result of the multi-channel approach. Because of these factors, competition in the Belgian motor insurance market is predominantly determined by the client-broker relationship and price. Fortis Insurance Belgium establishes its premium rates on the basis of its own historical data and pricing and underwriting experience. Premium levels are determined according to numerous variables, including factors related to the age and model of the insured vehicle as well as age, driving record and other factors related to the policyholder. In addition to premium levels, the frequency and severity of loss events affect the results of FIB's motor business.

Other non-life. Other non-life insurance consists of protection of engineering and building projects, cargo insurance, third-party liability insurance (other than motor), legal assistance and protection against pecuniary loss.

- Accident & Health

  Accident & Health insurance is provided by Fortis Insurance Belgium on both an individual and group basis. The types of risks covered by FIB's Accident & Health insurance policies include accidental death and temporary and permanent disability. In Belgium, the government's role is decreasing in the field of disability insurance and sick pay, creating new opportunities for insurance companies to provide private sector coverage for benefits previously provided by the state. Belgian law stipulates that each employer must underwrite an insurance policy ("Workmen's Compensation") to cover employees in case of accidents in the work place or on the way to and from the work place and the employee's home. Unlike most other European countries, in Belgium the private sector rather than the state social security system provides these insurance products. Although provided by the private sector, the levels of premiums are subject to control of the government that also exerts administrative control of claims handling.

[35] Source: Assuralia (http://www.assuralia.be, section: cijfergegevens/chiffres utiles), year 2005.

Distribution Channels

In Belgium, Fortis Insurance Belgium distributes its insurance products through three principal distribution channels: the independent professional intermediary channel, bancassurance and the Employee Benefits & Health Care channel. These distribution channels offer products, which are targeted at specific market segments.

Products offered through the brokerage channel are generally aimed at customers who require specialised advice. The bancassurance channel generally offers standardised products that together with bank products offer a complete range of financial services to the bank customer.

Fortis Insurance Belgium has reinforced its leadership position in these two channels through the merger of Fortis AG and FB Insurance in 2006[36]. Activities that are not specific to either the broker or the bank channel have been combined to achieve cost synergies, while channel specific operations have been kept separate.

Independent Brokers

The products offered by FIB Broker Channel in the retail and small and medium-size enterprises market are distributed exclusively through more than 3,000 professional independent intermediaries. The professional independent intermediaries are individuals or companies, which represent a number of insurance companies in a sale and service capacity as third-party contractors. In this respect, FIB Broker Channel competes with other companies that provide financial products and services through this channel. FIB Broker Channel is a very large provider of insurance products through professional independent brokers in Belgium[37]. Independent brokers are paid on a commission basis and are not employees of the companies they represent.

The independent brokers mostly sell both life and non-life insurance products. According to an Assuralia survey on Belgian insurance distribution, the broker channel is the predominant channel in the non-life sector, with a market share of 61% in 2005.

FIB Broker Channel supports its professional brokers through nine small commercial centers all over Belgium, supported by three administration and management centers, which also perform underwriting and claims handling functions.

Bancassurance

Bancassurance continues to be a growing distribution channel in the Belgian insurance market. According to Assuralia, the bancassurance channel has generated nearly half (49%) of the total life inflow in 2005. Fortis Insurance Belgium is the leading distributor of life insurance in Belgium through the bancassurance distribution channel and in 2005 had a market share of 39% of the non-unit-linked and 14% of the unit-linked bancassurance market. It distributes life and non-life products, primarily to individuals and small enterprises, through 1,092 branches of Fortis Bank (as of 31 December 2006).

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[36] Source: Assuralia (http://www.assuralia.be, section: cijfergegevens/chiffres utiles), year 2005.

[37] Source: Assuralia (http://www.assuralia.be, section: cijfergegevens/chiffres utiles), year 2005.

In March 2005, Fortis Insurance Belgium signed a ten-year distribution agreement with Banque de La Poste/ Bank van De Post. Banque, which exclusively distributes structured unit-linked contracts together with traditional pension products.

Employee Benefits and Health Care

The Employee Benefits & Health Care (EB/HC) Channel provides group life, pension and healthcare insurance solutions to large enterprises in the public and private sectors both directly and through large and international brokers and consultants.

Insurance Netherlands

Overview

In The Netherlands, Fortis is active in insurance through Fortis ASR, a large generalist insurer, which markets its complete range of life and non-life insurance, mortgage and savings products to both the private market and small and medium-sized enterprises, and four specialist insurers. The specialist insurers supply income protection, unit-linked insurance, travel and leisure cover and funeral policies. Fortis ASR and the Dutch activities of the specialist insurers encompass all of Fortis insurance activities in The Netherlands as well as a number of banking activities offered via intermediaries (assurfinance). With an overall market share of 10.1% based on 2005 gross premiums written, Fortis Insurance Netherlands (FIN) is the third largest insurer in The Netherlands[38]. It addresses the market through different brands. Its financial products are distributed mainly through more than 8,000 independent brokers that vary greatly in terms of profile, size and marketing strategy with additional distribution through tied agents, fee consultants and Fortis bank branches.

Fortis Insurance Netherlands writes a broad range of life and non-life insurance products in The Netherlands. Life premiums and non-life premiums accounted for 57% and 43%, respectively, of gross premiums written in 2005 in The Netherlands.

Fortis Insurance Netherlands aims to sustain and further develop its strong market position in The Netherlands in life, disability, and pensions insurance products through bancassurance and assurfinance.

Strategy

In response to several decisive and rapidly changing market trends, Fortis Insurance Netherlands defined a new strategy for 2011. The key points of this strategy are:

- Focus on profitable growth, in particular in life and disability insurance, pensions, bancassurance and assurfinance;
- Diversify distribution, increasing the contribution from bancassurance and own distribution channel relative to broker distribution;
- Focus on customer and broker satisfaction;
- Innovate life and non life products and solutions;

[38] Source: Assurantie Magazine (AM *Jaarboek* based on DNB numbers) based on premium income 2005. Life insurance number 4, Non-Life insurance number 3.

- Improve operational excellence.

To achieve these goals, Fortis Insurance Netherlands will deploy three strategic themes: (1) improve core activities through the improvement of operational excellence and commercial effectiveness; (2) offer innovative products and services, develop multi-channel distribution and reinforce customer focus through product innovation and (3) implement enablers (i.e. organisation adjustments, process redesign and leadership programs) to enhance client focus in areas such as organisation and culture.

The Dutch insurance markets are some of the most sophisticated in Europe, with relatively high proportions of life and pensions sales, deregulation, focus on asset management performance and increasingly competitive distribution channels. Independent brokers still predominate but bancassurance and direct writers are significant and increasing competitive forces.

A high level of competition marks all segments of the insurance market in The Netherlands This has led to significant margin pressures in this market. The proliferation of niche segments (by geography or by product) has exacerbated this competition, though the combination of low top-line growth, excess capacity and high cost structures, suggests that further consolidation is imminent.

The table below shows the contribution of insurance in The Netherlands to Fortis total insurance results as of and for the year ended 31 December 2006.

	Year Ended 31 December 2006		
	Insurance Netherlands (1))	**Total Insurance**	**Insurance Netherlands as a % of Total Insurance**
	(EUR million, except %)		
Result before taxation..............	810	1,851	44%
Gross life premiums.................	3,437	9,147	38%
Gross non-life premiums	1,944	4,936	39%
Gross inflows	5,381	17,061	32%
Assets	40,451	114,927	35%

Note:

(1) Netherlands Insurance includes Fortis ASR and four specialist insurers.

Market Position

In 2005, Fortis was the third largest provider of insurance products (excluding medical costs), the second largest provider of non-life insurance and the fourth largest provider of life insurance products in The Netherlands. Fortis has a leading market position in individual life and non-life cover, disability insurance, and niche markets such as travel and leisure and funeral policies. Fortis market position in The Netherlands is based on Fortis review of publicly available data and gross premium income in 2005[39].

As of 31 December 2005, Fortis Insurance Netherlands was the third largest insurer in the Dutch insurance market[40]. The total market share of the top three players increased from 38% in 2002 to 45% in 2005. Assuming this trend continues, this will lead to a concentration of 65% by 2010. Such trend would be in line with the Dutch banking sector, where consolidation has resulted in a 65% market share for the top three banks.

In addition to consolidation, the insurance sector is being challenged by a number of external trends and discontinuities. Examples of these developments include changing consumer behaviour, as there is a growing consumer demand for simple products covering basic needs which can be easily accessed through all channels (Internet, telephone, mail, personal). The importance of the Internet channel continues to increase.

The purchase of simple risk Property & Casualty products through the Internet is expected to increase to more than 40% by 2010 (12% in 2005).

This development towards convenience and transparency is reinforced by new regulations such as the recently implemented Financial Services Act and the upcoming Transparency in Commissions Act. New legislation regarding the full privatisation of the disability risk for employers, has led to the development of complex disability products which require an enhanced level of customer care and advice in the marketing phase.

[39] Source: Assurantie Magazine (AM *Jaarboek* based on DNB numbers) based on premium income 2005. Life insurance number 4, Non-Life insurance number 3.

[40] Source: Assurantie Magazine (AM *Jaarboek* based on DNB numbers) based on premium income 2005. Life insurance number 4, Non-Life insurance number 3.

Products

The following table sets forth Fortis gross inflow life and the gross earned written premiums non-life by type of policy for the periods indicated.

	Year Ended 31 December		
	2006	2005	2004
		(EUR million)	
APE[1]	275	250	273
Life Individual contracts	2,343	2,212	2,176
Group contracts	1,094	423	366
Investments contracts with discretionary participation features	—	—	—
Total gross earned premiums life	3,437	2,635	2,542
Investment contracts without discretionary participation features	—	—	—
Gross inflow	3,437	2,635	2,542
Property & Casualty	985	986	1,008
Accident & Health	959	1,003	1,028
Total gross earned premiums non-life	1,944	1,989	2,036
Total gross earned premiums	5,381	4,624	4,578

Note:

(1) New life business annual premiums and 10% of new life business single premiums.

- Life Products

  Fortis life insurance products consist of a broad range of participating (with profit sharing) and non-participating (without profit sharing) policies written for both individual and group customers. Participating policies share in either the results of the issuing company or investment returns on specified assets.

  The following table sets forth certain data with respect to Fortis individual and group life insurance premiums in The Netherlands by type of policy for the periods indicated.

	2006	2005	2004
		(EUR million)	
Unit-linked contracts			
Single premiums-written	42	43	78
Periodic premiums-written	93	87	123
Group business total	135	130	198

	2006	2005	2004
		(EUR million)	
Single premiums-written	139	116	270
Periodic premiums-written	868	867	665
Individual business total	1,007	983	935
Unit-linked contracts total	1,142	1,113	1,133
Non unit-linked contracts			
Single premiums-written	717	145	78
Periodic premiums-written	242	148	89
Group business total	959	293	167
Single premiums-written	767	645	668
Periodic premiums-written	569	584	574
Individual business total	1,336	1,229	1,242
Total non unit linked contracts	2,296	1,522	1,409
Total gross written premiums	3,437	2,635	2,542

Individual. Fortis individual life products include a variety of endowment, pure endowment, term and whole life and universal life type insurance policies designed to meet specific market needs. Fortis offers single and regular premium policies used primarily for the funding of individual retirement benefits. Due to the fiscal segmentation, most of the benefits under these policies are payable at age 60 to 65 or on premature death.

Fortis tax-advantaged mortgage funding products include regular premium endowment policies, as well as policies that combine term insurance and savings features. Regular premium endowment policies are also marketed as savings products or sold in connection with residential mortgages. In addition, through its bancassurance distribution channel, Fortis offers investment products such as insurance bonds. The individual life products offered by Fortis insurance companies in The Netherlands are mostly “universal life”, offering investment style products, both investment-linked and non-investment linked.

Fortis also offers investment-linked insurance policies, where the policyholder bears the investment risk. Premiums are invested in investment funds chosen by the policyholder and the return on the investments is reinvested in the fund on behalf of the policyholder. An optional death benefit at specified levels is offered as well. Policy terms allow the policyholder to switch periodically among funds.

In addition, Fortis offers products, which have different features or are unique to the Dutch market such as deposit life policies. Under a deposit life policy Fortis administers a savings deposit life insurance plan, under which the participants surviving for a fixed period of time participate in the value of the savings deposits and accrued interest at that time. An optional supplementary death benefit is provided by a term insurance policy.

Group. Fortis group life policies are designed to fund private pension benefits offered by a wide range of businesses, public authorities and institutions to their employees as a supplement to government provided benefits. These benefits include sums assured by life or death, annuities, disability benefits and spouses' and orphans' benefits.

For large groups, customised policies are offered to meet the needs of individual employers. For other groups, standardised policies providing specified benefits are offered.

Legally different types of group policies are "traditional" group insurance, key man insurance, early retirement pensions and public sector pensions. Fortis currently offers three different group products. The first consists of contracts with guaranteed interest increased by an annual profit sharing. The second group product consists of contracts with a guaranteed interest rate whereby profit sharing is based on the return on a segregated portfolio of investments. These investments are managed separately from other investments and Fortis receives a related management fee. The third type consists of contracts without a guaranteed interest rate whereby the policyholder bears investment risk and the return on the portfolio in which premiums are invested are solely for the benefit of the policyholder. Here Fortis also receives a related management fee.

The group policies sold by the Dutch insurance companies are primarily old age and widows pensions sold on both a traditional and investment-linked basis.

- Non-Life Products

The following describes the primary non-life insurance products offered by Fortis in The Netherlands. Non-Life insurance products are also issued by Fortis companies in Belgium as well as other countries, primarily in Europe.

The following table sets forth Fortis Netherlands gross premium income by product for the periods indicated.

	Gross premiums		
	2006	**2005**	**2004**
		(EUR million)	
Accident & Health............	959	1,003	1,028
Property & Casualty	985	986	1,008
Total.................................	**1,944**	**1,989**	**2,036**

- Property & Casualty

  Motor and fire. The motor policies provided by Fortis in the Dutch market provide coverage to individual and commercial (fleet) insurers for third-party liability (including property damage and bodily injury), as well as coverage for theft, fire and collision damage. Dutch law requires that coverage for third-party liability be maintained with respect to each licensed motor vehicle. Other coverage, including collision and first party medical, is optional. Dutch law does not require that insurance be maintained for damage suffered by the policyholder, the driver of the vehicle or the vehicle itself.

  Each of the various types of coverage provided by Fortis is available with deductibles, which enables policyholders to reduce the cost of coverage by selecting higher deductible amounts. Policies are generally written for a minimum period of one year.

  Fortis fire insurance policies provide coverage to both individual and commercial customers. Fire policies generally provide coverage for a variety of losses, including fires, storms, burglary and other peril. Individual coverage is provided on both a single-risk and multi-risk basis, with multi-risk policies providing coverage for loss or damage to dwellings, damage to personal goods, and liability to third parties.

  Other non-life. Other non-life insurance consists of protection of engineering and building projects, cargo insurance, third-party liability insurance, legal assistance and protection against pecuniary loss.

  Corporate business. This segment consists primarily of industrial protection and liability lines.

- Accident & Health

  Accident & Health is another principal non-life line of business and, because of the privatisation of disability and health insurance in The Netherlands, is a particularly fast-growing segment. Accident & Health insurance is provided by FIN on both an individual and group basis. The types of risks covered by FIN's Accident & Health insurance policies include death by accident, and temporary and permanent disability. In The Netherlands, the government's role is decreasing in the field of disability insurance and sick pay, creating new opportunities for insurance companies to provide private-sector coverage for benefits previously provided by the Dutch government. The overall aim of Fortis sickness and disability strategy is to be an important player in the employee benefits market.

Distribution Channels

Fortis Insurance Netherlands distributes its insurance products primarily through independent intermediaries. In addition, it is also using Fortis Bank, as well as other banks' branches for selected products. Finally, Fortis ASR operates a tied agents sales force (VerzekeringsUnie) and a franchise organisation that primarily sell Fortis ASR products (Attentiv). The Fortis strategy is to serve each distribution channel with products, which are not only carefully tailored to the requirements of the target customer, but also to those of the particular distribution channel.

Independent Brokers

Professional independent brokers are the main distribution channel in The Netherlands for Fortis life and non-life policies, accounting for more than 80% of total sales in 2006. The brokers are individuals or companies, which represent a number of insurance companies in a sale and service capacity as third-party contractors. They are paid on a commission basis and are not employees of the companies they represent.

Direct/Tied Agents

Fortis Insurance Netherlands has an agency network of approximately 170 agents that sell insurance products primarily to middle-income individuals. Tied agents work exclusively for Fortis and receive a commission based on business produced. As the customer behaviour changes and a growing number of customers prefer to buy simple risk products through the Internet, Fortis aims to set up its own distribution channel and roll out an Internet based sales concept, enabling brokers to sell through their own website.

Bancassurance

The bancassurance distribution channel, which consists primarily of the network of Fortis Bank in The Netherlands (155 branches at the end of 2006), mainly sells individual, straightforward products issued by FIN to retail clients of Fortis Bank and other banks.

Competition

There is a high level of competition in The Netherlands for all insurance products sold by FIN. Competition is strong in the life insurance market as domestic and foreign insurers face a lack of growth in the life market as a consequence of less attractive tax regulation. However, a number of small domestic and foreign insurers have sold their operations as they lacked scale and the market in The Netherlands continues to experience consolidation.

Although competition in life insurance is strong, competition in the more cyclical non-life market is even stronger due to the high number of companies active in the non-life market. The large number of companies writing non-life policies in The Netherlands increases competition and results in more fragmented market shares; the top five insurance companies wrote 53% of non-life premiums based on 2005 data, compared to 73% of life premiums.

Competition with respect to the products and services provided by Fortis insurance companies in The Netherlands is based on factors such as:

- price;
- financial strength and claims-paying ratings;
- size and strength of distribution channels;
- range of product lines, product quality, reputation and visibility in the marketplace;
- quality of service;

- sales of banking products via intermediaries (Assurfinance); and
- asset management performance, with respect to investment-linked and participating life contracts.

Insurance International

Overview

Insurance International brings together all the principal insurance activities outside Belgium and The Netherlands, as well as Fortis Corporate Insurance and Fortis RE. Insurance International sells its insurance products in selected markets in the United Kingdom (Fortis UK), Luxembourg (Fortis Luxembourg Vie and Fortis Luxembourg IARD), France (Fortis Assurances France) Germany (Fortis Lebensversicherung), Russia (Fortis Life Insurance Russia] and Ukraine (Fortis Life Insurance Ukraine), while in Portugal (Millenniumbcp Fortis), China (Taiping Life), Malaysia (Mayban-Fortis) and Thailand (Muang Thai Fortis), Fortis has exploited its know-how in insurance by entering these markets via joint ventures with strong local partners. Fortis Corporate Insurance distributes corporate insurance in Belgium and The Netherlands.

Insurance International seeks to leverage Fortis existing skills in distribution, operations and products and has established a presence in selected European and Asian markets, selling its products via a number of channels, including brokers, banks, agents and directly. For instance, in Luxembourg, Insurance International principally offers life insurance, distributed through brokers and bank alliances, whilst in the UK only non-life products are distributed via an extensive broker network, affinity groups and a direct network. Life insurance products are sold in France through intermediaries, a network of Fortis agents and recently via Fortis Bank. Fortis has successful joint ventures with strong local banking partners in Spain, Portugal and Malaysia. In Thailand and China, Fortis has set up joint ventures aimed not only at the banking channel, but also at alternative channels such as agents. Fortis Corporate Insurance offers non-life products to medium-sized and larger companies, primarily in the Benelux via brokers. Fortis RE is the reinsurer for the non-life Fortis companies.

Insurance International aims at further accelerating growth in its business by building on its existing market positions. At the same time, it will pursue selected new product/market opportunities in Europe and Asia by way of organic expansion, acquisitions and strategic partnerships.

The following table shows the contribution to Fortis total insurance results as of and for the year ended 31 December 2006.

	Year Ended 31 December 2006		
	Insurance International	Total Insurance	Insurance International as a % of Total Insurance
	(EUR million, except %)		
Result before taxation	343	1,851	19%
Gross earned life premiums	1,357	9,147	15%
Gross earned non-life premiums	1,739	4,936	35%
Gross earned inflows	4,953	17,061	29%
Assets	23,327	114,927	20%

33% of Insurance International total gross earned inflows for 2006 were attributable to Fortis operations in Portugal, 27% to Luxembourg, 19% to the United Kingdom and 9% to France. As Fortis' investments in Asia are through joint ventures not fully controlled by Fortis, such joint ventures are accounted for under the equity method and thus are not included in Fortis consolidated gross inflow figures (however, Fortis consolidated net profit does take into account the relevant share of the results of these operations). Fortis Corporate Insurance accounted for 12% of total gross inflows in 2006.

Gross earned non-life premiums at Insurance International increased by 6% to EUR 1,739 million in 2006.

Insurance International's strategy is to increase its revenues in existing and, where appropriate, new markets. The focus is on multi-channel distribution. The development of new products will be tailored to specific countries and customer groups, and will leverage existing knowledge and skills within Fortis insurance companies. When entering new markets, Insurance International will primarily focus on life and pension products. Fortis enters new markets through both joint ventures and full ownership. When entering via joint ventures, it applies a rigorous set of criteria before selecting a partner. Fortis aim in these joint ventures is to reinforce or achieve management control with management representation in certain key selected areas.

Insurance International plans to continue to build its organisation and business by developing new products, ongoing skill and knowledge transfer between units and entering new markets. It will also optimise the local character of the acquisitions completed in 2006.

Insurance International continued to implement the growth strategy it announced in 2005, by further building its existing businesses and by expanding in selected markets in Europe and Asia. Significant progress with entering new markets was made in 2006.

In Europe, Fortis launched a new life insurance company in Russia in 2006. The company works with a state-of-the-art IT system that is also used by the Chinese joint venture Taiping Life. Its product range consists of term life insurance, endowment insurance, and pension insurance. Examples are an 'education plan' product for Russia's rapidly growing middle class and a pension scheme for corporate employees. The products will be distributed via the direct channel (the internet and call centers) and through account managers targeting Russian corporate enterprises. Launch of the marketing campaign is expected to take place in the first half of 2007.

Fortis acquired life insurers in Ukraine and in Germany. The companies will start selling life insurance products under the Fortis brand during 2007. In Germany, the platform will also support the sale of insurance products through Fortis Credit4Me consumer finance concept.

Fortis continues to grow its affinity marketing sales in the UK, building on its earlier acquisitions Outright and Affinity Solutions. In 2006 Outright's portfolio expanded by 50,000 customers through its new relationship with the UK Armed Forces. Fortis UK ended the year with more new affinity deals and the acquisition of InsureTech Limited, a small start-up that will enable Fortis UK to broaden its multi-channel distribution model with internet sales in the general insurance market.

In Asia, Insurance International signed a three-way joint venture agreement with Industrial and Development Bank of India (IDBI) and Federal Bank, aimed at establishing a new insurance company to commence operations in 2007. Fortis will initially own 26% of the new company and IDBI and Federal Bank will own 48% and 26% respectively. Fortis will contribute its experience in bancassurance and product know-how, while IDBI and Federal Bank offer their distribution skills. The company will pursue a multi-channel distribution strategy, although at the outset the emphasis will be on distributing products through the partners' extensive networks, with other distribution channels being added later.

Strong growth is being realised in Asia. Fortis completed the acquisition of Malaysian National Insurance Holdings. Mayban Fortis is now a leading player in the Malaysian insurance market, with market leadership positions in life and takaful insurance. The combined entity benefits from Fortis integration skills. Muang Thai Life (Thailand) reported revenue growth of 23% in 2006, amply outpacing the Thai insurance industry's 4% growth. It is now the sixth largest insurance company in Thailand[41]. Taiping Life (China), too, grew much faster than the overall Chinese market. Taiping Life launched a new product - a deferred annuity - in the second half of 2006, and it is selling well. A Universal Life product, launched at the end of 2005 for the bancassurance channel, continues to be its best selling product. Taiping Life surpassed EUR 1 billion in gross inflow for the first time.

[41] Source: The Thai Life Assurance Association (TLAA), 2005 based on premium income.

On 23 May, Fortis announced that it had finalised the acquisition of 50.45% of Pacific Century Insurance Holdings Limited ("**PCI**") from its majority shareholder, PCI Regional Developments Ltd, and others for a total consideration of EUR 341 million. A mandatory general offer to acquire the remaining shares and options of PCI was subsequently launched, with Fortis announcing on 15 June 2007 that it had acquired 98.59% of PCI. With over 95% of the shares, Fortis is currently in the process of making a compulsory offer for the remaining 1.41% of shares.

Business Environment

The non-life environment in Europe has been favourable recently, which may lead to pricing pressure as new players are attracted to the market. The challenge for Insurance International is to maintain positive underwriting results, while at the same time maintaining existing market shares. Life insurance is growing steadily and is likely to continue due to the aging population, especially in countries with a high dependency on state pension provision.

Brokers and agents remain the dominant channels in some countries. However, in others, particularly the UK, new distribution channels are being utilised, such as the internet, affinity marketing and brand assurance. Straightforward life and non-life products can be readily distributed via these new channels, whereas more complex ones will probably continue to rely on conventional distribution. Insurance International's distribution and product mix may change in response to European regulatory harmonisation (e.g., Solvency II), tax changes and shifting consumer behavior.

The life sector in Asia continues to develop at double-digit rates in most markets. Although bancassurance has become the dominant distribution channel in some areas, the agency channel is the largest distributor of life products. Companies pursuing a multi-channel distribution strategy could benefit from growth in bancassurance and new distribution channels like the internet.

The following table sets forth Fortis gross inflow life and the gross earned written premiums non-life by type of policy for the periods indicated.

	Year Ended 31 December		
	2006	**2005**	**2004**
		(EUR million)	
APE	550	535	232
Life Individual contracts	523	481	318
Group contracts	121	115	80
Investments contracts with discretionary participation features	713	886	0
Total gross earned premiums life	**1,357**	**1,482**	**398**

	Year Ended 31 December		
	2006	2005	2004
		(EUR million)	
Single premiums-written	3	2	2
Periodic premiums-written	118	114	78
Group business total	121	116	80
Single premiums-written	247	216	117
Periodic premiums-written	276	264	201
Individual business total	523	480	318
Total investment contracts with DPF	713	886	-
Total gross written premiums	**1,357**	**1,482**	**398**

The following table sets forth Insurance International's gross life premiums by type of policy for the periods indicated.

	Year Ended 31 December		
	2006	2005	2004
		(EUR million)	
Unit-linked contracts			
Single premiums-written	1	0	0
Periodic premiums-written	43	37	31
Group business total	44	37	31
Single premiums-written	128	87	61
Periodic premiums-written	45	39	44
Individual business total	173	126	105
Unit-linked contracts total	217	163	136
Non unit-linked contracts			
Single premiums-written	2	2	2
Periodic premiums-written	75	77	47
Group business total	77	78	49
Single premiums-written	118	130	55
Periodic premiums-written	232	225	158
Individual business total	350	356	213
Total non unit linked contracts	427	434	262

	Year Ended 31 December		
	2006	2005	2004
		(EUR million)	
Investment contracts with discretionary participation features			
Single premiums-written	3	2	2
Periodic premiums-written	118	114	78
Group business total	121	116	80
Single premiums-written	247	216	117
Periodic premiums-written	276	264	201
Individual business total	523	480	318
Total investment contracts with discretionary participation features	713	886	-
Total gross written premiums	**1,357**	**1,482**	**398**

The following table sets forth Insurance International's gross non-life premiums by type of policy for the periods indicated.

	Gross earned premiums		
	2006	2005	2004
		(EUR million)	
Accident & Health	204	177	61
Property & Casualty	1,535	1,463	1,356
Total	**1,739**	**1,640**	**1,417**

United Kingdom

In the United Kingdom, Fortis UK is active in the non-life insurance market, distributing its products (predominantly motor, household and travel) via brokers, affinity groups and direct to customers. It seeks to combine efficiency with competitive prices and a high level of service. Independent analysis by Citigroup, Datamonitor and Mercer Oliver Wyman consistently finds Fortis UK as having the lowest unit cost of production in the motor market, while maintaining a high level of service, as demonstrated by various awards and accolades from brokers, partners and customers.

In 2006 Fortis UK insured approximately 1.5 million vehicles and ranked fifth in 2005 based upon net written premiums[42]. During 2006 Fortis UK insured a record 6.5 million customers. Fortis UK's strategy is to exploit its reputation and highly efficient operating model to increase its market share in other areas of insurance for individuals and small businesses through a range of distribution channels. During 2006 Fortis UK acquired Text2Insure, an innovative distribution method of travel policies via SMS and Insuretech, an online insurance aggregator. The strategic alliance with the Age Concern, (an insurance affinity group targeting customers who are 50 years old or older), was successfully implemented, resulting in the transfer of Age Concern's portfolio to Fortis, which caused a 66% increase in household customers (over to one million). In 2005, Fortis UK acquired the personal lines insurance solutions provider OutRight, now serving in excess of 200,000 policyholders supported by a new relationship with the UK Armed Forces and its AutoDirect business. Affinity Solutions was able to leverage on Fortis UK's expertise and increased its penetration in the affinity market, a fast growing market segment in the UK.

Fortis Corporate Insurance

Fortis Corporate Insurance is one of the leading non-life insurers for large and medium-sized national and international companies in the Benelux. In addition to offering tailor-made insurance cover, it actively assists clients in managing their risks. Clients are served in partnership with specialised insurance brokers. To further strengthen its market position it invests in knowledge about the insured risks, and in its organisation and processes. Fortis Corporate Insurance employs 350 people working from offices in Amstelveen, Brussels, Rotterdam and Antwerp. Fortis Corporate Insurance is rated A+ (strong) by FitchRatings and A (strong) by Standard & Poor's.

Luxembourg

Fortis Luxembourg Vie is the second largest life assurance company in Luxembourg and is developing into a pan-European player[43]. In 2006 more than 75% of the gross inflow was obtained via third parties (primarily from private banking channels such as JP Morgan). The company is active in Belgium, France, Italy, Germany and Spain. It uses a variety of channels for the distribution of its products, in particular the branch network of Fortis Bank Luxembourg and financial intermediaries. Fortis Luxembourg IARD also offers non-life insurance products (with the exception of motor insurance) within the Grand Duchy, primarily via intermediaries and for selected products through the Fortis Banque Luxembourg branches. In 2006, total insurance liabilities grew to EUR 5.2 billion, an increase of 32% compared to 2005.

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42 Source: Association of British Insurers (ABI), 2005 based on premium income http://www.abi.org.uk/Display/File/524/General_Rankings_2005.xls.

43 Source: *Association des Compagnies d'Assurances* (ACA), 2005 based on premium income http://www.aca.lu/.

France

In France, Fortis Assurances France is active in the life insurance market for individuals and for business leaders of small and medium-sized companies and their families. Fortis Assurances has redefined its strategy and is now targeting, via a direct sales force and independent intermediaries, mainly dealers, tradesmen, members of the independent professions and managers, offering insurance and supplementary pension solutions. At the end of 2006 Fortis Assurances started a cooperation with Fortis Bank France, thus adding a third distribution channel. A successful and innovative unit-linked product was developed, which won the 2006 French award for most innovative insurance product (Life Insurance Innovation Award).

Spain

Fortis has been active in Spain since 1992 via CaiFor, a 50% joint venture with "la Caixa", the largest savings bank in Spain. CaiFor provides an umbrella for the life insurance company VidaCaixa and the non-life insurer SegurCaixa, both of which market their products via the approximately 4,500 branch network of "la Caixa". CaiFor is market leader in the Spanish individual and group pension market with a market share of 13% (measured by life insurance provisions) as of 31 December 2005. SegurCaixa, which mainly offers combination home insurance packages, continued its strong growth attributable to the integrated distribution of its products via the banking channel and the dynamic development of the Spanish housing market. During 2006 a motor insurance project was developed, and it is expected to be launched during 2007. On 12 July 2007, Fortis and la Caixa announced that they reached an agreement pursuant to which la Caixa will acquire all Fortis interests in CaiFor for a total cash consideration of EUR 980 million. The transaction is expected to be completed within a few months following its announcement.

Portugal

Millenniumbcp Fortis (51% owned by Fortis) realised total gross inflow of EUR 1.6 million in 2006. Non-Life premiums grew by 17% to EUR 171 million in 2006 and Life inflow amounted to EUR 1.5 million in 2006. During 2006 a product innovation program was launched and new products were developed. The effect of these new products is expected to be recorded after their introduction in 2007, based on positive initial results of a marketing pilot. New distribution channels were launched by Health, supported by new agreements with brokers and Portuguese insurance companies. With a market share of 16% as of March 2007, Millenniumbcp Fortis ranks second in the Portuguese Life and total Insurance market. Medis (the Health brand) is well recognised in the Portuguese market with a market share of 21%, ranking second in the market[44]. The Pension Fund business continued to perform well in 2006, with funds under management of EUR 6.8 million, an increase of 11% compared to 2005.

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[44] Source: *Associação Portuguesa de Seguradores* (APS) based on premium income http://www.apseguradores.pt.

China

In China, Fortis operates through the life insurance company Taiping Life, which has a national operating license. Taiping is a life insurance joint venture in which Fortis has a 24.9% stake and the other shareholders are China Insurance Holding Company Limited (CIHC) (25.05%), and China Insurance International Holdings Company Limited (CIIH) (50.05%), a listed Hong Kong company which is controlled by CIHC. In 2006 gross inflow increased by 43% compared to 2005 to EUR 1.1 billion. The company has 22 branches and 230 sub-branches or distribution offices, with approximately 4,200 employees and approximately 26,400 brokers and sales agents as of 31 December 2006. As of 31 December 2006, Taiping Life's market share had increased to 2.7% (based on total premiums) in a fast-growing market and was the sixth largest life insurer in China.

Malaysia

In Malaysia, Fortis operates through Mayban Fortis, a joint venture with Maybank, the largest financial service-provider in the country with more than 500 bank branches. In this bancassurance joint venture, Fortis has a total of 30% equity interest in Mayban Life Assurance Berhad and Mayban General Assurance Berhad. In 2006 gross inflow increased by 125% compared to 2005 to EUR 797 million. The company had approximately 2,000 employees and 16,900 sales agents as of 31 December 2006. During 2006, Mayban Fortis completed the acquisition of Malaysia National Insurance Holdings (MNIH), a leading insurance company, and this acquisition enabled Mayban Fortis to evolve into a leading multi-channel insurer in Malaysia.

Thailand

In 2004, with a view to achieving a leadership position in the Thai insurance markets, Fortis entered into a strategic partnership with Muang Thai in Thailand and its partner bank, Kasikorn Bank. In 2006, Muang Thai Fortis (Life & General) saw its gross inflow rise to EUR 250 million from 211 in 2005. Muang Thai Life achieved the highest annualised new premium growth rate (a 31% increase) among the top five players in the market (on a year-on-year basis) in 2006, mainly due to growth in its multi-channel distribution (e.g., agency sales, bancassurance and affinity group marketing). The bank doubled its banc insurance sales specialists to more than 300 in 2006. As a result, sales from the bancassurance channel increased more than 200% compared with 2005. Muang Thai Life is now the fourth largest life insurer in Thailand with approximately 1,000 employees and approximately 10,000 sales agents.

2.3.3 Principal markets

The market segments on which Fortis internationally competes can be divided into three major businesses: retail banking, merchant and private banking and insurance. Fortis occupies a leading position in all market segments in the Benelux. On the European territory, Fortis ranks among the top 20 financial institutions. This position is largely due to its strong footprint in the retail banking segment with more than 1,600 branches across Europe, 44 credit shops in Germany and Poland and post office networks in Belgium and Ireland. The insurance business also contributes significantly by way of strong insurance activities in selected European countries such as Spain, Portugal, Germany and Russia. Finally, Fortis also benefits in Europe from a dynamic growth of some niche markets in the merchant and private and commercial banking segment. Fortis is a top European player in cross-border leasing and commercial finance with presence in almost all European countries. Fortis is also a leading financial institution in the field of trust and corporate services.

Besides its competitive European presence, Fortis also successfully combines its banking and insurance expertise in growth markets in Europe and Asia. Poland, Turkey and Russia are the principal European growth markets on which Fortis competes. In Asia, Fortis plays an important role in the insurance market. It is number 6 live insurer in China and Thailand and occupies a leading position for individual live business in Malaysia. Fortis also has a significant presence in the merchant and private banking market segment where it can rely on a strong presence through several business centers in China, Japan and Malaysia.

Also, Fortis intends to become a key player in the United States on several niche markets. It holds already a leading position in North America in several niche markets such as shipping, commodity and energy and transportation.

3 INFORMATION ABOUT THE ACQUISITION OF ABN AMRO

Cautionary statement

The following discussion is based on publicly available information regarding the ABN AMRO Businesses and estimates and assumptions regarding the synergies, cost savings and business growth opportunities Fortis expects to achieve following the completion of the acquisition of the ABN AMRO Businesses as well as assumptions regarding the comparability of Fortis and ABN AMRO information. There can be no assurance as to the accuracy, completeness or truth of the ABN AMRO information (see the Section "Information regarding ABN AMRO") or as to whether the expected synergies, cost savings and business growth opportunities will develop. In particular, certain financial and other information with respect to the ABN AMRO Business Unit Netherlands in this Prospectus includes estimates based on ABN AMRO's 2005 publicly reported information as ABN AMRO did not report separate information at the same level of detail for this Business Unit in 2006. In addition, there can be no assurance that Fortis will be able to successfully implement the strategic or operational initiatives that are intended or that the combined information presented is an indication of future results. See also "Information Regarding ABN AMRO", "Forward-Looking Statements" and "Risk Factors".

The following discussion is further based on certain assumptions in respect of the outcome of discussions with the European Commission on certain divestment measures to be implemented by Fortis following the acquisition of the ABN AMRO Businesses.

*In order to secure the approval of the European competition authorities in respect of the ABN AMRO transaction, Fortis and the European Commission have been discussing alternative remedies to solve competition concerns identified by the European Commission in the commercial banking segment in The Netherlands following the acquisition of the ABN AMRO Businesses. In this context, Fortis has proposed and the European Commission is currently considering to implement a post-acquisition divestment package relating to specified parts of the Business Unit Netherlands of ABN AMRO (the "**Proposed Divestment**").*

Central to the Proposed Divestment is the proposed sale of certain parts of the ABN AMRO Businesses in the commercial banking segment in The Netherlands, including Hollandsche Bank Unie N.V., an independent, separately licensed commercial bank, 13 advisory branches and 2 Corporate Client Units (excluding customers with a turnover above EUR 250 million), as well as of the factoring portfolio held by the clients of the businesses forming part of the Proposed Divestment.

The scope of the Proposed Divestment represents roughly 10% of the scope of the part of Business Unit Netherlands to be acquired by Fortis in terms of assets, income and projected revenue and cost synergies. However, the restructuring charges remain unchanged compared to what was presented on 29 May 2007.

In 2006, the proposed divestment represented an estimated EUR 400 million in gross revenues and an estimated net profit of around EUR 80 million. Projected synergies would be reduced by an estimated 69 million compared to what was presented in the ABN Offer announcement, of which EUR 50 million were cost synergies. The foregoing estimates are based on Fortis's assessment, as there are no public figures available.

There is no certainty that the European Commission, whose final decision is expected by 3 October 2007, will ultimately accept the Proposed Divestment, nor can it be ruled out that Fortis must propose a different divestment package. Any change in the ultimate divestment package compared to the Proposed Divestment will modify the estimated impact of the Proposed Divestment on the financial parameters of the combination of Fortis with the acquired ABN AMRO Businesses. The ultimate financial impact of the Proposed Divestment on the contemplated business combination will also depend on the net sale proceeds that Fortis will be able to realise from this divestment.

3.1 ABN AMRO Offer

On 23 July 2007, RFS Holdings, a company formed by the Consortium Banks for the purpose of acquiring ABN AMRO commenced an offer for all of the outstanding ordinary shares of ABN AMRO. The ABN AMRO Offer consideration payable by the Consortium Banks in the aggregate amounts to approximately EUR 71.1 billion[45]. For each ABN AMRO ordinary share tendered, RFS Holdings will pay EUR 35.60 in cash plus 0.296 new RBS shares. Under the terms of the Consortium and Shareholders' Agreement described below in Section 3.8, Fortis will be required to fund EUR 24 billion[46], 33.8% of the total consideration payable in the ABN AMRO Offer.

Fortis intends to finance its portion of the ABN AMRO Offer consideration as follows:

- EUR 2 billion from the sale on 11 July 2007 of Conditional Capital Exchangeable Notes exchangeable into Mandatory Convertible Securities (see Section 5.2.9 below)
- Up to EUR 13 billion from the proceeds of this Offering; and
- EUR 9.5 to 11.0 billion from the proceeds of proceeds of a combination of (i) the issue of other Tier 1 capital instruments (approximately EUR 3.0-5.0 billion); (ii) the sale of specific non-core assets (approximately EUR 2.5 billion); (iii) sale of shared assets of the Consortium (approximately EUR 2.0 billion); and (iv) securitisation and other similar transactions (approximately 2.0 billion).

  In this respect, Fortis announced on 12 July 2007 that already EUR 1.6 billion (sale price) of such an amount had been raised, representing a capital relief of EUR 1.2 billion due to the decrease in the risk weighted assets, by divesting various assets and shareholdings in European financial institutions. This amount includes the proceeds (EUR 980 million) from the sale by Fortis, announced on 11 July 2007, of its share in the joint venture CaiFor to its Spanish partner "la Caixa".

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[45] Based on undiluted number of shares of ABN AMRO as at 31 December 2006 and a price of RBS shares of 568 p. at the close of business on 30 August 2007, as listed on the London Stock Exchange Daily Official List on 30August 2007 and an exchange rate of EUR 1.00 per £ 0.6767, as published in the *Financial Times* on 31 August 2004. On a fully diluted basis, the ABN AMRO Offer consideration will amount to EUR 73 billion.

[46] Based on undiluted number of shares of ABN AMRO. On a fully diluted basis, Fortis' share of the ABN AMRO Offer consideration will amount to EUR 24.7 billion.

3.2 Plans for the ABN AMRO Businesses

Upon successful completion of the ABN AMRO Offer, RFS Holdings will acquire ABN AMRO and the ABN AMRO Businesses will be governed and reorganised as contemplated by the Consortium and Shareholders' Agreement among the Consortium Banks. Upon completion of the ABN AMRO Offer, it is expected that Fortis will hold shares in RFS Holdings that equal its proportionate funding commitment (33.8%) for the ABN AMRO Offer consideration and that the capital and income rights of shares issued to each of the Consortium Banks will be linked to the net assets and income of the respective ABN AMRO Businesses that they will acquire following the reorganisation of ABN AMRO.

Following the reorganisation, Fortis will acquire:

- Business Unit Netherlands (excluding the former Dutch wholesale clients, Interbank, DMC Consumer Finance as well as certain commercial banking activities to be divested by Fortis after the completion of the ABN AMRO Offer as part of the Proposed Divestment),
- Business Unit Private Clients globally,
- Business Unit Asset Management globally, and
- the ABN AMRO brand name (collectively, the "**ABN AMRO Businesses**").

ABN AMRO Business segments balance sheet information at 31 December 2006 (in EUR million)(1):

	BU Netherlands	BU Private Clients	BU Asset Management
Total assets	169,862	20,510	1,402
Total liabilities	168,755	19,012	1,044
Risk weighted assets	75,617	9,672	870
Assets under administration (in EUR billion)	-	142	193

ABN AMRO Business segments balance sheet information at 30 June 2007 (in EUR million)(1):

	BU Netherlands	BU Private Clients	BU Asset Management
Total assets	215,800	19,200	1,600
Risk weighted assets	90,000	8,300	1,000
Assets under administration (in EUR billion)	-	150	210,6

Notes:

(1) As reported by ABN AMRO. Not adjusted for change in perimeter.

During the reorganisation period, the Consortium Banks will retain a shared economic interest in all central functions (including Head Office functions) that provide support to ABN AMRO's businesses. The Consortium Banks will also retain shared economic interests in certain assets and liabilities of ABN AMRO which the Banks regard as non-strategic. These include ABN AMRO's private equity portfolio, its stakes in Capitalia and Saudi Hollandi, and Prime Bank. These are expected to be disposed of over a period of time with a view to maximising value.

3.3 The ABN AMRO Businesses

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

The ABN AMRO Business Unit Netherlands to be acquired by Fortis serves consumer and commercial banking clients in The Netherlands. After implementation of the Proposed Divestment, this Business Unit will have, with approximately 21,000 staff 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 with amongst others mortgages.

For the year ended 31 December 2006, excluding discontinued businesses, the Business Unit Netherlands generated total operating income of EUR 4,640 million and reported a net operating profit after tax of EUR 844 million. Excluding former Dutch Wholesale Clients (to be acquired by RBS), Interbank and DMC Consumer Finance (sold to Santander) and adjusted for exceptional items, the Business Unit Netherlands business to be acquired by Fortis generated total operating income estimated at EUR 3,948 million and a net operating profit after tax estimated at EUR 795 million for the year ended 31 December 2006.

The following table shows Fortis' estimates of certain financial information relating to ABN AMRO's Business Unit Netherlands to be acquired (figures net of the impact of the Proposed Divestment):

BU Netherlands - Estimates

(EUR million)	**Reported(1)**	**Exceptional items(2)**	**Change in perimeter(3)**	**Management estimates(4)**
Total operating income	**4,640**	**-**	**978**	**3,662**
Total operating expenses	(3,118)	43	690	2,428
Loan impairment and credit risk provision	(359)	-	58	301
Operating profit before taxes	**1,163**	**43**	**230**	**976**
Income tax expenses	(319)	(13)	59	273
Profit from continuing operations	**844**	**30**	**171**	**703**
Discontinued operations (net)	505			
Net profit	**1,349**			

Based on 2006 data

Notes:

(1) As reported by ABN AMRO and included in the illustrative financial information presented in Section 3.9 below.

(2) Exceptional items relate to non-recurring restructuring charges based on information as reported by ABN AMRO.

(3) Estimated impact of the disposal of the former Dutch wholesale clients, Interbank and DMC Consumer Finance.

(4) The above estimates are based on historical information and assumptions and may not be indicative of future results.

3.3.2 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, ABN AMRO was one of the top five private banks in Europe measured by assets under administration. It employed approximately 3,300 staff, operating through 103 offices in 23 countries and had EUR 142 billion of assets under administration[47].

For the year ended 31 December 2006, the ABN AMRO Business Unit Private Clients to be acquired by Fortis generated total operating income of EUR 1,389 million and reported net operating profit after tax of EUR 272 million. Adjusted for exceptional items, the net operating profit after tax is estimated at EUR 253 million for 2006.

The following table shows Fortis' estimates of certain financial information relating to ABN AMRO's Private Banking business to be acquired:

BU Private Clients - Estimates

(EUR million)	Reported(1)	Exceptional items(2)	Management estimates(3)
Total operating income	**1,389**	**-**	**1,389**
Total operating expenses	(956)	(27)	(983)
Loan impairment and credit risk provision	(40)	-	(40)
Operating profit before taxes	**393**	**(27)**	**366**
Income tax expenses	(121)	8	(113)
Profit from continuing operations	**272**	**(19)**	**253**

Based on 2006 data

Notes:

(1) As reported by ABN AMRO and included in the illustrative financial information presented in Section 3.9 below.

(2) Exceptional items relate to non-recurring releases of restructuring charges based on information as reported by ABN AMRO.

(3) The above estimates are based on historical information and assumptions and may not be indicative of future results.

47 Source: Publicly available information: annual accounts 2006.

3.3.3 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. At the end of 2006, the Business Unit Asset Management managed EUR 193 billion of assets under management; just over 50% of the assets managed were for institutional clients, around 30% for consumer and third-party clients and the remainder in discretionary portfolios for Business Unit Private Clients.

For the year ended 31 December 2006, the ABN AMRO Business Unit Asset Management generated total operating income of EUR 828 million and reported net operating profit after tax of EUR 235 million. Adjusted for exceptional items, the business to be acquired by Fortis has generated total operating income estimated at EUR 745 million and an adjusted net operating profit after tax of EUR 152 million. Minority interests are estimated at EUR 14 million leading to an adjusted net operating profit after tax and after minority interests of EUR 138 million in 2006.

The following table shows Fortis' estimates of certain financial information relating to ABN AMRO's Asset Management business to be acquired:

BU Asset Management - Estimates

	Reported(1)	Exceptional items(2)	Management estimates(3)
Total operating income	**828**	**(83)**	**745**
Total operating expenses	(528)	-	(528)
Loan impairment and credit risk provision	-	-	-
Operating profit before taxes	**300**	**(83)**	**217**
Income tax expenses	(65)	-	(65)
Profit from continuing operations	**235**	**(83)**	**152**

Based on 2006 data

Notes:

(1) As reported by ABN AMRO and included in the illustrative financial information presented in Section 3.9 below.

(2) Exceptional items relate to the non-recurring gain on sales of some asset management operations based on information as reported by ABN AMRO.

(3) The above estimates are based on historical information and assumptions and may not be indicative of future results.

3.4 Combination with the ABN AMRO Businesses

The successful combination of Fortis and the ABN AMRO Businesses is expected to create a top European financial institution. Based on 2006 published data and after implementation of the Divestment Proposal, the combined businesses would have more than 80,000 employees worldwide, more than 10 million customers in the Benelux alone, projected revenues of EUR 16.4 billion, total Banking and Insurance net profit of more than EUR 5.5 billion (which is among the top five in countries that use the Euro), 2,500 retail branches and 145 business centres across Europe.

The combination resulting from Fortis and the ABN AMRO Businesses will enjoy pre-eminent positions in all major market segments in the Benelux.

- *Leading positions in The Netherlands*[48]. This transaction is truly transformational and a unique opportunity for Fortis to cement its position as a leading financial institution in The Netherlands. The new combined group is expected to occupy a leading position in Retail Banking (No. 3 based on retail banking assets and main bank relationships), Commercial Banking No. 1 based on number of main bank relationships) and Private Banking (No. 1 based on assets under management). Based on 2006 data, the combined businesses would have had total revenues of EUR 5,120 million and net profit of EUR 1,027 million in The Netherlands.
- *A Leading European Private Bank*[49]*.* Fortis and ABN AMRO's combined private bank would be the third largest European private bank with more than EUR 200 billion in AuM globally, based on 2006 data. With one integrated network and a large European and Asian footprint, the combined private bank will be positioned to be the service provider of choice for high net worth clients and ultra high net worth clients, based on a dedicated, broad and differentiated service offering. Based on 2006 data, the combined private banking businesses would have had total revenues of EUR 2,092 million and net profit of EUR 456 million.
- *Top-tier Asset Management*[50]*.* The combined businesses would also be a top-tier European asset manager, with more than EUR 300 billion in AuM globally based on 2006 data. The combined asset management business is expected to benefit from a larger geographic footprint and enhanced offering to third-party distributors, leveraging on a wide, innovative and well-performing product range. The combined product range is anticipated to reach top quartile position across many asset classes and achieve scale in core growth products. Based on 2006 data, the combined asset management businesses would have had total revenues of EUR 1,092 million and net profit of EUR 236 million.

Fortis believes that its combination with ABN AMRO will benefit all stakeholders. Clients will benefit from an enhanced product offering and distribution network; employees will benefit from increased career opportunities; and both companies have a strong reputation for contributing to the local communities in which they operate.

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[48] Source: Greenwich Associate 2007 based on, amongst others, Credit impact on Domestic and Overall International Cash Management Relationships (2006) and Overall Relationship Performance (2006) (Greenwich Quality Index Score), *TOF* (*Totaal Onderzoek Financiële Diesnten*) *Particulier* 2006 (2-yearly survey on the retail banking sector in The Netherlands) based on consumer credits, customer cards, investment funds, mortgages, etc., all cross-checked against the overall market data available in reports by the DNB on the Dutch market and in annual accounts.

[49] Source: Publicly available information: annual accounts 2006.

[50] Source: Global Investor Magazine based on total third party assets under management 2006.

Fortis values the strong brand of ABN AMRO in The Netherlands, and, as its owner, intends to capitalise on it, as well as on the Fortis brand. Both companies have best-in-class servicing models: while ABN AMRO has been named “Best Bank” on several occasions, including by Global Finance, and has an extremely well equipped retail branch network, Fortis has twice been awarded the title of Dutch “Commercial Bank of the Year” in the last three years and has a distinctive European network to service internationally active medium-sized enterprises.

Fortis believes that through combining their significant expertise in service quality, product development and distribution channels, the combined Fortis and the ABN AMRO Businesses will provide enormous opportunities to innovate, to invest in the best talents in the market, and to take the lead in product and technological development.

The combined business intends to pursue a socially responsible approach to business, in active dialogue with all stakeholders, in all the countries where it is present, leveraging on both companies’ experience in investing in the community (through sponsorship, funding and employee volunteering).

3.5 Business rationale of the ABN AMRO Offer

3.5.1 Anticipated cost synergies and revenue benefits

Fortis believes that the combined activities will allow it to accelerate its strategy to become one of Europe’s most dynamic and sustainable financial services providers, helping it to grow its businesses in “Enlarged Europe”, and selectively in Asia and North America.

In addition, Fortis believes that its acquisition of the ABN AMRO Businesses will create substantial synergies. The expected pre-tax synergies are estimated at EUR 1.3 billion, 87% on the cost savings side and 13% on the revenue benefit side. Fortis expects that these synergies will be realised in stages, approximately 30% in 2008, another 40% in 2009 and the remaining 30% in 2010.

Fortis estimates that the Business Unit Netherlands will account for EUR 506 million of these pre-tax synergies. Of that EUR 506 million, EUR 431 million is expected to be achieved on the cost side through network rationalisation through branch mergers and the combinations of Direktbank and Florius / ABN AMRO hypotheekbedrijf and ABN AMRO credit cards into International Card Services on the retail bank side and a focused business centres approach and corporate and investment banking presence combined with efficient management structuring the commercial banking. Additional Business Unit Netherlands cost synergies are expected to be obtained through the combination and integration of overlapping support functions. Fortis also estimates that the combination with Business Unit Netherlands will result in EUR 75 million of pre-tax revenue synergies, attributable to higher sales volumes on mutual funds, increased bancassurance penetration and a higher activation of ABN AMRO credit on the retail banking side as well as an increased ability to exploit value-added skills, such as leasing and factoring, on an enlarged customer portfolio along with benefits from the pan-European “network effect” in the commercial banking business. Additionally, risk enhancement is expected to lead to lower credit losses.

Fortis estimates that the Business Unit Asset Management will account for EUR 160 million of these pre-tax synergies. Of that EUR 160 million, Fortis expects that EUR 145 million in cost synergies will be realised through the alignment of the investment process and the combination and integration of overlapping support functions and IT infrastructure. Fortis expects the remaining EUR 15 million of revenue synergies to result from the cross-selling of products to Fortis' and ABN AMRO's respective client bases and leveraging growth in Asia.

Fortis estimates that the Business Unit Private Banking will account for EUR 203 million of pre-tax synergies, of which EUR 160 million are expected to be cost synergies achieved through a combination of overlapping support functions and EUR 43 million are expected to be revenue synergies achieved through leveraging credit and investment services and the cross-selling of products.

The remaining EUR 421 million of these EUR 1.3 billion in synergies are expected to be achieved through the integration of the major business systems (34%), shared operations (24%) and IT infrastructure (42%). The integration of major business systems is expected to account for 34% of such EUR 421 million of synergies, further split into common investments (accounting for EUR 75 million), such as current duplication of regulatory and business investments in common business systems, and single platform maintenance (accounting for EUR 67 million such as reduced maintenance costs through the consolidation of business systems. Additionally, both common investments and single platform maintenance are expected to benefit from smartsourcing and optimising the external service provider delivery of business systems. Shared operations are expected to account for 24% of this EUR 421 million through the integration of operational units in The Netherlands, increasing scale effects and smartsourcing opportunities, and the integration and deployment of cross-border shared services, leveraging workload balancing mechanisms. Increased IT infrastructure efficiencies are expected to account for the 42% of this EUR 421 million in synergies. Of this 42%, EUR 141 million in synergies are expected to be achieved through data centre and application servers, including the consolidation of Benelux data centers, retirement and consolidation of application servers and support infrastructure, and hardware and software vendor and IT external service provider renegotiations. The remaining EUR 26 million of these IT infrastructure synergies are expected to be achieved in the data networks area, though overlaps in the domestic data networks in The Netherlands and Benelux along with international data network optimisation.

Fortis intends to integrate the ABN AMRO Businesses over a 36-month period, focusing on, amongst others, the identification and mitigation of all relevant integration risks. During integration, Fortis will focus on ensuring minimal disruption for clients. Fortis expects the total integration costs to be EUR 1.54 billion, of which 30% will be attributable to Retail Banking, 17% to IT and Operations, 16% to Private Banking, 14% to Asset Management, 12% to Commercial Banking and the remaining 11% to general overhead.

The following table sets out the benefits that Fortis expects to gain within three years of completion of the transaction as a result of the integration of the ABN AMRO Businesses. For further information about the plans, proposals, estimates and assumptions of Fortis for achieving these benefits, see Sections 3.2 and 3.4 above. The following table sets out the pre-tax benefits that Fortis expects to gain within three years of completion of the ABN AMRO Offer as a result of the integration of the ABN AMRO Businesses (after giving effect to the impact of the Proposed Divestment). While Fortis believes these figures provide a reasonable estimation of such benefits, these estimates are based on historical information and assumptions and there can be no assurance that such synergies or savings will be attained.

Figures before tax	**Estimated cost savings per annum by end of 2010**	**Estimated revenue synergies per annum by end of 2010**
	(EUR million)	
Dutch Retail Business[1]	295-300	45-50
Dutch Commercial Business[1]	80-85	5-10
Private Banking	160	43
Asset Management	145	15
Central Functions	414	54
Total	**1,094-1,104**	**162-172**

Notes:

(1) Taking into account the impact of the Proposed Divestment.

In 2006, ABN AMRO's cost to income ratio was 69.6%, compared to 61.2% for Fortis Bank. Fortis believes its projected synergies with the ABN AMRO Businesses are based on achievable objectives. Most of the estimated transaction benefits are expected to result from cost savings which Fortis believes are based on reasonable estimates, in line with past achievements. Fortis expects that a substantial proportion of the estimated cost savings will result from de-duplication of overlapping activities and are not dependent on a substantial off-shoring of functions.

While the clear cost-saving opportunities underpin the potential value creation, Fortis also believes that there are considerable opportunities to create sustainable increases in profitable revenue growth. The combination of complementary businesses and capabilities will create additional opportunities for growth which are not available to ABN AMRO alone. Fortis has the resources to capitalise on these opportunities for growth. Fortis estimates that identified revenue benefits, net of associated costs and bad debts, before tax, will be approximately EUR 168 million by the end of 2010.

Due to the comprehensive strategic fit of its current businesses with the ABN AMRO Businesses, Fortis expects that, following its acquisition of the ABN AMRO Businesses, it will be able to create stronger businesses with enhanced market presence and growth prospects, leading to substantial value creation and benefits for shareholders, customers and employees. Fortis has the financial and managerial resources to invest in and grow the ABN AMRO Businesses and has proven records of growing its own businesses.

3.5.2 Expected financial impact

Allowing for the acquisition of the ABN AMRO Businesses, Fortis Bank’s Tier 1 capital ratio is expected to evolve close to 6.7% and its insurance capital adequacy ratio is expected to be approximately 253% after the successful completion of the reorganisation of ABN AMRO. After the acquisition, Fortis Bank’s target Tier 1 capital ratio is expected to be 7% and its target insurance capital adequacy ratio is expected to be 225%, as described in Section 3.6 below. At that moment and in a situation of full consolidation, the total goodwill will be deducted from Tier 1 capital.

This projection considers that the acquisition, the financing, the reorganisation and the separation of the ABN AMRO Businesses, the sale of non-core assets and other capital relief transactions are fully executed. A projection of the Fortis Bank’s Tier 1 capital ratio is expected to evolve close to 9.7% immediately after the completion of the Offering and before all other actions to be taken to finalise the reorganisation of ABN AMRO and with the investment in RFS Holdings accounted for by Fortis using the equity method, resulting in a deduction of 50% of the goodwill from Tier 1 capital and 50% from Tier 2 capital. This projection is aligned with the illustrative financial information, compiled based on the expected situation being present immediately upon settlement of the ABN AMRO Offer.

Based on Fortis’ forecasts for business growth and transaction benefits, the acquisition is expected to lead to a 2.7%[51] accretion in cash earnings per share in 2010[52] and to produce a return on investment on a cash basis of 11.1% in 2010[53]. The foregoing is based on the assumption that the proceeds from the Proposed Divestment will be used to reduce the core capital as appropriate. There can be no assurance that such growth or benefits will be attained.

3.6 Overview of the integration process

Immediately upon successful completion of the ABN AMRO Offer, ABN AMRO will be owned by the Consortium Banks through RFS Holdings. However, there will be no immediate change to the structure or operations of ABN AMRO. The Consortium Banks intend to nominate three new members to the Supervisory Board of ABN AMRO, with at least five existing members retaining their positions. The Consortium Banks intend to recommend to the Supervisory Board a candidate for chairman of the Managing Board of ABN AMRO, who will in turn recommend to the Supervisory Board a number of senior appointments to the Managing Board for nomination to and appointment by the general meeting of ABN AMRO shareholders. The Consortium Banks' immediate priority will be to ensure that the organisation continues to provide high quality service to its customers and continues to meet all regulatory requirements.

Following completion of the ABN AMRO Offer, the Consortium Banks will work with the management of ABN AMRO to verify and expand the information received from, and assumptions made on the basis of, the limited due diligence before completion. Within 45 days of the completion of the ABN AMRO Offer, the Consortium Banks intend to have validated a base-lined plan for the achievement of synergies and for the separation and transfer of, inter alia, the ABN AMRO Businesses to Fortis.

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[51] This percentage is based on a Fortis Share price at the close of the relevant stock exchanges on 19 September 2007.

[52] Adjusted for purchased intangibles amortisation.

[53] Represents profit after tax, plus post-tax transaction benefits divided by the consideration paid plus post-tax integration costs.

This plan will form the basis for continued consultation with employee bodies and regulators with whom there have already been extensive discussions as part of an ongoing process. Implementation of the plan will begin only when the necessary approvals have been received.

The Consortium Banks intend that, as an interim step towards the separation of the ABN AMRO Businesses, ABN AMRO will be reorganised into three units containing the businesses that will ultimately be transferred to the respective Consortium Banks. A fourth unit will contain shared assets regarded as non-strategic.

Thereafter, as soon as reasonably practicable, certain businesses which can readily be separated will be legally transferred to the respective banks. Fortis and RBS will work together to separate The Netherlands retail and commercial banking operations from the global wholesale banking operations. The former will be transferred to Fortis while the latter will be owned by RBS. The separation and transfer of businesses will be subject to regulatory approval and appropriate consultation processes with employees, employee representatives and other stakeholders.

Information technology systems will in general be separated and transferred with the businesses they support. However, the Banks may take advantage of opportunities to create greater economic value by sharing platforms.

What follows is a description of the expected impact of the integration with the ABN AMRO Businesses on the Fortis business units involved.

Based on 2006 financial data adjusted for exceptional items and changes in perimeter, as mentioned before, the combination of Fortis and the ABN AMRO Businesses would be as follows:

FY 2006 (EUR million)	**ABN AMRO Businesses**	**Fortis**	**Combined**
Total Revenues - Bank	6,082	10,324	16,406
Oper. Expenses - Bank	(4,042)	(6,315)	(10,357)
Loan Losses	(360)	(152)	(518)
Total Net profit	**1,200**	**4,352**	**5,552**
C/I ratio - Bank	66.5%	61.2%	63.1%

3.6.1 Business Unit Netherlands

(i) Retail Banking

Subsequent to completion of the ABN AMRO Offer and reorganisation, Fortis retail activities in The Netherlands will merge with ABN AMRO’s existing operations, whilst aiming to ensure a smooth transition and undisrupted service to all customers. In the future, Fortis expects that its customers will benefit from an even stronger product portfolio, full-service SME banking and a combined personal/preferred banking proposition. Individual customers will have access to this enlarged product offering through a wider branch network with nationwide coverage, intermediary channels and an advanced online banking platform. In addition, professionals and small businesses will have access the overall branch network, completed with dedicated advisory branches. To strengthen its competitive positioning and stimulate entrepreneurship, Fortis intends to roll-out a performance-driven reward system.

(ii) Commercial Banking

Fortis expects that internationally active medium-sized enterprises will be able to take advantage of a distinctive network of business centres in 19 countries across Europe. One global account manager with access to the combined Fortis and the ABN AMRO Businesses using an integrated platform, will serve these clients' interests in the different countries where they are active.

Fortis believes the combined networks will provide a wider-reaching geographical footprint of around 35 to 40 dedicated business centres in The Netherlands. These centres will be fully integrated into Fortis international business centre network and will benefit from the continuous upgrade of staff quality, coming from both of Fortis and ABN AMRO.

Fortis will endeavour to share best practices and intends to implement new added-value solutions for risk management, liquidity and asset-based finance with short time to market, drawing on the capabilities of Fortis and ABN AMRO locally, as well as Fortis on a global basis. For example, Fortis Enterprise & Entrepreneur solutions, by which owners and managers of companies serviced by Commercial Banking are offered wealth management solutions, will be transposed onto the enlarged customer base in the business community and private Dutch market in order to foster the growth of the combined businesses' Private Banking operations.

Based on 2006 financial data adjusted for exceptional items and changes in perimeter as mentioned before, the combined businesses would be as follows:

FY 2006 (EUR million)	**ABN AMRO(1)**	**Fortis(2)**	**Combined(1)**
Total Revenues	3,948	1,172	5,120
Oper. Expenses	(2,531)	(757)	(3,288)
Loan Losses	(320)	(94)	(414)
Net profit	795	232	1,027
Cost/Income	64.1%	64.5%	64.2%

Based on 2006 data

Notes:

(1) BU Netherlands figures, excluding former Dutch wholesale clients, Interbank and DMC Consumer Finance activities (all based on Consortium Banks' estimates).

(2) Including Commercial Banking, Corporate Banking, Leasing, Factoring, Retail Banking, Direktbank, Consumer Finance and ALM.

3.6.2 Private Banking

Fortis expects that the addition of ABN AMRO Private Banking (excluding the private banking business in Latin America which will be acquired by Santander in the reorganisation) will strengthen Fortis Private Banking franchise in Europe and establish a solid growth platform in Asia. Based on 2006 data, the combination is expected to create the third largest European private bank with more than EUR 200 billion in AuM. The combined

Private Banking operations are expected by Fortis to be well positioned to reap the benefits of enlarged scale and a broader skill set.

Fortis anticipates that its enlarged geographic footprint will allow for an accelerated rollout of a full service offering in growth locations, such as UAE, India, Hong Kong and Singapore, and will strengthen its position in relation to other providers. As a result of the acquisition, Fortis expects to build a solid platform in Asia for capturing future growth. The combined organisation is expect to be well diversified geographically, with around 50% of its business (in terms of AuM) coming from non-Benelux based on 2006 data.

Fortis believes that a close match in service philosophy and similar client focus will allow the new combined businesses to leverage best practices and local market strengths across the international network. The enhanced operating scale and heightened private bank identity is expected by Fortis to facilitate the recruitment, development and retention of international talent.

Based on 2006 financial data adjusted for exceptional items, the combined businesses would be as follows:

FY 2006 (EUR million)	ABN AMRO	Fortis	Combined
Total Revenues	1,389	703	2,092
Oper. Expenses	(983)	(474)	(1,457)
Loan Losses	(40)	2	(38)
Net profit	253	203	456
AUM	142	79	221

Based on 2006 data

3.6.3 Asset Management

Fortis believes that its and ABN AMRO's fund managers share a common management philosophy and comparable strategy. Fortis expects that since the products are highly complementary, the combined businesses will enjoy an established European franchise along with global reach and scale.

The combined business will be based on individual investment centres, each offering a broad range of asset classes. Fortis expects that each investment centre will have access to core proprietary research in order to be able to offer true multi-product investment and structuring solutions. Based on year end 2006 figures, the new team would comprise some 570 investment professionals, supported by more than 500 specialist sales and marketing executives. The offering will include the whole range of investment styles from traditional long only products to long/short products focused on absolute return strategies.

The complementary nature of the two product ranges is expected to allow the combined businesses to reach top quartile position across many asset classes and achieve scale in core growth products (such as equity and structured products, Socially Responsible Investors, global property, asset and liability management (ALM) capability and alternatives).

The transaction is expected to create a combined business geared strongly to growth and Fortis Investments is planning to complete the integration within 12 to 18 months. In order to validate and detail the integration plans, Fortis expects to make a complete analysis of the combined Asset Management business in cooperation with the ABN AMRO teams following completion of the ABN AMRO Offer.

Fortis anticipates that this plan will clarify all the actions and responsibilities to be undertaken in order to realise the targeted business model and to deliver the expected synergies.

Based on 2006 financial data adjusted for exceptional items, the combined businesses would be as follows:

FY 2006 (EUR million)	ABN AMRO	Fortis	Combined
Total Revenues	745	347	1,092
Oper. Expenses	(528)	(208)	(736)
Loan Losses	-	-	-
Minorities	(14)	(3)	(17)
Net profit	138	98	236

Based on 2006 data

3.7 Details of the ABN AMRO Offer

3.7.1 Overview of the ABN AMRO Offer

On 28 May 2007, Fortis and the other Consortium Banks entered into a Consortium and Shareholders' Agreement described in Section 3.8 below in order to govern the terms of their joint investment in RFS Holdings, a company formed specifically for the purpose of making an offer to acquire 100% of the issued and outstanding share capital of ABN AMRO.

On 23 July 2007, RFS Holdings commenced its offer for all of the outstanding ordinary shares of ABN AMRO ("**ABN AMRO Shares**") and American Depositary Shares ("**ABN AMRO ADSs**") representing ABN AMRO Shares (collectively, the "**ABN AMRO Offer**") upon a public announcement on 21 July 2007 that the Offer Memorandum ("biedingsbericht") relating to the ABN AMRO Offer was available ("verkrijgbaar") and by filing a tender offer statement on Schedule TO with the SEC in the United States (collectively, the "**Offer Documents**"), pursuant to which RFS Holdings commenced the ABN AMRO Offer. Upon the terms and subject to the conditions set forth in the Offer Documents, RFS Holdings offered to exchange for each ABN AMRO Share and each ABN AMRO ADS validly tendered (or defectively tendered provided that such defect is waived by RFS Holdings) and not properly withdrawn:

- EUR 35.60 in cash, without interest; and
- 0.296 newly issued RBS ordinary shares, nominal value £0.25 per share.

The consideration set out above assumes the payment by ABN AMRO of an interim (cash or share) dividend in respect of 2007 of EUR 0.58 per ABN AMRO Share (before deduction of any applicable withholding taxes) as declared by ABN AMRO on 30 July 2007. If ABN AMRO declares any other (cash or share) dividend, distribution, share split or analogous transaction in respect of the ABN AMRO Shares, including the ABN AMRO Shares represented by ABN AMRO ADSs, and the record date for such (cash or share) dividend, distribution, share split or analogous transaction precedes the settlement of the ABN AMRO Offer, the consideration set out above will be reduced by the full amount of such dividend, distribution, share split or analogous transaction (before deduction of any applicable withholding taxes).

On 15 August 2007, the Consortium Banks announced that, despite the announcement by ABN AMRO of an interim dividend of EUR 0.58 per ABN AMRO Share, the Consortium Banks had determined that the consideration offered by RFS Holdings in the ABN AMRO Offer would not be reduced in respect of the excess of such amount over the amount assumed for such dividend in RFS Holdings' original ABN AMRO Offer documentation.

Based on the price of RBS ordinary shares of 568p at the close of business on 30 August 2007, and using the same exchange rate, the value of the ABN AMRO Offer as at 30 August 2007 was EUR 38.08 per ABN AMRO Share. Barclays plc ("**Barclays**") has made a competing offer for ABN AMRO consisting of 2.13 Barclays ordinary shares and EUR 13.15 in cash for each ABN AMRO share (the "**Barclays Offer**"). Based on the price of Barclays ordinary shares of 597.5p at the close of business on 30 August 2007, the value of the Barclays Offer as at 30 August 2007 was EUR 31.96 per ABN AMRO Share (using an exchange rate of EUR 1.00 per £0.6767, as published in *The Financial Times* on 31 August 2007).

3.7.2 Timing of the ABN AMRO Offer

The ABN AMRO Offer commenced on 23 July 2007 and will expire at 3:00 p.m. Amsterdam time (9:00 a.m. New York City time) on 5 October 2007, unless RFS Holdings decides to extend the ABN AMRO Offer.

If one or more of the conditions described below under "Conditions to the ABN AMRO Offer" is not satisfied or, to the extent legally permitted, waived, RFS Holdings may, from time to time, extend the period of time for which the ABN AMRO Offer is open until all such conditions have been satisfied or, to the extent legally permitted, waived.

3.7.3 Conditions to the ABN AMRO Offer

Consummation of the ABN AMRO Offer is subject to the satisfaction or waiver of all offer conditions, all of which, except for the Minimum Acceptance Condition and the Regulatory Approvals Condition (as defined below), must be either satisfied or waived prior to the expiration of the ABN AMRO Offer period (as such a period may be extended in accordance with applicable law or regulation). RFS Holdings will not be obliged to purchase any ABN AMRO Shares or ABN AMRO ADSs validly tendered pursuant to the ABN AMRO Offer and not properly withdrawn:

- if the ABN AMRO Shares, including ABN AMRO Shares represented by ABN AMRO ADSs, which have been validly tendered and not properly withdrawn in the ABN AMRO Offer on a combined basis, or which are otherwise held by RFS Holdings, do not represent at least 80% of the issued and outstanding ABN AMRO Shares, calculated on a fully diluted basis (this condition, the "**Minimum Acceptance Condition**"). For purposes of determining whether the Minimum Acceptance

Condition has been satisfied, the numerator will include all ABN AMRO Shares, including all ABN AMRO Shares represented by ABN AMRO ADSs, validly tendered and not properly withdrawn, in the ABN AMRO Offer, on a combined basis, or which are otherwise held by RFS Holdings, at the end of the ABN AMRO Offer, and the denominator will be ABN AMRO's fully diluted share capital, including all (i) ABN AMRO Shares issued and then outstanding, including all ABN AMRO Shares represented by ABN AMRO ADSs; (ii) ABN AMRO Shares issuable upon the conversion of all ABN AMRO convertible preference shares; and (iii) ABN AMRO issuable (A) upon the exercise of any outstanding rights to subscribe for ABN AMRO Shares (including any outstanding ABN AMRO options) whether or not exercisable during the ABN AMRO Offer or (B) under any other agreement giving the right to any person to subscribe to ABN AMRO Shares; but excluding all ABN AMRO Shares held as treasury stock by ABN AMRO;

- if the purchase and sale agreement (the "**Bank of America Agreement**"), dated as of 22 April 2007, between Bank of America Corporation ("**Bank of America**") and ABN AMRO Bank N.V. in respect of ABN AMRO North America Holding Company, the holding company for LaSalle Bank Corporation, including the subsidiaries LaSalle N.A. and LaSalle Midwest N.A. (exclusive of any restatements of, or amendments to, such agreement), has not completed in accordance with its terms or if the proceeds of sale received on such completion are not held within the ABN AMRO group;
- if there have been events or circumstances that constitute or may reasonably be expected to constitute a material adverse change in respect of ABN AMRO, RFS Holdings, RBS, Fortis or Santander;
- if any litigation or other legal, governmental or regulatory proceedings or investigations by a third party (including any regulatory body or governmental authority) has or have been instituted or threatened or are continuing or if any judgment, settlement, decree or other agreement relating to litigation or other legal, governmental or regulatory proceedings or investigations instituted by a third party (including any regulatory body or governmental authority) is in effect, which might, individually or in the aggregate, reasonably be expected to materially and adversely affect ABN AMRO, RFS Holdings, Fortis, RBS, Santander or any of their respective affiliates;

- if an order, stay, judgment or decree is issued by any court, arbitral tribunal, government, governmental authority or other regulatory or administrative authority and is in effect, or any statute, rule, regulation, governmental order or injunction shall have been proposed, enacted, enforced or deemed applicable to the ABN AMRO Offer, any of which restrains, prohibits or delays or is reasonable likely to restrain, prohibit or delay consummation of the ABN AMRO Offer in any material respect, or if between the date of the Offer Documents and the date of the expiration of the ABN AMRO Offer, a notification has been received from the AFM that the Dutch offer has been made in conflict with any of the stipulations of Chapter IIa of the Wet 1995, within the meaning of Article 32(a) Bte 1995 (or any of its successor provisions) in which case the securities institutions would not be allowed to co-operate with the settlement of the Dutch offer (this condition, the "**AFM Condition**"); trading in the ABN AMRO Shares on Eurolist by Euronext Amsterdam N.V. has been permanently suspended as a result of a listing measure (*noteringsmaatregel*) taken by Euronext Amsterdam in accordance with Article 2706/1 of Euronext Rulebook II; or any of RFS Holdings, Fortis, RBS or Santander receives notification from its home country regulator that there is likely to be a material and adverse change in the supervisory, reporting or regulatory capital arrangements that will apply to ABN AMRO, Fortis, RBS, Santander or, to the extent applicable, RFS Holdings, as the case may be;

- if not all authorisations and consents in connection with the ABN AMRO Offer have been obtained and relevant waiting periods have expired and all mandatory or appropriate regulatory approvals of domestic and international regulatory authorities reasonably required in connection with the ABN AMRO Offer have been obtained in a form satisfactory to the Banks (this condition, the "**Regulatory Approvals Condition**");

- if the European Commission has not declared the concentration or concentrations resulting from the ABN AMRO Offer compatible with the common market or has not otherwise granted its approval for the ABN AMRO Offer or if the applicable waiting period under the HSR Act in relation to the ABN AMRO Offer has not expired or been terminated or if other competent antitrust or competition authorities have not granted approvals reasonably deemed necessary (this condition, the "**Antitrust Condition**");

- if the registration statement containing the U.S. prospectus filed with the SEC in conjunction with the ABN AMRO Offer for registration of the securities being offered under the ABN AMRO Offer is not declared effective by the SEC or if any stop order has been issued or proceedings for suspension of the effectiveness of the registration statement containing the U.S. prospectus have been initiated by the SEC;

- if confirmation has not been obtained that the RBS ordinary shares to be issued in exchange for ABN AMRO Shares tendered in the Dutch offer will be admitted to (i) the Official List maintained by the U.K. Financial Services Authority, (ii) to trading on the London Stock Exchange's main market for listed securities and (iii) trading and listing on Euronext Amsterdam, no later than the date of settlement of the ABN AMRO Offer ;

- if, to the extent required, the General Meetings of Shareholders of each of Fortis and RBS have not passed the resolutions to approve the transactions described in the Offer Documents or if the General Meetings of Shareholders of each of Fortis, RBS and Santander have not passed the necessary resolutions to approve the issuances of securities; or
- if, other than the agreement relating to the sale of LaSalle to Bank of America, ABN AMRO or any of its subsidiaries or subsidiary undertakings has entered into any agreement, or completed any transaction, involving the sale, repurchase, redemption or issue by ABN AMRO or its affiliates to third parties of any shares in ABN AMRO's own share capital (or securities convertible or exchangeable into shares or options to subscribe to any of the foregoing (other than equity incentive plans)), or involving the sale of a material part of its business or assets, or entered into, varied or terminated any material contract outside the ordinary course of business or given any undertaking to do any of the foregoing, or if ABN AMRO has approved, declared or paid a dividend outside of the normal course of its business, or inconsistent with past practice.
- If any public announcement has been made indicating that a third party is preparing or is to make an offer (or any amendment to, or revision of, an existing or proposed offer) for the ABN AMRO Shares or ABN AMRO ADSs, or if Barclays has announced or is to make (i) any offer under terms and conditions different from the terms and conditions announced by it on 23 April 2007 or (ii) any amendment to the terms and conditions of an existing offer such that the terms and conditions of that offer are different from the terms and conditions announced on 23 April 2007.

The conditions to the ABN AMRO Offer are for the benefit of RFS Holdings and the Consortium Banks and, to the extent legally permitted, may be waived by RFS Holdings at any time. The conditions to the Dutch offer are the same as the conditions to the U.S. offer. RFS Holdings will not waive a condition in one offer unless it waives the same condition in the other offer.

The AFM Condition may not be waived by RFS Holdings except where the notification referred to in that condition has been or will be revoked by the AFM or if such notification is overruled by a court decision or after consultation with the AFM. Notice of any such waiver will be given in the manner prescribed by applicable law.

Subject to the U.S. tender offer rules (including U.S. tender offer rules that require that material changes of a condition be promptly disseminated to shareholders in a manner reasonably designed to inform them of such changes) and the Dutch tender offer regulations, RFS Holdings reserves the right, at any time, and, to the extent legally permitted, to waive any of the conditions to the ABN AMRO Offer (including the minimum acceptance condition), by giving oral or written notice of the waiver to the U.S. exchange agent and the Dutch exchange agent and by making a public announcement in accordance with applicable law.

While RFS Holdings believes that it will receive the above regulatory approvals for the completion of the ABN AMRO Offer, there can be no assurances regarding the timing of the approvals, its ability to obtain the above approvals on satisfactory terms or the absence of litigation challenging these approvals. There can likewise be no assurance that national or other regulatory authorities will not attempt to challenge the combination on antitrust grounds or for other reasons, or, if a challenge is made, as to the results of the challenge.

3.7.4 Regulatory matters

As described above, RFS Holdings will not be obliged to purchase any tendered ABN AMRO Shares or ABN AMRO ADSs pursuant to the ABN AMRO Offer if all authorisations and consents in connection with the ABN AMRO Offer have not been obtained or relevant waiting periods have not expired or all mandatory or appropriate regulatory approvals of domestic and international regulatory authorities insofar as reasonably required in connection with the offers have not been obtained.

RFS Holdings and the Consortium Banks have made all necessary filings for the approval of the acquisition of ABN AMRO with their home regulators, in so far as these are required, and have made substantially all other applications for regulatory change of control approval. Approval has been requested from, amongst others, the Financial Services Authority, the DNB, the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*), and the CBFA. In a number of jurisdictions, such consents have already been granted. The consents applied for and, where relevant, obtained, are in respect of the acquisition of the ABN AMRO group as a whole.

In addition, in order for the conditions to the ABN AMRO Offer to have been satisfied, RFS Holdings and/or the Consortium Banks must make certain competition and antitrust filings with, and obtain approvals from, certain regulatory authorities with respect to the acquisition of ABN AMRO as well as in some cases the reorganisation of ABN AMRO following completion of the ABN AMRO Offer. In particular, competition consents or confirmations are being sought from, among others, the European Commission under the European Union Merger Regulation, the U.S. Federal Trade Commission and the antitrust division of the U.S. Department of Justice.

Although the Consortium Banks are seeking or will seek certain regulatory approvals for the reorganisation of ABN AMRO after the acquisition, other than as contemplated in the Antitrust Condition, obtaining regulatory approvals for the reorganisation (as opposed to the acquisition) of ABN AMRO is not a condition to the ABN AMRO Offer. Accordingly, formal consent from bank regulators for the subsequent proposed restructuring has not yet been applied for in most jurisdictions where consent is required, although these regulators are aware of the high-level proposals. Once the ABN AMRO Offer is declared wholly unconditional, RFS Holdings and the Consortium Banks will approach banking regulators in each jurisdiction where ABN AMRO entities are located and, where relevant, will request consent to the subsequent proposed restructuring of the ABN AMRO group.

The subsequent proposed restructuring of the ABN AMRO group may also require further anti trust clearance in certain jurisdictions, which processes are being progressed.

While RFS Holdings and the Consortium Banks have made, and will continue to make, significant efforts to obtain requisite regulatory approvals, there can be no assurances regarding the timing of the approvals, their ability to obtain the approvals on satisfactory terms or the absence of litigation challenging these approvals. There can likewise be no assurance that U.S federal or state and non-U.S. regulatory will not attempt to challenge the combination on antitrust grounds or for other reasons, or, if a challenge is made, as to the results of the challenge.

On 17 September 2007, the Dutch Minister of Finance, on the advice of DNB, granted the Consortium Banks the Declarations of No Objection they require in respect of the ABN AMRO Offer. The Declarations of No Objection contain specific conditions and requirements, including (i) that the Consortium Banks ensure sufficient continuity within the

Management Board and the Supervisory Board of ABN AMRO Holding N.V. and ABN AMRO Bank N.V., (ii) that RBS be primarily responsible for the governance of ABN AMRO during the transition phase of the reorganisation, (iii) that within two months of the entry into force of the Declarations of No Objection, the Consortium Banks shall ensure that ABN AMRO draws up a robust and detailed Transitional Plan, (iv) that the Consortium Banks not make any fundamental changes to the current set-up of ABN AMRO before (a) the Consortium Banks have obtained sufficient control over ABN AMRO in order effect an orderly execution of the proposed reorganisation and (b) the transitional plan is approved by DNB and (v) the Consortium Banks commit to maintain target levels of capital and liquidity determined between DNB and ABN AMRO. The Declarations of No Objection will enter into force if the ABN AMRO Offer is declared unconditional by the Consortium Banks on or before 31 December 2007, in the manner and subject to the conditions of the ABN AMRO Offer as detailed in Section 3.7.3 of this Prospectus.

In order to secure the approval of the European competition authorities in respect of the ABN AMRO transaction, Fortis and the European Commission have been discussing alternative remedies to solve the competition concerns identified by the European Commission in the commercial banking segment in The Netherlands following the acquisition of the ABN AMRO Businesses. In this context, Fortis has proposed and the European Commission is currently considering to implement the Proposed Divestment as discussed in the Cautionary Statement to Section 3 above.

In certain jurisdictions where ABN AMRO has operations, the local regulatory regime imposes a statutory timeframe within which the relevant regulator must communicate its decision on the application for regulatory change of control consent. In many instances, the timeframe imposed on the regulator is shorter than the initial offer period. In others, there is no such timeframe and RFS Holdings cannot, therefore, be certain as to when consent might be granted (if at all). Whilst certain regulators have indicated their willingness to provide as much assistance as possible in reviewing the relevant application for regulatory change of control consent, there can be no guarantee that such consents will be granted within the initial offer period or at all.

3.8 Summary of Consortium and Shareholders' Agreement

The Consortium and Shareholders' Agreement governs the relationships among Fortis, RBS, Santander and RFS Holdings in relation to the ABN AMRO Offer and was executed by and among them on 28 May 2007, supplemented on 17 September 2007 and may be further amended or supplemented from time to time.

The arrangements contemplated by the Consortium and Shareholders' Agreement include:

- the funding of RFS Holdings in connection with the ABN AMRO Offer;
- the governance of RFS Holdings both before and after the acquisition of ABN AMRO;
- Fortis, RBS and Santander's equity interests in RFS Holdings;
- the transfer of certain ABN AMRO Businesses, assets and liabilities to Fortis, RBS and Santander (or their group members) after the acquisition of ABN AMRO by RFS Holdings;
- the management and disposal of any businesses, assets and liabilities of ABN AMRO not intended to be transferred to Fortis, RBS or Santander;
- allocation of core tiers/capital;

- further funding obligations after the acquisition of ABN AMRO where funding is required by regulatory authorities in connection with the businesses of ABN AMRO;
- allocation of taxes and conduct of tax affairs; and
- certain other matters referred to in the Consortium and Shareholders' Agreement.

Key provisions of the Consortium and Shareholders' Agreement include:

Funding of RFS Holdings

Fortis, RBS and Santander have agreed to subscribe to shares in RFS Holdings of a sufficient amount to fund the consideration due under the ABN AMRO Offer. This funding commitment is split among Fortis, RBS and Santander as follows:

- Fortis: 33.8%;
- RBS: 38.3%; and
- Santander: 27.9%.

Ownership of RFS Holdings

Upon settlement of the ABN AMRO Offer, Fortis, RBS and Santander will have shareholdings in RFS Holdings that are equal to their proportionate funding commitments. Four classes of shares will be issued by RFS Holdings immediately prior to settlement of the ABN AMRO Offer in order to fund the consideration due, with one class for each of Fortis, RBS and Santander and a further class issued to all three.

The capital and income rights of the three classes of shares that will be issued to Fortis, RBS and Santander, respectively, will be linked to the net assets and income of the business units which the relevant shareholder will acquire following implementation of the restructuring of ABN AMRO contemplated by the Consortium and Shareholders' Agreement. The fourth class, which will be issued to Fortis, RBS and Santander in proportion to their funding commitments, will reflect their pro rata interests in the businesses, assets and liabilities that are not being acquired by any of them individually.

Governance

Conduct of the ABN AMRO Offer

While the ABN AMRO Offer is being conducted, RFS Holdings has six directors (two nominated by each of Fortis, RBS and Santander) and all decisions, including those relating to the ABN AMRO Offer (for example, whether to declare the ABN AMRO Offer wholly unconditional) will require the agreement of at least one Board nominee of each of Fortis, RBS and Santander. Expenses occurred by RFS Holdings with the conduct of the ABN AMRO Offer will be shared among the Consortium Banks in proportion to their shareholdings.

Post-completion

Upon settlement of the ABN AMRO Offer, the Board of RFS Holdings will be reduced to four directors, two nominated by RBS and one nominated by each of Fortis and Santander. Sir Fred Goodwin of RBS will be one of the RBS nominees and will also be the Chairman of the Board, with a casting vote to decide matters on which the Board cannot otherwise agree.

Board decisions will generally be taken by a simple majority vote subject to minority protections in the form of reserved matters set out in the Consortium and Shareholders' Agreement that will require the approval of at least one director nominated by each of Fortis, RBS and Santander.

RBS will take lead responsibility for running the whole of ABN AMRO throughout the transition until the individual ABN AMRO businesses are legally transferred to the individual Consortium Banks. Until that time, the ABN AMRO group will continue to act as a single coordinated institution in respect of all liabilities, requirements and regulatory interfaces.

Reorganisation

Under the terms of the Consortium and Shareholders' Agreement, each of Fortis, RBS and Santander will bear the costs and liabilities (historic and future) relating to the ABN AMRO assets it will ultimately acquire (with certain exceptions in relation to tax) and indemnities among Fortis, RBS and Santander reflect this position.

Businesses, assets and liabilities that are not to be acquired by any of Fortis, RBS or Santander individually will be disposed of over a period of time. The terms of the Consortium and Shareholders' Agreement aim for disposal of such assets as soon as possible.

The Agreement contains provisions for determination of issues between Fortis, RBS and Santander on which they cannot agree on in the context of the restructuring. Disputes are first escalated to group chief executive level at each of Fortis, RBS and Santander and, in the absence of agreement, a jointly-appointed independent accountant will determine the issues in dispute.

If, prior to the implementation of the restructuring, it becomes clear that the necessary approvals for the transfer of assets to Fortis, RBS or Santander, as applicable, will not be obtained (such as due to rejection by a financial regulatory authority), the shareholder of RFS Holdings that was the intended acquirer of such assets will be entitled to the distribution of the proceeds of such sale at the level of RFS Holdings.

Allocation of capital on restructuring

The core Tier 1 capital of ABN AMRO will be allocated between businesses in accordance with the allocation in the accounting records underlying the audited financial statements of ABN AMRO for the year ended 31 December 2006. However, if that allocation results in the businesses to be acquired by any of Fortis, RBS or Santander having a ratio of core Tier 1 capital to risk weighted assets of less than 4.95 per cent, the other shareholders of RFS Holdings are obliged to take all appropriate steps to ensure the contribution (in proportion to their allocation of capital) of sufficient core Tier 1 capital to the affected shareholder's acquired businesses to increase the ratio (to the extent that certain other intra-ABN AMRO measures do not achieve the same result). The contributing shareholders are entitled to a return on the core Tier 1 capital they contribute to the affected shareholder's acquired businesses. The return will be determined by reference to the return on the underlying investments in which the contributed capital is invested.

Intra-group arrangements

Following settlement of the ABN AMRO Offer, all shared services will continue on the same terms as applied by ABN AMRO as at 31 December 2006. The same principles applies as of separation and allocation of the respective businesses, unless Fortis, RBS and Santander agree otherwise.

Provision of further capital

Until such time as all ABN AMRO assets have been transferred out of the group of which RFS Holdings will be the parent company, if a regulator requires contribution of further capital to ABN AMRO, the intended owner of the relevant business giving rise to the capital call will be liable to the other shareholders in RFS Holdings for meeting such a call (by providing further funding or otherwise). If a capital requirement is imposed in relation to assets that are not to be acquired by any shareholder of RFS Holdings, the shareholders will be liable to each other in proportion to their shareholdings. In the event that the FSA increases the capital requirements of RBS and that obligation arises in relation to one of the ABN AMRO Businesses to be acquired by Fortis or Santander, the Banks will agree in good faith and acting reasonably how to satisfy the imposed requirements or otherwise alleviate the issue.

Information technology and operations

There will be a specially constituted Transition Steering Committee (established by the ABN AMRO Managing Board) tasked with overseeing and agreeing on information technology and operational matters, including the separation of all information technology and operations assets used by or relating to businesses owned by more than one of Fortis, RBS and Santander.

Intra-group debt

The Consortium and Shareholders' Agreement provides that there will be no repayment of intra-group debt when assets are transferred to Fortis, RBS and Santander. Accordingly, unless otherwise agreed, such debt will continue to maturity according to its terms.

Regulatory compliance

Fortis, RBS and Santander have each undertaken to co-operate fully to ensure that ABN AMRO continues to meet its regulatory obligations following completion of the ABN AMRO Offer. The Consortium and Shareholders' Agreement provides that RBS will take the lead in ensuring such compliance.

Provision of information

RFS Holdings is required to provide appropriate information to its shareholders subject to competition law and regulatory requirements.

Termination and conditionality

The Consortium and Shareholders' Agreement terminates if (i) the ABN AMRO Offer lapses or is withdrawn, (ii) necessary shareholder approvals are not obtained from the shareholders of Fortis, RBS and Santander, respectively or (iii) Fortis, RBS and Santander unanimously agree such a termination. The funding obligations of the shareholders of RFS Holdings are conditional on the receipt of all necessary approvals required for the ABN AMRO Offer to complete.

Transfer of shares

Transfers of shareholdings in RFS Holdings to third parties are restricted although intra-group transfers are permitted subject to Fortis, RBS and Santander retaining responsibility for their contractual obligations.

Governing law/arbitration

The Consortium and Shareholders' Agreement is governed by English law. Subject to the expert determination provisions referred to above, disputes will be resolved by arbitration in Paris under the rules of the International Chamber of Commerce.

Implementation

The Consortium Banks have agreed to act in a manner consistent with the Consortium and Shareholders' Agreement, as amended from time to time, and to take all such action, exercising all legally available rights and powers, as is reasonable in order to implement the terms of the Consortium and Shareholders' Agreement and/or any transaction, matter or thing contemplated by it.

The Consortium and Shareholders' Agreement is still being discussed with DNB and is (thus) subject to change.

3.9 Financial Information relating to the acquisition of the ABN AMRO Businesses

3.9.1 Narrative description of the illustrative financial impact

Immediately upon the closing of the ABN AMRO Offer, ABN AMRO will be owned by RBS, Fortis and Santander through RFS Holdings, a company that was formed by the Banks and is controlled by RBS. RFS Holdings will be consolidated as a subsidiary by RBS because of its control. The minority interests owned by Fortis and by Santander will be accounted for using the equity method.

Each of the Banks currently holds one-third of the issued shares in the capital of RFS Holdings and will continue to do so until funding of RFS Holdings immediately prior to and for the purpose of the closing of the ABN AMRO Offer. Upon funding of RFS Holdings by the Banks, new shares in the capital of RFS Holdings will be issued so that their aggregate shareholdings will be equal to their proportionate funding commitments: RBS will hold 38.3%, Fortis will hold 33.8% and Santander will hold 27.9% of the issued shares in the capital of RFS Holdings.

Following successful completion of the ABN AMRO Offer, an orderly reorganisation is expected to result in the following ownership of ABN AMRO Businesses:

- Fortis: Business Unit Netherlands (excluding former Dutch wholesale clients, Interbank and DMC Consumer Finance), Business Unit Private Clients globally (excluding Latin America) and Business Unit Asset Management globally.
- RBS: Business Unit North America excluding LaSalle, Business Unit Global Clients and wholesale clients in The Netherlands (including former Dutch wholesale clients) and Latin America (excluding Brazil), Business Unit Asia (excluding Saudi Hollandi) and Business Unit Europe (excluding Antonveneta).
- Santander: Business Unit Latin America (excluding wholesale clients outside Brazil), Antonveneta, Interbank and DMC Consumer Finance.
- Shared assets: Head Office and central functions, private equity portfolio, stakes in Capitalia and Saudi Hollandi and Prime Bank.

Upon completion of the ABN AMRO Offer and to the extent considered appropriate by the Banks, as an interim step towards the separation of the ABN AMRO Businesses, ABN AMRO will be reorganised into three units containing the Businesses that will ultimately be transferred to the respective Banks. A fourth unit will contain all assets and liabilities, which are regarded as non-strategic. Fortis and RBS will work together to separate The Netherlands retail and commercial banking operations from the global wholesale banking operations. The former will be transferred to Fortis while the latter will be owned by RBS. As soon as reasonably practicable, certain ABN AMRO Businesses, which can readily be separated, will be legally transferred to the respective Banks.

In order to secure the approval of the European competition authorities in respect of the ABN AMRO Offer, Fortis has proposed to make the Proposed Divestment as described further in the Cautionary Statement at the beginning of Section 3 above. It is uncertain whether the European Commission will accept the Proposed Divestment. It is therefore not possible to calculate the financial impact of any remedies necessary to solve the competition concerns identified by the European Commission (such as the Proposed Divestment). The Proposed Divestment is therefore not taken into account in the illustrative financial impact.

3.9.2 Illustrative financial impact on the Fortis consolidated balance sheet and income statement

Fortis prepares its consolidated financial statements in accordance with IFRS as adopted by the European Union, including International Accounting Standards and Interpretations. ABN AMRO prepares its consolidated financial statements also in accordance with IFRS, as adopted by the European Union.

Based on an analysis of the accounting policies as described in each of the consolidated financial statements, Fortis believes that the number of differences in the accounting policies adopted by Fortis and ABN AMRO is limited. The differences mainly consist of differences in early adoption of certain International Financial Reporting Standards, in measuring investment property (at cost by Fortis versus at fair value by ABN AMRO) and in accounting for joint ventures (equity method by Fortis versus proportional method by ABN AMRO). Fortis is not able to determine at this moment due to limited publicly available information whether other differences in the accounting policies may be noted after the completion of the ABN AMRO Offer. Therefore at this moment, it is not possible, to quantify the adjustments related to apparent and potential differences in the accounting policies, parameters and application principles as applied by Fortis and by ABN AMRO. Neither is it possible to identify adjustments related to differences in presentation of the financial information.

The illustrative financial information set out below is unaudited and has been prepared based on publicly available information regarding the ABN AMRO Businesses. This information has been derived from the ABN AMRO consolidated financial statements and related notes thereto for the year ended 31 December 2006 and from the interim financial information and related explanatory notes thereto for the half year ended 30 June 2007, which are available on the ABN AMRO website: www.abnamro.nl.

In accordance with IAS 28 “Investments in Associates”, the shareholding of Fortis in RFS Holdings is considered as an investment by Fortis in an associate, representing an entity over which Fortis has significant influence. The investment in RFS Holdings will be accounted for by Fortis using the equity method in accordance with the accounting policies applied by Fortis. 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’ share of the profit or loss of RFS Holdings after the date of acquisition. After the completion of the transfer of the ABN AMRO businesses from RFS Holdings to Fortis the ABN AMRO businesses will be fully consolidated by Fortis.

IFRS 3 Business Combinations requires all business combinations to be accounted for using the purchase method (no matter whether accounted for based on the equity method or fully consolidated). On acquisition of the ABN AMRO businesses, Fortis will execute a comprehensive assessment of the assets, liabilities and contingent liabilities acquired to identify the related fair values.

Goodwill relating to the ABN AMRO Businesses acquired (being the difference between the acquisition cost and the net fair value of the identifiable assets, liabilities and contingent liabilities of these Businesses and identified in accordance with IFRS 3) will be included in the carrying amount of the ABN AMRO Businesses.

In the ABN AMRO consolidated financial statements and related notes for the year ended 31 December 2006, it is reported that the net unrecognised liability for defined benefit obligations amounts to EUR 616 million. An adjustment will be required to reflect the recognition of the present value of ABN AMRO's net post-retirement employee benefit liabilities. The amount of the adjustment will have to be identified during the assessment.

Based on information as reported in the ABN AMRO consolidated financial statements and related notes for the year ended 31 December 2006, it can be determined for indicative purposes that the difference between the fair value and the carrying amount of financial assets measured at cost was EUR 3,368 million. The difference between the carrying amount and the fair value of financial liabilities measured at cost was EUR 911 million.

The illustrative financial information represents the significant effects directly associated with the investment in and funding of RFS Holdings, related to the ABN AMRO Offer, on the assets and liabilities of Fortis as at, and on the earnings of Fortis for the year ended 31 December 2006 and for the half year ended 30 June 2007. Potential synergies and integration and restructuring costs as well as purchase accounting adjustments are not included in the illustrative financial information. Only costs which are expected to be directly incurred by the ABN AMRO Offer described above are included in the illustrative financial information.

The illustrative financial information is prepared for illustrative purposes only and because of its nature, the illustrative financial information addresses a hypothetical situation and, therefore, does not represent Fortis' actual financial position or results, nor does it project results of operations for any future period.

Impact on the consolidated balance sheet of Fortis

Fortis' part of the offer consideration is based on a fully diluted number of ABN AMRO Shares at 31 December 2006 and taking into account that the ABN AMRO employee share options will be exercised as part of the acquisition at a weighted average strike price of EUR 19.35 per share.

The offer consideration includes the assumed conversion to ABN AMRO Shares of the ABN AMRO outstanding Convertible Finance Preference Shares of EUR 767 million and the purchase of the Formerly Convertible Preference Shares for cash at EUR 27.65 per share, the closing price on 20 April 2007, for an aggregate consideration of EUR 1.2 million.

Fortis intends to finance part of the consideration (amounting to EUR 13 billion) to be paid by RFS Holdings in the ABN AMRO Offer by means of the proceeds of this Offering. Transaction costs related to the share capital increase will be accounted for as a deduction from equity, net of any related income tax benefit.

Fortis intends to finance the additional acquisition cost of EUR 11,755 billion (on a fully diluted basis of ABN AMRO shares at 31 December 2006) by means of the following sources (in section 5.2.9 is detailed how the additional funding will take place):

- EUR 2 billion from the issue on 11 July of 2007 of Conditional Capital Exchangeable Notes exchangeable into Mandatory Convertible Securities;
- EUR 9,755 billion from the proceeds of a combination of (1) the issue of other tier 1 Capital instruments; (2) the sale of specific non-core assets; and (3) securitisation and other similar transactions.

Based on the information above the impact on the balance sheet of Fortis on 31 December 2006 would be as follows if assumed that Fortis would have acquired the ABN AMRO businesses at 1 January 2006:

- The initial valuation of the ABN AMRO share to be acquired by Fortis will amount to EUR 24,755 million (on a fully diluted basis of ABN AMRO shares at 31 December 2006). This would lead to an increase in the balance sheet of the Investments in associates and joint ventures with EUR 24,755 million to EUR 227,189 million.
- As the acquisition will be financed in part through the issue of Fortis Shares, Shareholders' equity would have increased by EUR 13 billion from EUR 20,644 million to EUR 33,644 million.
- The additional funding of EUR 11,755 billion will lead to an increase in the Subordinated liabilities of EUR 5 billion from EUR 15,375 million to EUR 20,375 million and a decrease in Accrued interest and other assets with EUR 6,755 million from EUR 61,858 million to EUR 55,103 million.
- As a result of the adjustments above Total liabilities would have increased by EUR 5 billion from EUR 753,678 million to EUR 758,678 million whereas Total assets would have increased by EUR 18 billion from EUR 775,229 million to EUR 793,229 million.

Illustrative financial impact on the Fortis consolidated income statement for the year ended 31 December 2006

Following is the income statement for the businesses of ABN AMRO to be acquired by Fortis (including former Dutch wholesale clients, Interbank, DMC Consumer Finance and the part of Latin America relating to Private Clients) for the year ended 31 December 2006 as reported in the ABN AMRO Consolidated Financial Statements and related notes thereto for the year ended 31 December 2006 (in EUR million). As this income statement is as reported by ABN AMRO, it does not take into account the estimates made by Fortis for the purpose of the information included in Sections 3.5 and 3.6 of the Prospectus.

	BU Netherlands	Private Clients	Asset Management	Total
Net interest income, of which:	3,078	544	(15)	3,607
External	2,574	(959)	9	1,624

	BU Netherlands	Private Clients	Asset Management	Total
Other segments....................	504	1,503	(24)	1,983
Net fee and commission income, of which:	751	700	717	2,168
External	711	671	704	2,086
Other segments....................	40	29	13	82
Net trading income	486	64	(4)	546
Result from financial transactions..........................	28	4	40	72
Share of result in equity accounted investments	51	2	1	54
Other operating income........	246	75	89	410
Income consolidated private equity holdings	-	-	-	-
Total operating income......	**4,640**	**1,389**	**828**	**6,857**
Total operating expenses..	**3,118**	**956**	**528**	**4,602**
Loan impairment and credit risk provision	359	40	-	399
Operating profit before taxes	1,163	393	300	1,856
Income tax expense	319	121	65	505
Profit from continuing operations............................	844	272	235	1,351
Profit from discontinued operations, net of tax...........	505	-	-	505
Profit for the year	**1,349**	**272**	**235**	**1,856**

Impact on the Fortis consolidated income statement for 2006

The consolidated income statement of Fortis for 2006 as presented in the Fortis consolidated financial statements 2006 included a Net profit attributable to shareholders of EUR 4,351 million. Based on the information given above the impact on the income statement of Fortis on 31 December 2006 would be as follows if assumed that Fortis would have acquired the ABN AMRO businesses BU Netherlands (including former Dutch wholesale clients, Interbank and DMC Consumer Finance), Private Clients and Asset Management) at 1 January 2006:

- Share in result of associates and joint ventures would increase by EUR 1,351 million (the profit from continuing operations) from EUR 198 million to EUR 1,549 million.
- Interest expense would increase by approximately EUR 345 million from EUR 65,121 million to EUR 65,466 million as a result of the estimated funding cost related to the issue of the Conditional Capital Exchangeable Notes and other debt securities to be

issued (this amount will be impacted by the timing and amount of other tier 1 Capital instruments to be issued, non-core assets sold, securitisations and other similar transactions to be executed).

- Income tax expense would decrease by EUR 51 million from EUR 1,030 million to EUR 979 million due to the tax impact of the funding cost.
- Non-recurring items are considered to be limited to the reported discontinued operations by ABN AMRO.
- The income related to businesses, assets and liabilities acquired by the Consortium Banks but not transferred to any of the Banks (shared assets) is considered as non-recurrent and not taken into account in the illustrative impact on the income statement.
- The impact of amortisation of fair value adjustments related to financial and non-financial assets and liabilities and the amortisation of new identified intangible assets with finite useful lives, are not taken into account in the illustrative impact on the income statement due to the limited publicly available information by segment. The amortisation of the ABN AMRO intangible assets with finite useful lives (EUR 555 million for the year ended 31 December 2006) was not reversed in the illustrative impact on the income statement due to the limited publicly available information by segment.
- As a result of the above mentioned impact on the income statement, Net profit attributable to shareholders would increase by EUR 1,057 million from EUR 4,351 million to EUR 5,408 million as a result of the net impact of the increase in Share in result of associates and joint ventures, the increase in Interest expense and the decrease in Income tax expense.

Illustrative financial impact on the Fortis consolidated income statement for the half year ended 30 June 2007

Following is the income statement for the businesses of ABN AMRO to be acquired by Fortis (including former Dutch wholesale clients, Interbank, DMC Consumer Finance and the part of Latin America relating to Private Clients) for the half year ended 30 June 2007 as reported in the ABN AMRO consolidated interim financial statements of 30 June 2007 and related notes thereto for half year ended 30 June 2007 (in EUR million). As this income statement is as reported by ABN AMRO, it does not take into account the estimates made by Fortis for the purpose of the information included in Sections 3.5 and 3.6 of the Prospectus.

	BU Netherlands	Private Clients	Asset Management	Total
Net interest income	1,730	242	(7)	1,965
Net fee and commission income	499	343	460	1,302
Net trading income	360	37	1	398
Result from financial transactions	11	4	22	37
Share of result in equity accounted investments	23	-	4	27

	BU Netherlands	Private Clients	Asset Management	Total
Other operating income........	78	115	5	198
Total operating income......	**2,701**	**741**	**485**	**3,927**
Total operating expenses..	**1,773**	**457**	**316**	**2,546**
Loan impairment and credit risk provision	206	(3)	-	203
Operating profit before taxes	722	287	169	1,178
Income tax expense	154	61	43	258
Profit from continuing operations.............................	568	226	126	920
Profit from discontinued operations, net of tax............	2	-	-	2
Profit for the period............	**570**	**226**	**126**	**922**

Impact on the Fortis consolidated income statement for the half year ended 30 June 2007

The consolidated income statement of Fortis for the half year ended 30 June 2007 as presented in the Fortis consolidated interim financial statements for the half year ended 30 June 2007 included a Net profit attributable to shareholders of EUR 2,782 million. Based on the information given above the impact on the income statement of Fortis on 30 June 2007 would be as follows if assumed that Fortis would have acquired the ABN AMRO businesses at 1 January 2006:

- Share in result of associates and joint ventures would increase by EUR 920 million (being the profit from continuing operations) from EUR 81 million to EUR 1,001 million.
- Interest expense would increase by approximately EUR 172 million from EUR 39,636 million to EUR 39,808 million as a result of the estimated additional funding cost related to the transaction (this amount will be impacted by the timing and amount of other tier 1 Capital instruments to be issued, non-core assets sold, securitisations and other similar transactions to be executed).
- Income tax expense would decrease by EUR 47 million from EUR 414 million to EUR 367 million due to the tax impact of the estimated funding cost.
- Non-recurring items are considered to be limited to the reported discontinued operations by ABN AMRO.
- Income related to businesses, assets and liabilities that are acquired by the Consortium Banks but not transferred to any of the Banks (shared assets) is considered as non-recurrent and not taken into account in the illustrative impact on the income statement.

- The impact of amortisation of fair value adjustments related to financial and non-financial assets and liabilities and the amortisation of new identified intangibles assets with finite useful lives are not taken into account in the illustrative impact on the income statement due to the limited publicly available information by segment. The amortisation of the ABN AMRO intangible assets with finite useful lives, was not reversed in the illustrative impact on the income statement due to the limited publicly available information by segment.
- As a result of the above mentioned impact on the income statement, Net profit attributable to shareholders would increase by EUR 795 million from EUR 2,782 million to EUR 3,577 million as a result of the net impact of the increase in Share in result of associates and joint ventures, the increase in Interest expense and the decrease in Income tax expense.

Unaudited comparative historical and illustrative earnings per Fortis Share data

The table below presents illustrative combined earnings per Fortis share compared to the corresponding values contained in the 2006 Fortis consolidated financial statements and in the Fortis consolidated interim financial statements for the first half year of 2007 and is based on the following:

- The weighted average number of Fortis Shares outstanding during the year ended 31 December 2006 and during the half year ended 30 June 2007 for the illustrative combined earnings per Fortis share calculation, is based on the estimated equivalent-weighted average number of Fortis Shares following the Offering.
- For illustrative purposes, the illustrative combined earnings per Fortis Share are calculated as if the issue of new Fortis Shares had occurred on 1 January 2006 for the year ended 31 December 2006 and on 1 January 2007 for the half year ended 30 June 2007. Under the terms of this Offering, Fortis will issue new Fortis Shares, increasing the weighted-average number of Fortis Shares in issue by a maximum of 1.076 million Fortis Shares. The Extraordinary General Meetings of Shareholders granted on 6 August 2007 authorisation for this issue to the Board of Directors, in the context of a public offer on, and the acquisition of certain businesses of ABN AMRO.
- As mentioned in Section 8.3.1 below, the exact number of Fortis SA/NV Shares to be issued will be decided by the Boards of Directors of the Issuers on 20 September 2007, announced by press release on or around 21 September 2007 and published in the Financial Press on or around 22 September 2007

Unaudited comparative historical and illustrative earnings per Fortis Share data for the year ended 31 December 2006 (in EUR millions, except share data).

	Fortis	**Maximum new Fortis shares issued**	**Illustrative enlarged Fortis**
Net profit attributable to shareholders	4,351		5,408
Elimination of interest expense on convertible debt (net of tax impact)	81		81
Net profit used to determine diluted earnings per share	4,432		5,489

	Fortis	Maximum new Fortis shares issued	Illustrative enlarged Fortis
Weighted average number of ordinary shares for basic earnings per share	1,289,188,491	1,076,000,000	2,365,188,491
Adjustments for shares that may be issued in the future (on a diluted basis):			
- assumed conversion of convertible debt	39,684,066		39,684,066
- share options	3,981,100		3,981,100
- restricted shares	759,778		759,778
Weighted average number of ordinary shares for diluted earnings per share	1,333,613,435	1,076,000,000	2,409,613,435
Basic earnings per share (in Euro per share)	3.38		2.29
Diluted earnings per share (in Euro per share)	3.32		2.28

Unaudited comparative historical and illustrative earnings per Fortis Share data for the half year ended 30 June 2007 (in EUR millions, except share data)

	Fortis	**Maximum new Fortis shares issued**	**Illustrative enlarged Fortis**
Net profit attributable to shareholders	2,782		3,577
Elimination of interest expense on convertible debt (net of tax impact)	42		42
Net profit used to determine diluted earnings per share	2,824		3,619
Weighted average number of ordinary shares for basic earnings per share	1,293,293,732	1,076,000,000	2,369,293,732
Adjustments for shares that may be issued in the future (on a diluted basis):			
- assumed conversion of convertible debt	39,684,066		39,684,066
- share options	5,690,954		5,690,954
- restricted shares	979,790		979,790
Weighted average number of ordinary shares for diluted earnings per share	1,339,648,542	1,076,000,000	2,415,648,542
Basic earnings per share (in Euro per share)	2.15		1.51
Diluted earnings per share (in Euro per share)	2.11		1.50

4 SELECTED FINANCIAL INFORMATION

The financial information for the years ended and as of 31 December 2006, 2005 and 2004 set forth below is derived from the Fortis Financial Statements 2006, which include information regarding the years 2004, 2005 and 2006. These Fortis Financial Statements 2006 (including the financial information regarding the years 2004 and 2005) have been audited and the financial information at 30 June 2007 and 2006 has been reviewed jointly by PricewaterhouseCoopers Reviseurs d'Entreprises SCCRL and KPMG Accountants N.V., statutory auditors for Fortis SA/NV and Fortis N.V., respectively.

The historical data set out below are only a summary. You should read it in conjunction with the Fortis Annual Accounts 2004[54], the Fortis Financial Statements 2005 and the Fortis Financial Statements 2006.

IFRS differ in certain significant respects from accounting principles generally accepted in the United States of America ("**U.S. GAAP**"). Fortis has made no attempt to quantify the impact of those differences. In making an investment decision, investors must rely upon their own examination of Fortis, the terms of the Offering and the financial information presented and incorporated herein by reference. Potential investors should consult their own professional advisors for an understanding of the differences between IFRS and U.S. GAAP and how those differences might affect the information herein.

4.1 Consolidated income statement prepared in accordance with IFRS

	First half-year ended 30 June		Year ended 31 December		
	2007	**2006**	**2006**	**2005**	**2004**
			(EUR million)		
Income					
Interest income	43,387	35,101	72,583	66,845	54,223
Insurance premiums	7,890	6,278	13,984	12,919	11,576
Dividend and other investment income	579	562	996	918	845
Share in result of associates and joint ventures	81	77	198	157	204
Realised capital gains (losses) on investments	928	571	1,137	1,642	1,580
Other realised and unrealised gains and losses	900	968	1,362	878	(940)
Fee and commission income	2,100	1,903	3,734	3,124	2,733
Income related to investments for unit-linked contracts	1,138	(119)	1,929	3,224	1,129

54 The consolidated financial information included in the Fortis Annual Accounts 2004 was drawn up in accordance with the applicable legal and regulatory requirements in Belgium. The consolidated financial information included in the Fortis Financial Statements 2006 and 2005 was prepared in accordance with IFRS - including International Accounting Standards and Interpretations - as adopted by the European Union. In order to facilitate comparison, Fortis has restated the 2004 consolidated financial statements in accordance with IFRS in the Fortis Financial Statements 2005 and has provided further information in the Fortis Financial Statements 2005 regarding the impact of the transition to IFRS under section 3 "Impact of IFRS on the balance sheet, shareholders equity and the income statement of Fortis".

4. Selected financial information

	First half-year ended 30 June		Year ended 31 December		
	2007	2006	2006	2005	2004
			(EUR million)		
Other income	401	400	679	712	577
Total income	**57,404**	**45,741**	**96,602**	**90,419**	**71,927**
Expenses...					
Interest expense	(39,636)	(31,379)	(65,121)	(60,227)	(47,966)
Insurance claims and benefits	(7,384)	(5,813)	(13,151)	(11,788)	(10,721
Charges related to unit-linked contracts	(1,548)	(94	(2,374)	(3,709)	(1,092)
Changes in impairments	(46)	(76)	(194)	(235)	(380)
Fee and commission expense	(1,141)	(993)	(1,922)	(1,615)	(1,516)
Depreciation and amortisation of tangible and intangible assets	(291)	(279)	(576)	(548)	(469
Staff expenses	(2,396)	(2,168)	(4,485)	(4,291)	(3,778)
Other expenses	(1,754)	(1,540)	(3,336)	(2,856)	(3,116
Total expenses	(54,196)	(42,342)	(91,159)	(85,269)	(69,038)
Profit before taxation.............................	3,208	(3,399)	5,443	5,150	2,889
Income tax expense..............................	(414)	(674)	(1,030)	(1,164)	(510)
Net profit for the period......................	**2,794**	**2,725**	**4,413**	**3,986**	**2,379**
Net gain (loss) on discontinued operations[55]	36	30	-	-	-
Net profit before minority interests.........	2,830	2,755	4,413	3,986	2,379
Net profit attributable to minority interests	48	37	62	45	26
Net profit attributable to shareholders....	2,782	2,718	4,351	3,941	2,353

[55] As mentioned in the Fortis Financial Statements 2006, the net gains (or losses) on discontinued operations for the years 2004, 2005 and 2006 are not reported in this table. The gains amount, for the years 2004, 2005 and 2006 respectively, to EUR 61 million, EUR 60 million and EUR 57 million. The gains related to the participation in the joint venture CaiFor (see Section 2.2.4 of the Prospectus).

4.2 Consolidated balance sheet prepared in accordance with IFRS

	First half-year ended 30 June	Year ended 31 December		
	2007	2006	2005	2004
		(EUR million)		
Assets				
Cash and cash equivalents	27,265	20,413	21,822	25,020
Assets held for trading	98,040	70,215	62,705	60,320
Due from banks	135,025	90,131	81,002	64,197
Due from customers	322,610	286,459	280,759	227,834
Investments				
Held to maturity	*4,463*	*4,505*	*4,670*	*4,721*
Available for sale	*178,017*	*186,428*	*179,020*	*153,543*
Held at fair value through profit or loss	*6,387*	*6,600*	*5,127*	*3,391*
Investment property	*3,610*	*3,047*	*2,546*	*2,304*
Associates and joint ventures	*2,042*	*1,854*	*1,706*	*2,209*
Total investments	**194,519**	**202,434**	**193,069**	**166,168**
Investments related to unit-linked contracts	31,094	28,749	25,667	16,853
Reinsurance and other receivables	10,297	9,187	9,557	6,545
Property, plant and equipment	3,524	3,522	3,197	3,133
Goodwill and other intangible assets	3,144	2,261	1,922	672
Accrued interest and other assets	92,135	61,858	49,294	43,343
Total assets	**917,653**	**775,229**	**728,994**	**614,085**
Liabilities				
Liabilities held for trading	100,584	64,308	50,562	51,483
Due to banks	219,080	177,481	175,183	121,037
Due to customers	267,947	259,258	259,064	224,583
Liabilities arising from insurance and investment contracts	63,324	59,764	56,109	48,940
Liabilities related to unit-linked contracts	31,381	29,156	26,151	17,033
Debt certificates	114,241	90,686	77,266	71,777
Subordinated liabilities	16,303	15,375	13,757	13,345
Other borrowings	2,294	2,149	1,699	2,861
Provisions	806	817	907	852

4. Selected financial information

	First half-year ended 30 June	Year ended 31 December		
	2007	2006	2005	2004
		(EUR million)		
Current and deferred tax liabilities	2,855	2,733	3,629	3,464
Accrued interest and other liabilities	76,706	51,951	45,011	43,033
Total liabilities	**895,521**	**753,678**	**709,338**	**598,408**
Shareholders' equity	21,228	20,644	18,929	15,337
Minority interests	904	907	727	340
Total equity	**22,132**	**21,551**	**19,656**	**15,677**
Total liabilities and equity	**917,653**	**775,229**	**728,994**	**614,085**

5 FINANCIAL OVERVIEW

5.1 Operating and financial review

The following review and analysis should be read together with the Fortis Financial Statements 2006 and related notes. Fortis Financial Statements 2006 have been prepared in accordance with IFRS - including International Accounting Standards and Interpretations - as adopted by the European Union.

5.1.1 Overview

(i) General Market Conditions

Fortis results of operations are affected by general economic conditions, including economic cycles, insurance industry cycles particularly with respect to non-life insurance, the financial markets, banking industry cycles and fluctuations in interest rates and exchange rates, monetary policy, demographics, particularly with respect to life insurance, and competitive factors.

Demographic studies suggest that over the next decade there will be continued growth in the number of individuals who enter the age group which management believes is most likely to purchase retirement oriented life insurance products in Fortis principal life insurance markets of the Benelux. In addition, in a number of European markets, including Belgium and The Netherlands, retirement, medical and other social benefits previously provided by governments have been, or are expected in the coming years to be, further curtailed, which management believes will increase opportunities for private sector providers of life insurance, health, pension and other social benefits-related insurance products. Management believes that Fortis insurance distribution networks, the quality and diversity of its products and its asset management expertise in many of these markets, particularly in the Benelux, position Fortis to benefit from these demographic developments. Conditions in the non-life insurance markets in which Fortis operates are cyclical, and characterised by periods of price competition, fluctuations in underwriting results and the occurrence of unpredictable weather-related and other losses.

Revenues and net profit from Fortis banking and insurance operations may vary from year to year depending on fluctuations in interest rates, changes in market conditions and business cycles. Operating results and income from Fortis investment banking, securities trading and brokerage activities may vary significantly from year to year depending on market conditions. Since 2003, financial markets have recovered significantly and, in particular, equity markets have recovered from their low levels of 2002 and 2003. Also, interest rates have risen since the start of 2005, both in the U.S. and UK as well as in the Eurozone, modestly reducing some of the rate pressure associated with guaranteed and interest spread products. In these more favourable market conditions, the increased value of the Group’s free assets has significantly improved solvency and realised and unrealised capital gains have contributed to the high level of profitability of the Fortis Group in 2005 and 2006.

Fortis asset management performance as well as its merchant banking, securities trading and brokerage activities were positively impacted by the favourable market trends of 2005 and 2006. As the fees earned in these businesses are often based on the value of assets managed, the significant improvement in financial markets contributed to the high level of fees earned during these periods (2006: EUR 1,265 million; 2005: EUR 998 million). Also, the favourable market conditions contributed to high levels of revenues earned from securities trading and brokerage activities of EUR 925 million and EUR 705 million in 2006 and 2005, respectively.

(ii) Interest Rate Fluctuations

Changes in interest rates, including changes in the yield curve, can affect Fortis banking and insurance results of operations. Over the past several years, movements in both short and long-term interest rates have affected the level and timing of recognition of gains and losses on securities held in Fortis investment portfolios. Generally, a sustained period of lower interest rates will reduce the investment yield of the interest-earning assets in the investment portfolios of Fortis insurance and banking companies over time as higher yielding investments are called or mature and the proceeds of these investments are reinvested at lower rates. However, declining interest rates can lead to higher returns from Fortis banking operations if interest-earning assets reprice more slowly than interest-bearing liabilities or the volume of average interest-earning assets grows as a result of higher amounts of credit demand. Declining interest rates also typically increase demand for mutual funds and investment-linked insurance products. Conversely, rising interest rates should over time increase investment income but may reduce the market value of existing investments in Fortis portfolios. This can also lead to higher returns from Fortis banking operations if the interest rate spread widens, assuming this effect is not offset by lower volumes of average interest-earning assets as a result of lower levels of credit demand or a deterioration in the quality of Fortis loan portfolio or an increase in provisions for possible credit risk or lower interest income due to slower repricing of interest-earning assets compared to the repricing of interest-earning liabilities. Besides absolute levels of interest rates, income in the banking activities can be influenced by the steepness of the yield curve. In the case that the duration of interest earning assets is longer than the duration of interest-earning liabilities, a steeper yield curve would normally generate higher income in the banking operations. During periods of rapidly increasing interest rates, policy loans, surrenders and withdrawals may increase and usually do increase.

Premiums in flexible premium policies may decrease as policyholders seek investments with higher perceived returns. This activity may result in cash payments by Fortis requiring that it sells invested assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, which may result in realised investment losses. These cash payments to policyholders result in a decrease in total invested assets and a decrease in net income. Among other things, early withdrawals may also cause Fortis to accelerate amortisation of policy acquisition costs, reducing net income.

In the United States interest rates began to rise during the course of 2004 and, through 31 March 2007, the Federal Reserve had increased the Federal Funds rate from 1% to 5.25% in 17 separate 25 basis point increases. In Europe, the ECB has been raising interest rates since December 2005 from 2% to 3.75% in 7 separate 25 basis points increases. Economic prospects in the EU remain positive and GDP is expected to grow above the trend rate this year and in 2008. As a result the ECB is expected to continue to raise interest rates by two additional steps of 25 bp this year, to reach a peak level of 4.25%.

The impact of interest rate fluctuations on Fortis life insurance business is reduced in part by product design which operates to transfer partly or entirely from Fortis to the policyholder the exposure to interest rate movements. Examples of such products include investment-linked individual policies, and segregated fund pension plans in group business. At 31 December 2006, 35% (2005: 34%) of Fortis liabilities to policyholders for life products related to insurance policies where gains or losses arising from interest rate fluctuations are entirely for the risk of policyholders. In addition, in many markets Fortis sells profit sharing life insurance policies, where profit sharing may be based either on total profits or excess interest margins to policyholders. In most cases the profit sharing is at the discretion of Fortis. However, due to the uncertainties in the capital markets of the last few years, these products with discretionary participation features have become more popular.

In Europe, Fortis has a substantial historic portfolio of contracts with guaranteed and/or profit sharing investment returns, including returns of 4.75% in Belgium on policies. Although Fortis has lowered its guaranteed rate of return on certain contracts written after 31 December 1998, to 3.25% in Belgium, if interest rates are below 4% for any sustained period, it could cause Fortis to increase the level of reserves required on such guaranteed products. At times these technical rates tend to be matched by assets of similar yield, but often significant asset liability duration mismatch exists and this creates the exposure to low interest rate environments and a need to test the adequacy of provisions under current yield curve assumptions.

The key means of determining adequacy with respect to interest rate risk are:

- IFRS liability adequacy tests (LAT) including loss recognition and shadow adjustments.
- Additional risk reporting to assess economic adequacy in line with market consistent embedded value ("**MCEV**") or Fortis Fair Value Economic model (ForCap).
- Local regulatory tests.

In Insurance Belgium, interest rate adequacy is supported by a low interest rate reserve ("**LIRR**"). The LIRR itself will decrease over time, in line with a decrease in the portfolio and is still considered to be a significant buffer against low interest rates. A comparison of local provisions and the fair value of liabilities at year end 2006 showed the provisions to be adequate, largely as a result of the interest rate reserve.

In Insurance Netherlands, the regulatory test applied locally measures the impact of reinvestment rates below 4%. This test shows the provisions to be adequate on 3% reinvestment (4% for pre-1999 business). In addition, an internal test on the same basis as the regulatory test was performed, but assuming 3.5% reinvestment for the pre-1999 business. In addition, an internal test on the same basis as the regulatory test was performed, but assuming 3.0% reinvestment for the total portfolio including the pre-1999 business. Results based on year-end 2006 data still show positive margins compared to the prescribed regulatory test.

However, the same test also shows that the business is very sensitive to interest rates. This sensitivity is a result of a significant duration mismatch and the business needs to be monitored closely in terms of the potential impact of a continued low interest environment. To this end, information is reported to senior management on a monthly basis to flag any potential issues.

In Insurance International, IFRS liability adequacy tests and low interest rate provisions also evidence that reserves are sufficient in respect of interest rate risk coverage.

Fortis investment banking, securities trading and brokerage activities are significantly affected by the levels of activity in the securities markets, which in turn may be affected by, among other factors, the level and trend of interest rates. Results of asset management activities may also be affected by interest rates, since management fees are generally based on the value of assets under management, which fluctuates with changes in the level of interest rates. The improved financial markets in 2004, 2005 and 2006 favourably impacted fees earned in our asset management operations.

(iii) Exchange Rate Fluctuations

Fortis is an international financial institution doing business in almost all currencies. However, the open positions per currency are strictly monitored and managed through on and off balance sheet transactions and are kept within well-defined limits.

(iv) Changes in the Composition of Fortis Impacting Historical Financial Information

Fortis made a number of significant acquisitions in 2005 and 2006. The major acquisitions in 2006 were the acquisition of Cinergy, a marketing and trading platform for the energy market operating in all key markets in North America (which has been renamed Fortis Energy Marketing and Trading) and 70% of Cadogan, a fund of hedge fund asset management company. The acquisition price for Cinergy was U.S. USD 451 million and Cadogan was USD 157 million. In 2005 Fortis paid EUR 919 million for the acquisition of Dişbank, the seventh largest bank in Turkey, EUR 514 million for a controlling interest of 51% in Milleniumbcp Fortis, a Portuguese insurance company, EUR 79 million for the acquisition of Dryden Wealth Management ("**Dryden**"), a private banking company and EUR 64 million for the acquisition of Atradius, a European factoring company among other acquisitions.

In 2004 Fortis made only a few minor acquisitions, such as Centrapriv (a provider of tax, legal and fiduciary services) (EUR 38 million) and Muang Thai, a life insurance company in Thailand (EUR 61 million).

Consistent with Fortis Group's overall strategy, Fortis reduced its stake in Assurant (formerly Fortis, Inc.) ("**Assurant**") which held its U.S. insurance operations through an initial public offering and a follow-on offering in the United States in 2004 and 2005. In February 2004 Fortis successfully sold through a group of underwriters more than 65% of Assurant. As a result, since February 2004 Fortis has accounted for Assurant using the equity method. Fortis stake in Assurant was further reduced as a result of the offering of mandatorily exchangeable bonds in January 2005 and the concurrent secondary offering of Assurant common stock to 15%. Since February 2005 Assurant has been accounted for as an investment at fair value through the profit/loss account. As Assurant has been accounted for in this manner in 2004 and 2005, it had limited impact on Fortis results in each of the three years under review.

(v) Solvency

Fortis has presented its solvency using the core capital cap/floor model since 1998. Although this model has served its purpose well, it had some limitations that have prompted the introduction of a new model based on "target capital".

The new model (i) provides greater detail and insight into the capitalisation at both the Banking and Insurance level, (ii) gives better guidance for future capital management actions, (iii) is in line with market practice; and (iv) is consistent with the regulators' guidelines on capitalisation. For additional information on the new "target capital" model see Section 5.2.4 below.

5.1.2 Financial condition

(i) Critical Accounting Policies

The Fortis Financial Statements 2006, including the 2005 and 2004 comparative figures, are prepared in accordance with IFRS - including International Accounting Standards ("**IAS**") and Interpretations - at 31 December 2006 and as adopted by the European Union. For IAS 39, Financial Instruments: Recognition and Measurement, this takes into account the exclusion regarding hedge accounting (the so-called "carve-out") decreed by the European Union on 19 November 2004.

Fortis has identified below the accounting policies that are most critical to its business operations and the understanding of its results. In each case, the application of these policies requires management to make complex or subjective decisions or assessments based on information and financial data that may change in future periods, the results of which can have a significant effect on our results of operations. As a result, determinations regarding these items necessarily involve the use of assumptions and judgments as to future events and are subject to change. Different assumptions or judgments could lead to materially different results. See the Notes to the Fortis Financial Statements 2006 for additional discussion of the application of our accounting policies.

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

Judgments 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, plant and equipment, investment property and intangible assets;
- Measurement of liabilities for insurance contracts;
- Actuarial assumptions related to the measurement of pension obligations and assets; and
- Estimation of present obligations resulting from past events in the recognition of provisions.

The accounting policies of each area are treated in more detail in the next Section.

Estimation of the recoverable amount of impaired assets

An asset is impaired when its carrying amount exceeds its recoverable amount. Fortis reviews all of its assets at each reporting date for indicators of impairment.

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.

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); or
- Based on the fair value of the collateral.

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

Fortis 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.

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.

The identification of impaired assets and the assumptions to be used in calculating the recoverable amounts of such assets involves management judgment. Changes in the assumptions concerning amounts and timing of cash flows and concerning the value of the collateral underlying the calculation of the recoverable amounts can have a positive or negative impact on the carrying value of the assets and the amount of change in impairments in the income statement.

Determination of fair values of unquoted financial instruments

The principal methods and assumptions used by Fortis in determining the fair value of unquoted financial instruments are:

- If for securities 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 unquoted derivative financial instruments are obtained from 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 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 according to 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.

The fair values of unquoted financial instruments are used for measurement in the balance sheet of such instruments or for additional disclosure purposes. The valuation involves management judgment. Changes in the models or parameters used to determine the fair value of unquoted financial instruments can lead to changes in the fair value of these instruments. The changes in the fair value can impact:

- The income statement if these financial instruments are accounted for at fair value through profit or loss.
- Equity, if these instruments are accounted for as available for sale.
- The fair value disclosure as in Note 35 of Notes to Fortis Financial Statements 2006.

Determination of the useful life and the residual value of property, plant and equipment, investment property and intangible assets

All real estate (investment property and 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. Generally, depreciation is calculated on 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 real estate and fixed assets are reviewed at each year-end.

The costs of new and renewed insurance business, principally commissions, underwriting, agency and policy issue expenses, all of which vary with and primarily are related to the production of new business, are deferred and amortised.

Deferred acquisition costs (“**DAC**”) are periodically reviewed to ensure they are recoverable based on estimates of future profits of the underlying contracts.

Value of business acquired (“**VOBA**”) represents the difference between the fair value at acquisition date and the subsequent carrying value of a portfolio of contracts acquired in a business or portfolio acquisition. VOBA is recognised as an intangible asset and amortised over the income recognition period of the portfolio of contracts acquired.

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 the Fortis interest in the fair value of assets acquired and liabilities and contingent liabilities assumed. Goodwill is not amortised, but instead is tested for impairment.

Intangible assets with finite lives, such as trademarks and licenses, 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.

Indefinite-lived intangibles, which are not amortised, are instead tested for impairment at least annually. Any impairment loss identified is recognised in the income statement.

Intangible assets 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.

The determination of the useful life and residual value of assets are best estimates involving judgment on future economic or technological developments. Changes in the estimated useful life or residual values will result in changes in the future amortisation/depreciation amounts in the income statement.

Measurement of liabilities for insurance contracts

For life insurance contracts, future policy benefit liabilities are calculated using a net level premium method (present value of future net cash flows) on the basis of actuarial assumptions as determined by historical experience and industry standards. Participating policies include any additional liabilities relating to any contractual dividends or participations. For some designated contracts, the future policy benefit liabilities have been remeasured to reflect current market interest rates.

For life insurance contracts with minimum guaranteed returns, additional liabilities have been set up to reflect expected long-term interest rates. The liabilities relating to annuity policies during the accumulation period are equal to accumulated policyholder balances. After the accumulation period, the liabilities are equal to the present value of expected future payments. Changes in mortality tables that occurred in previous years are fully reflected in these liabilities. Actuarial assumptions are revised at each reporting date with the resulting impact recognised in the income statement.

The adequacy of the liability is tested at each reporting date on the level of homogeneous product groups. If the liabilities are not adequate to provide for future cash flows, including cash flows such as maintenance costs, as well as cash flows resulting from embedded options and guarantees and amortisation of the DAC, the DAC is written off and/or additional liabilities are established based on best estimate assumptions. Any recognised deficiency is immediately recorded in the income statement.

Claims and claim adjustment expenses are charged to the income statement as incurred. Unpaid claims and claim adjustment expenses include estimates for reported claims and provisions for claims incurred but not reported. Estimates of claims incurred but not reported are developed using past experience, current claim trends and the prevailing social, economic and legal environments. The liability for non-life insurance claims and claim adjustment expenses is based on estimates of expected losses and takes into consideration management's judgment on anticipated levels of inflation, claim handling costs, legal risks and the trends in claims. Non-Life liabilities for workers' compensation business are presented at their net present value. The liabilities established are adequate to cover the ultimate costs of claims and claim adjustment expenses. Resulting adjustments are recorded in the income statement. Fortis does not discount its liabilities for claims other than for claims with determinable and fixed payment terms.

The establishment of liabilities for insurance contracts involves assumptions about regulatory, economic and demographic trends, investment returns and potential future events and actuarial assumptions, which may lead to different liabilities and different insurance claims and benefit expenses if differing assumptions are made.

Actuarial assumptions related to the measurement of pension obligations and assets

At least annually qualified internal actuaries calculate the pension assets and liabilities.

For defined benefit plans, the pension costs and related pension asset or liability 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 of 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.

The establishment of liabilities for pension obligations involves assumptions about changes in social law, economic and demographic trends, investment returns and potential future events and actuarial assumptions, which may lead to different liabilities and different pension costs if differing assumptions are made.

Estimation of present obligations resulting from past events in the recognition of provisions

Provisions are liabilities with 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. Provisions are established for certain guarantee contracts for which Fortis 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 typically are discounted at the risk free rate.

The establishment of provisions involves uncertainties in the amount or the timing of payments. Changes in the timing, the discount rate or the expected amount can lead to different provisions and related income statement amounts.

(ii) Fortis Financial Statements 2006

Preparation of Fortis Financial Statements 2006

Fortis has opted for consortium accounting through which the financial statements of Fortis SA/NV and Fortis N.V. are consolidated. The Fortis Financial Statements 2006 are prepared in accordance with IFRS.

Determination of Accounting Policies

The IFRS standards allow in certain cases the application of different options. The following options were chosen by Fortis:

Trade date accounting: 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 becomes a party to the contractual provisions of the financial assets.

Investment property, real estate held for own use, fixed assets and intangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Investments in joint ventures are accounted for using the equity method.

Fortis uses three types of **hedges**: fair value hedges, cash flow hedges and net investment hedges. Fair value hedge accounting is applied as from 1 January 2005 for portfolio hedges of interest rate risk ("macro hedging"). In this context, the 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 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 underhedging.

At initial recognition or first-time adoption of IFRS, Fortis has irrevocably designated some **financial assets and liabilities as held at fair value through profit or loss**, because:

- The host contract includes an embedded derivative that would otherwise require separation, or
- It eliminates or significantly reduces a measurement or recognition inconsistency ("accounting mismatch"), or
- It relates to a portfolio of financial assets and/or liabilities that are managed and evaluated on a fair value basis.

Fortis applies "**shadow accounting**" to the unrealised changes in fair value of the investments and assets and liabilities held for trading that are linked to and therefore affect the measurement of the insurance liabilities. These changes in fair value will therefore not be part of net equity.

The whole of the remaining unrealised changes in fair value of the available-for-sale portfolio — after application of "shadow accounting" — that are subject to **discretionary participation features** are classified as a separate component of equity.

The adequacy of insurance liabilities ("**liability adequacy test**") is tested at each reporting date with respect to homogeneous product groups.

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.

Pensions: under IFRS, Fortis uses the corridor approach, i.e. not recording actuarial differences within defined limits.

Changes in Accounting Policies

The accounting policies used to prepare the 2006 consolidated annual financial statements are consistent with those applied for the year ended 31 December 2005.

On 11 January 2006 the European Commission endorsed IFRS 7, *Financial Instruments: Disclosures*, as well as some changes to other standards. IFRS 7 will be applied by Fortis as from the financial year 2007 and will have an impact on disclosures, but not on recognition or measurement. Changes in other standards had no material impact on Fortis.

On 12 January 2006 the IASB published International Financial Reporting Interpretations Committee ("**IFRIC**") 8, *Scope of IFRS 2* and on 1 March 2006 IFRIC 9, *Reassessment of embedded derivative*s. These were endorsed by the European Commission on 8 September 2006. Neither of these had a material impact on Fortis in 2006.

On 8 May 2006 the European Commission endorsed IFRIC 7, *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*, and the Amendment to IAS 21, *The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation*. Neither of these had a material impact on Fortis in 2006.

On 20 July 2006 the IASB published IFRIC 10, *Interim Financial Reporting and Impairment*. This interpretation is already in line with the accounting policies of Fortis.

The IASB has also published 2 IFRICs and an IFRS that will only be applicable as from 2008/2009:

- IFRIC 11, *IFRS 2*: *Group and Treasury Share Transactions*, published on 2 November 2006, applicable as from the financial year 2008.
- IFRIC 12, *Service Concession Agreements*, published on 30 November 2006, applicable as from the financial year 2008.
- IFRS 8, *Operating Segments*, published on 30 November 2006, applicable as from the financial year 2009.

Scope of Consolidation

The Fortis Financial Statements 2006 include Fortis SA/NV and Fortis N.V. and their subsidiaries. In combining the financial statements of Fortis SA/NV and Fortis N.V., Fortis has opted for consortium accounting in order to reflect in the most reliable manner its banking and insurance activities in accordance with the seventh Directive dated 3 June 1983 (83/349/EEC).

Fortis sponsors the formation of Special Purpose Entities ("**SPEs**") primarily for the purpose of asset securitisation transactions, structured debt issuance, or to accomplish another narrow well-defined objective. Some of the SPEs are bankruptcy-remote companies whose assets are not available to settle the claims of Fortis. SPEs are consolidated if in substance they are controlled by Fortis.

Investments in joint ventures — contractual agreements whereby Fortis and other parties undertake an economic activity that is subject to joint control — are accounted for using the equity method.

Investments in associates — investments where Fortis has significant influence, but which it does not control — are accounted for using the equity method.

First-Time Adoption of IFRS

IFRS 1, First-time Adoption of International Financial Reporting Standards, required the retrospective application of IFRS when an entity is first adopting IFRS. However, to facilitate the implementation of IFRS, the standard provides entities with twelve optional exemptions. On first-time adoption, Fortis elected to use the following exemptions:

Business Combinations that occurred prior to 1 January 2004 are not restated under IFRS. As a consequence previously paid goodwill that was included in equity is not restated.

Employee Benefits: IFRS allows entities when preparing the IFRS opening balance sheet to recognise in net equity all cumulative actuarial gains and losses that were not yet recognised previously in the income statement. Fortis makes use of this option. As stated above, Fortis continues to use the corridor approach (not recording actuarial differences within defined limits) from 1 January 2004.

Cumulative Translation Differences: the cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to IFRS, and the gain or loss on a subsequent disposal of any foreign operation shall exclude translation differences that arose before the date of transition to IFRS.

Designation of Previously Recognised Financial Instruments: Fortis designated previously recognised financial assets as held at fair value through profit or loss or available for sale, and previously recognised financial liabilities as held at fair value through profit or loss at the date of transition.

Share-Based Payments: Fortis elected to apply IFRS 2 to all options and restricted shares granted to employees and outstanding as of 1 January 2004 and all options and restricted shares issued subsequent to 1 January 2004.

To emphasise that Fortis is an integrated financial services provider, Fortis chose an integrated presentation of its consolidated balance sheet and income statement. Separate schedules included in the Fortis Financial Statements 2006 give a split of the balance sheet and income statement by segment (insurance and banking). The notes to the balance sheet and the income statement are also given by segment. Fortis prepares its balance sheet prior to appropriation of profit. The appropriation of profit is recorded at the time of the General Meeting of Shareholders and the adoption of the proposed appropriation of profit occurs once the shareholders have elected their source of dividend.

The Fortis consolidated financial statements for the year ended 31 December 2004 were prepared in accordance with the applicable legal and regulatory requirements in Belgium. An overview of these accounting principles ("**FAP**") can be found in the Fortis 2004 Consolidated Financial Statements. Fortis has restated the 2004 Consolidated Financial Statements for comparative reasons to comply with IFRS.

Comparability of Results

2006 Compared to 2005

Results for 2006 compared to 2005 are not directly comparable as Fortis made a number of acquisitions during 2006 and certain 2005 acquisitions were consolidated for the full year 2006 compared to only part of 2005. The most significant acquisitions in 2006 were:

- The acquisition of O'Connor & Co (a Chicago-based leading supplier of clearing services in the United States), consolidated as of the first quarter of 2006;
- The acquisition of Dreieck Industrie Leasing AG (a Swiss based leasing company), consolidated as of the first quarter of 2006;
- The acquisition of Von Essen KG Bankgesellschaft (a German consumer finance bank), consolidated as of the first quarter of 2006;
- The acquisition of William Properties (a leading Dutch real estate developer), consolidated as of the third quarter of 2006;
- The acquisition of Cinergy Marketing & Trading (a marketing and trading platform with operations in all key North America power and gas markets), consolidated as of the fourth quarter of 2006;
- The acquisition of Cadogan (a fund of hedge fund asset manager), consolidated as of 31 December 2006.

2005 Compared to 2004

Results for 2005 compared to 2004 are not directly comparable due to first time adoption of IFRS as well as acquisition and dispositions made in the two periods being compared:

- The application of hedge accounting as of 1 January 2005;
- The acquisition of Dişbank (the seventh largest bank in Turkey), consolidated as of the third quarter of 2005;
- The acquisition of Dryden (an international asset manager), consolidated as of the fourth quarter of 2005;
- The acquisition of Atradius (a European factoring company), consolidated as of the fourth quarter of 2005;
- The acquisition of 51% of Millenniumbcp Fortis Insurance Group (the largest issuer of life insurance products in Portugal), consolidated as of 1 January 2005;
- The divestment of Fortis Bank Asia in 2004; and
- Further divestment of Assurant (its U.S. insurance operations) shares as of February 2004.

(iii) Application and Impact of Hedge Accounting

As Fortis was not permitted to apply hedge accounting retroactively to its 2004 accounts, the results of operations in 2005 compared to 2004 are not directly comparable. For a better understanding of the impact on the 2004 results where hedge accounting could not be applied, the following table sets forth the impact on the 2004 results had hedge accounting been applied. The application of hedge accounting (fully applied in 2005 and thereafter) only affects the line items set forth in the table below.

		Adjustments					
	Actual 2004, Exclud. Hedge Account. 2004	**Retail Banking**	**Merch. Banking**	**Comm. & Private Banking**	**Other Banking**	**Total**	**2004, Includ. Hedge Account. Pro-forma 2004**
				(unaudited)			
				(EUR million)			
Other realised and (un)realised gains and losses	(914)	0	246	0	714	960	46
Other income	244	244	54	104	(402)	0	244
Income tax expense..	(201)	(86)	(99)	(34)	(97)	(317)	(518)
Net profit attributable to shareholders.........	965	175	201	70	198	643	1,608

The discussion of 2005 results compared to 2004 results will highlight the impact of the application of hedge accounting in 2005 compared to 2004.

Fortis applies the fair value option to certain amounts recorded under Amounts due from customers, Amounts due to customers, Debt certificates and Subordinated liabilities. As a result, these items have been restated retroactively in the income statements as from 1 January 2004.

(iv) Segment Reporting

Fortis is an international financial services provider active in the fields of banking and insurance. The primary format for reporting segment information is based on business segments.

Management and Organisational Structure Prior to 1 January 2007

Prior to 1 January 2007, Fortis was organised and managed worldwide on the basis of six business segments:

- Retail Banking
- Merchant Banking

- Commercial & Private Banking
- Insurance Belgium
- Insurance Netherlands
- Insurance International

For purposes of the financial information included herein as well as the discussion of operating results that follows for the three years ended 31 December 2006, such information has been prepared and presented on the basis of the organisational and management structure in effect prior to 1 January 2007. However, the financial data and discussion of operating results for the six months ended 30 June 2007 has been prepared based on the new management and organisational structure described below.

Activities not related to banking and insurance and elimination differences are reported separately from the banking and insurance activities.

Fortis segment reporting reflects the full economic contribution of the segments within Fortis. The aim is direct allocation of all balance sheet and income statement items to the segments that have full management responsibility. Segment information is prepared based on the same accounting policies as those used in preparing and presenting Fortis Financial Statements 2006 and by applying appropriate allocation rules.

Transactions between the different segments are executed under standard commercial terms and conditions ('at arm's length').

Banking

Retail Banking

Retail Banking provides financial services to retail customers, independent professionals and small-sized enterprises. In the Benelux, Fortis offers advice on all forms of daily banking, saving, investment, credit and insurance through a variety of distribution channels. Fortis also provides retail banking services in Germany, Ireland, Poland and Turkey.

Merchant Banking

Merchant Banking offers financial solutions composed of a comprehensive range of wholesale products to corporate and institutional clients. Merchant Banking also offers expertise in niche markets with a regional or global scope.

Commercial & Private Banking

Commercial & Private Banking offers worldwide integrated services and solutions for asset and liability management to high-net-worth private clients and their businesses as well as to corporate clients and their advisers. Medium-sized enterprises are served by a uniform product and service offering, with the same range of cross-border products, services and specialisms at the network of Business Centers throughout Europe.

Other Banking

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

For 2005, Fortis Bank AS (Turkey), Fortis Hypotheek Bank and some other Fortis companies were reported under this Section. As from 2006 Fortis Bank AS (Turkey) is reported within all relevant segments. Also as from 2006 Belgolaise (the African banking operations) is reported in Other Banking.

Allocation rules

Segment reporting within the banking segments makes use of balance sheet allocation rules, a fund transfer pricing system including balance sheet squaring mechanisms (through which all transactions with clients are matched with equal transactions with the central bankers for the Group), rebilling of support and operations expenses and overhead allocation. The balance sheet allocation and squaring methodology aim at reporting information to reflect Fortis business model in a consistent way across the various segments of Fortis banking operations.

Under Fortis business model, segments do not act as their own treasurer in bearing the interest rate risk and the foreign exchange risk by funding their own assets with their own liabilities, or by having direct access to the financial markets. This is reflected in the fund transfer pricing system, which removes the interest and currency risks by transferring them from the segments to the central bankers. A key role in this system is attributed to Asset and Liability Management (ALM). The results of ALM are allocated to the segments based on the economic capital used and the interest margin generated within the segment.

Support and operations departments provide services to the segments. These services include human resources, information technology, payment services, settlement of security transactions, and ALM. 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. The SLAs ensures that the costs and revenues are charged based on actual use and at a fixed rate. Differences between the actual costs and the rebilled costs based on standard tariffs are passed through to the three segments in a final allocation.

Insurance

Insurance Belgium

Insurance Belgium works through intermediaries to offer a comprehensive range of life and non-life insurance products to private individuals and small and medium sized enterprises ("**SMEs**"). Insurance Belgium also offers group policies to large enterprises through Fortis Employee Benefits and sells a comprehensive range of life and non-life insurance products through bank branches.

Insurance Netherlands

Insurance Netherlands serves the market via independent insurance brokers, bancassurance and tied agents using internet and offers businesses and individuals a wide range of life, non-life, healthcare and disability insurance products, and mortgage and savings products.

Insurance International

Insurance International comprises Fortis insurance activities outside Belgium and The Netherlands. Insurance activities are carried out in Luxembourg, France and the United Kingdom via Fortis Insurance International and its subsidiaries. Insurance activities are executed in Portugal, Spain, China, Malaysia and Thailand in cooperation with local partners.

Other insurance and eliminations

Other Insurance was used in 2004 only. It includes the full figures for Assurant for January 2004 (one month) and Fortis share in Assurant's results after the disposal and listing on the New York Stock Exchange. The capital gain on the sale of Assurant, however, is reported under the General Section. The capital gain on the sale of Seguros Bilbao is reported in Other insurance in 2004.

The eliminations of transactions between insurance segments is reported in "Eliminations".

Allocation rules

Unlike banking, support functions are provided by each of the insurance segments and, as a result, insurance companies do not report support activities separately. When allocating balance sheet items to the life and non-life activities, a bottom-up approach is used based on the products sold to external customers. For the balance sheet items not related to products sold to customers, a tailor-made methodology is applied by each reportable insurance segment.

General

This Section comprises activities not related to the core banking and insurance business, such as treasury and finance and other holding activities.

New Management and Organisational Structure as of 1 January 2007

As of 1 January 2007 Fortis has reorganised its organisational and management structure into three core businesses:

- Retail Banking;
- Merchant & Private Banking; and
- Insurance.

As such, Fortis now is organised on a worldwide basis into three businesses, further subdivided into business segments as shown below:

Retail Banking

- Retail Banking Network; and

- Retail Banking Asset Management.

Merchant & Private Banking

- Merchant & Private Banking Clients; and
- Merchant & Private Banking Skills.

Insurance

- Insurance Belgium – Life;
- Insurance Belgium – Non-Life;
- Insurance Netherlands – Life;
- Insurance Netherlands – Non-Life;
- Insurance International – Life; and
- Insurance International – Non-Life.

Retail Banking

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

Retail Banking Network

See Fortis Financial Statements 2006 - Segment Reporting - Banking -Retail Banking.

Retail Banking Asset Management

Fortis Investments carries out asset management activities, acting as a multi-center, multi-product asset management company. Based in Europe, the company has a global presence with both sales offices and some key investment centers in Europe, the United States and Asia. Activities range from institutional portfolio management to the development and management of mutual funds.

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. See Section 2.3.2(ii) above.

Merchant & Private Banking Skills

Merchant & Private Banking is organised around Skills units delivering their high added value products and services potentially to all Clients segments. Skills include Global Markets, Clearing, Funds and Custody, Investment Banking and Specialised Financial Services. Specialised Financial Services include leasing, commercial finance, global trade services, cash management, trust and corporate services. Global Markets performs all trading, sales and research activities. Clearing, Funds and 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 ALM are reported in this Section. The figures reported are those after allocation to the business segments.

Fortis Hypotheek Bank, Belgolaise and some other Fortis companies are also reported in Other Banking.

Allocation rules

Under the new organisational structure the allocation rules with respect to banking have remained the same. See Fortis Financial Statements 2006 - Segment Reporting - Banking - Allocation rules, pp. 112 and 113.

Insurance

Insurance leverages its existing skills in distribution, operations and products from its home markets in the Benelux and has established leading positions in selected European and Asian markets. Life includes insurance contracts with coverage related to the risks of the life and death of individuals. Life also includes investment contracts. Non-life includes accident, health and motor, fire and other insurance covering the risk of property losses or claim liabilities.

Insurance Belgium

See Fortis Financial Statements 2006 - Segment Reporting - Insurance - Insurance Belgium.

- Insurance Belgium – Life

  Life insurance includes both Savings, with investment-focused Unit-linked contracts, and traditional products with a guaranteed interest rate

- Insurance Belgium – Non-Life

  Non-life insurance includes, in addition to the retail and business targeted Property & Casualty product range (motor, fire, liability), workmens' compensation and accident & health products.

Insurance Netherlands

See Fortis Financial Statements 2006 - Segment Reporting -Insurance - Insurance Netherlands.

- Insurance Netherlands – Life

  Life includes insurance contracts with coverage to the risks of the life and death of individuals. Life also includes investment contracts.

- Insurance Netherlands - Non-Life

Non-life includes accident and health, motor, fire and other insurance covering the risk of property losses or claim liabilities.

Insurance International

See Fortis Financial Statements 2006 - Segment Reporting -Insurance -Insurance International.

- Insurance International – Life

  In Life insurance, Insurance International is active through wholly-owned subsidiaries in France, Luxembourg, Germany and Russia, Ukraine and Turkey. In Portugal Insurance International holds a 51% shareholding in Millenniumbcp. In Spain Fortis operates via its 50% stake in CaiFor, a joint venture with la Caixa, which stake Fortis has agreed to sell to la Caixa as announced on 12 July 2007. In Asia Insurance International also operates through minority shareholdings in Thailand, Malaysia and China.

- Insurance International – Non-Life

  In Non-Life, Insurance International is active through wholly-owned subsidiaries in Luxembourg, the UK. In Spain Non life is sold through a joint venture in which Fortis holds a 50% stake. In Portugal Insurance International holds a 51% shareholding in Millennium bcp.

  In Asia Insurance International also operates through minority shareholdings in Thailand and Malaysia. Fortis Corporate Insurance is a Non-life insurers for large and medium-sized national and international companies in the Benelux.

Eliminations

Eliminations include eliminations between insurance segments.

Allocation rules

The allocation rules for insurance segments have not changed as a result of the new organisational structure. See Section 2.3.2(iii) below.

5.1.3 Operating results

(i) Consolidated Results of Operations for Years Ended 31 December 2006, 2005 and 2004

Certain summary consolidated income statement information for the years ended 31 December 2006, 2005 and 2004 is set forth below.

	Year Ended 31 December		
	2006	2005	2004
	(EUR million, except % and per share data)		
Net profit before results on divestments			
— Banking	3,149	2,434	947
— Insurance	1,420	1,225	1,127
— General (including eliminations)	(218)	(161)	(306)
Total	4,351	3,498	1,768
Results on divestments			
— Assurant (General)	—	443	422
— Seguros Bilbao (Insurance)	—	—	145
— Fortis Bank Asia (Banking)	—	—	18
Total	—	443	585
Net profit	4,351	3,941	2,353
Basic EPS (in EUR)	3.38	3.07	1.84
— Before results on divestments	3.38	2.73	1.38
Net equity per share	15.98	14.75	11.97
Return on equity (in %)[1]	21.7%	23.0%	21.6%

Note:

(1) Based on the average capital (five last quarters) and results of the last four quarters.

(ii) Consolidated Results of Operations – 2006 Compared to 2005

Total net profit before results on divestments increased by 24% to EUR 4,351 million in 2006 from EUR 3,498 million in 2005. The increase was attributable to strong results in Banking and improved results in Insurance, while General reported increased losses. Total net profit for 2006 increased 10% compared to 2005, with 2005 benefiting from the divestment of Assurant (EUR 443 million).

Banking net profit before results on divestment was EUR 3,149 million in 2006, a substantial increase of 29% or EUR 715 million compared with EUR 2,434 million in 2005. Total banking revenues rose by 15% to EUR 10,324 million in 2006 compared to EUR 8,991 million in 2005 due to buoyant commercial activity and higher treasury and financial markets results. Expenses increased by 13% to EUR 6,315 million in 2006 compared to EUR 5,603 million in 2005 mainly due to accelerated investments in the latter part of 2006 for growth initiatives, new hiring and the consolidation of acquisitions. Banking net profit before results on divestments also benefited from lower changes in impairments and a lower effective tax rate.

Insurance net profit before results on divestment for 2006 increased 16% to EUR 1,420 million, with Life advancing 24% to EUR 924 million (EUR 748 million in 2005) and Non-Life rising 4% to EUR 496 million in 2006 (EUR 477 million in 2005). The increase in Life was due to higher investment income and higher capital gains, partly offset by the result-related commission (EUR 49 million) paid to Retail Banking in Belgium. As part of the sale of FB Insurance to Fortis Insurance it was agreed that FB Insurance would pay a result related commission to Fortis Bank as of 1 January 2006. A lower effective tax rate owing to a more favourable capital gains mix also contributed to the rise in Life net profit. The improvement in Non-Life results was in line with Non-Life technical results, which increased 7%, mainly owing to volume growth and a stable combined ratio. Higher technical results in the Dutch Accident & Health market and better results at Motor compensated for lower results at Fire.

The General segment registered a negative contribution to net profit before divestments of EUR 218 million in 2006 compared with a loss of EUR 161 million in 2005, a 35% increase. The increased losses in 2006 were attributable to higher financing charges paid by the general segment due to the acquisition of FB Insurance from Fortis Bank Belgium financed by a loan obtained from external sources by the General segment in anticipation of the merger of Fortis AG and FB Insurance into Fortis Insurance Belgium, a lower positive change in the fair value of the mandatory exchangeable bond ("**MEB**") convertible into Assurant shares (EUR 52 million in 2006 compared with EUR 76 million in 2005), and higher costs related to the promotion of the Fortis brand.

In 2006, Fortis restyled its brand and accompanied it with a world wide promotion campaign. These higher costs were offset in part by the receipt of EUR 91 million in surrender penalties received from group entities owing to early loan repayments and lower eliminations of treasury share revenues. Net loss for the General segment in 2006 (EUR 218 million in 2006) was not impacted by dispositions compared to 2005 which was favourably impacted by the follow on offering of Assurant shares resulting in a gain of EUR 443 million which resulted in a positive contribution after results on divestments of EUR 282 million in 2005.

(iii) Consolidated Results of Operations – 2005 Compared to 2004

Total net profit before results on divestments increased by 98% to EUR 3,498 million in 2005 from EUR 1,768 million in 2004. The increase was attributable primarily to very strong results in the Banking segment, with improved results in Insurance and General as well. Total net profit increased by 66% to EUR 3,941 million in 2005 from EUR 2,353 million in 2004. Net profit was impacted in both 2004 and 2005 by the transactions with respect to Assurant, Fortis former U.S. insurance operations, with significant gains reported in 2004 and 2005.

These transactions contributed gains of EUR 443 million in 2005 and EUR 422 million in 2004. 2004 also included gains of EUR 145 million from the sale of Seguros Bilbao and EUR 18 million from the sale of Fortis Bank Asia.

Banking net profit before results on divestments rose significantly to EUR 2,434 million in 2005 from EUR 947 million in 2004. Total Banking revenues rose by 34% to EUR 8,991 million in 2005, while total Banking expenses increased by only 5% to EUR 5,603 million. The consolidation of Fortis Bank Turkey and Dryden accounted for 3% of the increase in expenses. The change in provisions for impairment on loans remained stable at EUR 209 million.

Insurance net profit before results on divestments rose 9% to EUR 1,225 million in 2005. The Non-Life net profit before results on divestments rose 40% to EUR 477 million, as the combined ratio improved from 99% to 96% and Life net profit before results on divestments increased by 5% to EUR 748 million. These increases more than compensated for the loss in contribution from Assurant following its divestment.

The General segment registered a negative contribution to net profit before results on divestments of EUR 161 million in 2005, compared with a loss of EUR 306 million in 2004. Net profit, however, more than doubled to EUR 282 million. Net profit was impacted in both 2004 and 2005 by the divestment of Assurant, which resulted in realised gains of EUR 443 million in 2005 and EUR 422 million in 2004.

(iv) Banking

The following table sets forth selected financial information for Fortis consolidated banking operations for the periods indicated. For purposes of this presentation, in showing revenues and expenses, Fortis has netted certain expenses (interest expense, fee and commission income and certain other expenses) against its revenues, so the presentation below does not follow the segment presentation in the Fortis Financial Statements 2006. These are only presentation changes and have no impact on net profit.

	Year Ended 31 December 2006	2005	2004	2006 vs. 2005 Change	2005 vs. 2004 Change
	(EUR million)				
Income statement					
Net interest income	5,086	4,653	4,526	9%	3%
Net commissions and fees	2,764	2,290	2,119	21%	8%
Realised capital gains (losses)	576	712	516	(19)%	38%
(Un)realised gains (losses)	1,339	805	(914)	66%	N/A
Dividend and other investment income	287	259	225	11%	15%
Other income	272	272	260	0%	5%
Total revenues	10,324	8,991	6,732	15%	34%
Change in provisions for impairment	(158)	(209)	(208)	(24)%	0%
Net revenues	10,166	8,782	6,524	16%	35%
Staff expenses	(3,625)	(3,370)	(2,963)	8%	14%
Other operating and administrative expenses	(2,690)	(2,233)	(2,381)	20%	(6)%
Total expenses	(6,315)	(5,603)	(5,344)	13%	5%
Profit before income tax	3,851	3,179	1,180	21%	*
Income tax	(692)	(734)	(201)	(6)%	*
Net profit before minority interests	3,159	2,245	979	29%	*
Minority interests	10	11	14	(9)%	(20)%
Net profit	3,149	2,434	965	29%	*
Results on divestments	—	—	—		
Net profit before results on divestments	3,149	2,434	965	29%	*

Banking Key Performance Indicators

	Year Ended 31 December 2006	2005	2004	2006 vs. 2005 Change	2005 vs. 2004 Change
Cost/Income ratio(%)	61.2%	62.3%	79.4%		
Operating leverage[1]	2.1%	28.7%	—		
Credit Risk Weighted Commitments (RWCs) (EUR million)	221,633	198,241	163,042	12 %	22%
— Credit loss ratio (basis points)[2]	7	10	13		

	Year Ended 31 December			2006 vs. 2005 Change	2005 vs. 2004 Change
	2006	2005	2004		
Credit Quality (EUR million)					
— Total loans to customers	288,078	280,233	228,127	3%	23%
— Non-performing loans	5,934	6,371	6,015	(7)%	6%
As a % of total loans to customers	2.1%	2.3%	2.6%		

Notes:

(1) Operating leverage is defined as the difference between the percentage growth in total revenues, prior to changes in provisions, and in total expenses.

(2) As a % of average Credit RWCs.

Under IFRS (accounting based) all interest income and expenses, including interest income and expenses relating to trading positions, are reported in net interest income. Since the net interest income on trading positions is dependent on the structure of the trading positions (long/short) the corresponding net interest income can become very volatile.

Fortis believes that the activity-based presentation of net interest income and related Realised capital gains/losses and Other (un)realised gains and losses set out below provides a more accurate description of its net interest income. This alternative presentation has no impact on the total net result.

	Year Ended 31 December		
	2006	2005	2004
		(EUR million)	
Accounting based			
Net interest income..........................	5,086	4,653	4,526
Realised capital gains (losses) on investments.....................................	576	712	516
Other (un)realised gains/losses.......	1,339	805	(914)
Total	**7,001**	**6,170**	**4,127**

	Year Ended 31 December		
	2006	**2005**	**2004**
	(EUR million)		
Activity based (unaudited)[(1)]			
Net interest income on interest margin products[(2)]	5,087	4,574	4,140
Capital gains not linked to financial markets activity	530	496	(223)
Treasury and financial markets	1,384	1,100	211
Total	**7,001**	**6,170**	**4,127**

Notes:

(1) Data reclassified according to certain criteria, which, in the view of Fortis, provide a more accurate presentation of Fortis banking activities.

(2) Interest products are, among others, loans, saving accounts, deposits and bonds, (but not part of the trading portfolio).

2006 Compared to 2005

Total revenues. Total revenues for 2006 increased to EUR 10,324 million, up 15% from EUR 8,991 million in 2005. The increase reflected ongoing robust customer activity, a substantially higher contribution from treasury and financial markets and the inclusion of acquisitions. Excluding the impact of acquisitions, organic year-on-year growth was 12%. Net interest income rose by 9% in 2006 compared to 2005. Net interest income from interest-margin products reached EUR 5,087 million for 2006, up 11% on 2005 (EUR 4,574 million), or 7% adjusting for the impact of acquisitions. All three banking businesses had increased net interest income with increases of 16% in Merchant Banking, 15% in Commercial & Private Banking and 7% in Retail Banking. The growth in net interest income at Merchant Banking and Commercial & Private Banking was due to high levels of commercial activity. The increase at Retail Banking was principally due to the positive impact of acquisitions. All three businesses experienced volume growth, partly offset by contracting margins. Underlying loan volume (excluding reverse repurchase agreements) rose 14% compared with year-end 2005. Net interest income from ALM benefited from higher short-term interest rates, higher retained earnings and a slightly higher duration of equity.

Net inflow of Private Banking (EUR 6.9 billion) and Fortis Investments (EUR 9.9 billion), combined with favourable market movements resulted in an increase in assets under management of 16% to EUR 181.6 billion.

Capital gains that were not linked to financial markets were EUR 530 million in 2006, rising EUR 34 million or 7% from the level achieved in 2005. Realised capital gains in 2006 were primarily equity-based and event-driven, bringing down the overall effective tax rate, while the 2005 gains were essentially bond-driven.

Treasury and financial markets revenues rose by 26% to EUR 1,384 million for 2006 compared to EUR 1,100 million in 2005. This activity benefited from robust trading results, higher market values of financial market instruments and private equity shareholdings, and seasonally strong global securities-financing activities in the second quarter. A EUR 180 million gain, posted as a result of a non-qualifying hedge on the part of the mortgage portfolio, was offset in part by one-off surrender penalty charges of EUR 91 million on early repayment of intercompany loans and negative revaluation of derivative positions. These penalty charges were recorded as benefits in the General segment as discussed above.

Net commissions and fees amounted to EUR 2,764 million in 2006, up 21% on EUR 2,290 million in 2005. Acquisitions accounted for 4% of the increase. Banking benefited from a new EUR 83 million result-related commission from FB Insurance on sales of insurance products through the bank channel following the transfer of FB Insurance to the Insurance segment. Excluding this factor, net commissions and fees increased organically by 13%. This healthy growth was achieved due to fees related to assets under management (up 18%) and security transactions (up 24%). Fees for assets under management benefited from high net inflows and higher asset values, resulting in a substantially higher fee base. Growth of securities-related fees related to the high levels of such activity on stock exchanges.

Other income for 2006 was EUR 272 million, unchanged from 2005. While 2005 benefited from an exceptional reimbursement from the Belgian Deposit Protection Fund of EUR 48 million, 2006 was impacted favourably by the merger of the facility operations of Banking and Insurance in the Bank during 2006, which led to increased costs for the Bank, which were then recharged to Insurance. This recharge is included in Other income for 2006.

Profit before income tax. The benign credit environment resulted in very low changes in provisions for impairments in 2005 and 2006, mainly due to net releases posted by Merchant Banking in both years. Impairment levels at Commercial Banking in 2006 improved due to the strong underlying credit quality while Other Banking benefited from provision releases for Belgolaise, Fortis banking operations in Africa. The change in impairments for Retail Banking increased year-on-year (EUR 150 million in 2006 and EUR 130 million in 2005), reflecting higher credit provisions related to the integration of the acquisitions in Germany and Turkey, although underlying credit quality at Retail Banking remained sound. The annualised credit loss ratio for the year (expressed as a percentage of average credit risk-weighted commitments) was 7 basis points, in line with expectations and below the 10 basis points posted for full-year 2005. The 2006 credit loss ratio is considerably lower than the expected average cross-cycle credit loss ratio of around 25 to 30 basis points.

Total expenses were EUR 6,315 million in 2006, up EUR 712 million or 13% on 2005. Organic year-on-year growth amounted to 8%, resulting in an organic operating leverage of 370 basis points. Operating leverage on a fully consolidated basis was 210 basis points. The full year cost/income ratio improved by 1.1 percentage point to 61.2%. Excluding acquisitions, the cost/income ratio would have been 59.8% in 2006, a 2 percentage point improvement on 2005.

Staff expenses rose 8% to EUR 3,625 million in 2006 compared with EUR 3,370 million in 2005. A EUR 135 million restructuring charge related to the upgrade of the quality of management was taken in 2005, while EUR 40 million in early departure costs was posted in the fourth quarter of 2006. Adjusting both years for these one-off provisions, staff expenses rose by 11% year-on-year partly due to acquisitions. The organic increase was 6% due mainly to the impact of hiring and wage drift, which were partly offset by exceptional releases in health insurance and pension provisions.

Total Banking FTEs stood at 43,575 at the end of 2006, an increase of 6% compared with year-end 2005. Organic hiring, representing about half of year-on-year growth, was made to support more robust commercial activity at Commercial & Private Banking and Merchant Banking.

Other operating and administrative expenses were EUR 2,690 million in 2006, 20% higher than in 2005. 5% of this increase is attributable to the integration of acquisitions, putting organic growth at 15%, in line with revenue growth. Other expenses rose chiefly due to investments in technology infrastructure, consultancy, growth engines and branding in support of our long-term growth plans.

Taxation. Income tax decreased from EUR 734 million in 2005 to EUR 692 million in 2006, despite the higher levels of profit, resulting in an effective tax rate of 18% in 2006, 5 percentage points lower than in 2005. The decrease can be attributed to the structure of the trading results, higher tax exempt gains on shares and tax deductible losses on derivatives, and the establishment of a Treasury centre in Belgium. The equity investment of the Treasury centre allowed Fortis to benefit from an interest reduction on Belgium taxes payable and resulted in considerable tax savings.

Net profit before results on divestments. Net profit before results on divestments was EUR 3,149 million, an increase of 29% or EUR 715 million compared with 2005. This strong performance was achieved due to the reasons described above with the buoyant commercial activity, higher treasury and financial markets results, lower changes in impairments and a lower effective tax rate offset only in part by higher expenses which rose mainly due to accelerated investments in growth, new hires and the consolidation of acquisitions.

2005 Compared to 2004

Total revenues. Total revenues increased 34% to EUR 8,991 million in 2005. This increase was attributable to buoyant customer activity and strong results linked to strengthening capital markets and the impact of applying hedge accounting in 2005. Net interest income from interest margin products rose by 11% to EUR 4,574 million, driven by higher revenues at all three banking businesses and the EUR 115 million contribution from Fortis Turkey.

The 10% increase at Commercial & Private Banking was driven mainly by strong activity in asset-based finance and in treasury management, while Retail Banking (+7%) benefited from volume growth (mortgages and consumer finance) and the repricing of deposits in Belgium as from 1 August 2005. Net interest income from Corporate and Investment Banking increased by 5% as improved margins and solid volume growth in Specialised Finance (e.g. Commodities, Energy, Aviation) more than offset the margin pressure experienced in corporate lending.

Net inflow at Private Banking (EUR 3.3 billion) and Fortis Investments (EUR 11.6 billion), combined with favourable market movements, resulted in a 28% increase in total funds under management to EUR 157 billion.

Capital gains that were not linked to financial markets increased to EUR 496 million in 2005 compared to a loss of EUR 223 million in 2004, reflecting capital gains on the bond portfolio, mainly at the start of 2005, as well as gains on the private equity portfolio. Strong trading results and the higher market value of financial market instruments drove up the results of treasury and financial markets significantly. The high trading results in the first half of 2005 contributed to the results increasing significantly to EUR 1,100 million in 2005 compared to EUR 211 million in 2004. A portion of this improvement is attributable to the application of hedge accounting in 2005 but not in 2004.

Net commissions and fees rose 8% to EUR 2,290 million in 2005 compared to EUR 2,119 million in 2004 due to a strong second half of 2005 at both Retail Banking and Commercial & Private Banking and principally due to commissions on assets under management as well as performance fees. The 15% increase in dividend and other investment income to EUR 259 million in 2005 compared to 2004 was principally attributable to Merchant Banking.

Other income was EUR 272 million in 2005 compared to EUR 260 million in 2004. The primary reason for the increase in other revenues was the 5% rise in dividend and other investment income, predominantly at Merchant Banking.

Profit before income tax. The change in provisions for impairment remained flat compared with 2004 at EUR 209 million. The annualised credit loss ratio dropped to 10 basis points from 13 basis points in 2004, substantially below the 25 to 30 basis points that is the expected average cross-cycle credit loss ratio. Although total impairments remained stable year-on-year, underlying developments in 2005 were different from those in 2004. Merchant Banking posted a release of EUR 107 million compared with a EUR 48 million charge in 2004, a reflection of the benign credit environment. Commercial & Private Banking, however, reported an increase in change in provisions for impairment to EUR 153 million, which was partially due to a more stringent IBNR calculation and major recoveries in 2004 which reduced the provisions in that year. As a result, the burn rate for 2005 at Commercial & Private Banking stood at 45 basis points, a level considered normal across the cycle. The pattern at Retail Banking was fairly stable in both 2005 and 2004.

Total expenses rose 5% to EUR 5,603 million in 2005 from EUR 5,344 million in 2004. Staff expenses rose by 14% to EUR 3,370 million, reflecting new hiring's at Commercial & Private Banking and Merchant Banking, higher variable remuneration linked to improved results and EUR 135 million impact of investments in the quality of management, which included costs related to early departures, expenses of the leadership program and other restructuring charges.

Total Banking FTEs rose 15% to 41,162 at the end of 2005, due primarily to the integration of Fortis Turkey, hiring's in strategic growth areas and certain acquisitions, such as Dryden and Atradius Factoring. Other operating and administrative expenses decreased by 6%, partly as a result of the initial effects of cost-saving plans. The cost/income ratio consequently improved to 62.3% in 2005 from 79.4% in 2004. The cost/income ratio in 2004 was adversely impacted by IFRS not permitting retroactive application of hedge accounting.

Taxation. Income tax increased from EUR 201 million in 2004 to EUR 734 million in 2005. These amounts represented rates of 23% and 17% in 2005 and 2004, respectively. The increase was due to the relatively lower realised capital gains in 2005 compared to 2004 and to the increase in pre-tax profits.

Net profit before results on divestments. Net profit before results on divestments at Banking increased to EUR 2,434 million in 2005 from EUR 965 million in 2004. A sharp increase in all revenue components, moderate 5% expense growth and stable provisions for impairment on loans drove this rise. This resulted in operating leverage of 28.7%.

Banking Balance Sheet

The table below shows information regarding Fortis banking balance sheet at the dates indicated.

	At 31 December		
	2006	**2005**	**2004**
	(EUR million, except %)		
Due from banks..............................	**89,413**	**80,054**	**63,056**
Due from customers			
Government and official institutions	5,313	7,781	5,975
Residential mortgage	89,322	80,098	72,407
Consumer loans	10,226	9,431	8,815
Commercial loans	110,650	93,646	77,566
Reverse repurchase agreements	37,649	61,074	36,935
Securities lending transactions ..	22,091	17,307	18,191
Other loans and impairments	10,626	8,525	5,618
Total due from customers.............	**285,877**	**277,862**	**225,507**
Investments	137,777	135,314	118,541
Other assets(1)..................................	161,591	145,966	133,314
Total assets	**674,658**	**639,196**	**540,418**
Due to banks	**177,161**	**174,780**	**123,257**
Due to customers			

	At 31 December		
	2006	**2005**	**2004**
	(EUR million, except %)		
Demand deposits	76,127	73,477	61,353
Saving deposits	55,720	58,051	54,690
Time deposits	74,770	60,209	54,765
Other deposits	229	649	826
Total Deposits	**206,846**	**192,386**	**171,634**
Repurchase agreements	48,391	67,364	47,865
Securities lending	4,271	2,271	1,485
Other	548	1,264	5,673
Total due to customers	260,056	263,285	226,657
Other liabilities(2)	220,577	187,948	179,434
Total Liabilities	657,794	626,013	529,348
Shareholders' equity	**16,666**	**12,975**	**10,879**
Minority interests	198	208	191
Total equity	16,864	13,183	11,070
Total liabilities and equity	**674,658**	**639,196**	**540,418**
Risk-bearing capital(3)	26,664	22,210	19,969
Risk-weighted commitments(4)	240,105	212,095	172,391
Tier 1 ratio(5)	7.1%	7.4%	8.3%
Total capital ratio(5)	11.1%	10.5%	11.6%

Notes:

(1) Other Assets includes Cash and cash equivalents, Assets held for trading, Reinsurance, trade and other receivables, property, plant and equipment, Goodwill and other intangible assets, and accrued interest and other assets.

(2) Other liabilities includes Liabilities held for trading, Debt certificates, Liabilities arising from insurance and investment contracts, Subordinated liabilities, Other borrowings, Provisions, Current and deferred tax liabilities, and Accrued interest and other liabilities.

(3) Calculated in accordance with Belgian GAAP at 31 December 2005 and 2004 and calculated in accordance with IFRS at 31 December 2006.

(4) Risk-weighted commitments consist of both off-balance sheet and on-balance sheet credit risk plus market risk associated with trading activity.

(5) As of 1 January 2006, the basis for calculating the components of capital adequacy ratios is IFRS, whereas prior to this time, the basis was Belgian GAAP.

2006 Compared to 2005

Total assets. Total assets increased by 6% compared to year end 2006 due to growth in commercial activities resulting in an increase in loans to customers and amounts due from banks.

Due from banks. Due from banks increased by EUR 9 billion in 2006, primarily as a result of higher securities lending transactions (EUR 11 billion), higher mandatory reserve deposits with central banks (EUR 2.4 billion) and higher loans and advances (EUR 3.3 billion), partly offset by lower reverse repurchase agreements.

Due from customers. Due from customers increased by 3% to EUR 286 billion in 2006 (2005: EUR 278 billion) as a result of an increase in mortgages of 11% to EUR 89 billion and an 18% increase in commercial loans up to EUR 111 billion due to increased commercial activities offset in part by a decrease in reverse repurchase agreements of EUR 23 billion in 2005.

Due to banks. Due to banks increased by only EUR 2.4 billion in 2006 to EUR 177.1 billion. This small increase was due to an increase in deposits from banks (EUR 6.8 billion) and securities borrowing (EUR 7.5 billion), offset by lower repurchase agreements (EUR 11.8 billion).

Due to customers. Due to customers decreased by EUR 3.2 billion to EUR 260 billion in 2006 (2005: EUR 263 billion). The decrease in repurchase agreements of EUR 19 billion was not fully offset by increases in deposits of EUR 14 billion and security lending of EUR 2 billion.

Time deposits increased by EUR 14 billion in 2006. The increase in time deposits was due to market conditions making time deposits more attractive than saving deposits. Interest rates on short term deposits were higher than the rates on saving accounts due to the flat increase in the interest curve.

Risk-weighted commitments. In line with the strong underlying loan volume growth, Credit risk-weighted commitments ("**CRWCs**") rose to EUR 222 billion at the end of 2006, up 12% on year-end 2005. This increase was principally due to an increase in, and composition of, the loan book. Low weighting repo agreements were replaced by straight loans. Total risk-weighted commitments, including market risk-weighted commitments of EUR 18 billion, were up 13% on 2005, reaching EUR 240 billion at the end of 2006.

2005 Compared to 2004

Total Assets. Total assets increased by 18%, from EUR 540.4 billion in 2004 to EUR 639.2 billion in 2005. This increase was principally due to higher due from banks (EUR 17 billion) and due from customers (EUR 52.4 billion) and higher investments (EUR 16.8 billion).

Due from banks. Due from banks increased EUR 17 billion, primarily as a result of increased reverse repurchase agreements and securities lending.

Due from customers. Due from customers increased 23% to EUR 278 billion, mainly as a result of an 11% increase in residential mortgages, a 21% increase in commercial loans and a 65% increase in reverse repurchase agreements. The increase in reverse repurchase agreements to EUR 61 billion was in line with the policy of Fortis to optimise funding, capital consumption and securities allocation.

Due to banks. Due to banks increased 42% to EUR 175 billion, primarily as a result of a 60% increase in time deposits and a 57% increase in repurchase agreements. The increase in repurchase agreements to EUR 73 billion was in line with the policy of Fortis to optimise funding, capital consumption and securities allocation.

Due to customers. Due to customers increased EUR 37 billion from EUR 227 billion in 2004 to EUR 263 billion in 2005. The main driver was the increase in repurchase agreements of EUR 20 billion in line with Fortis policy to optimise funding and capital consumption. The increase in deposits was mainly due to promotional and marketing campaigns in Belgium and households seeking safer products for investments after the stock market volatility of the recent years.

Risk-weighted commitments. Risk-weighted commitments increased by 23% to EUR 212 billion as a result of an increase in weighted commitments related to credit risk and market risk. The increase in weighted commitments relating to credit risk is the result of the nature of the assets, where there was an increase of EUR 52 billion in due from customers from EUR 226 billion at year end 2004 to EUR 278 billion at year end 2005, primarily due to higher volumes in residential mortgages (EUR 8 billion), commercial loans (EUR 16 billion) and reverse repurchase agreements (EUR 24 billion). The increase in the risk weighted commitments related to market risk of EUR 4.5 billion is primarily due to the interest rate (EUR 3 billion) and the counterparty risk of the trading portfolio (EUR 1 billion).

Assets Under Management

The following table shows assets under management of Fortis at 31 December 2006, 2005 and 2004 by segment.

	Banking	Insurance	General (Incl. Eliminations)[1]	Total
		(EUR million)		
31 December 2006				
Investments for own account:				
Debt securities	131,427	50,554	(669)	181,312
Equity securities	4,150	10,239	996	15,385
Real estate	600	2,447		3,047
Other	1,600	1,110	19	2,690
Total	137,777	64,349	308	202,434
Investments related to unit-linked contracts		28,865	(116)	28,749
Funds under Management:				
Debt securities	114,386	2,147		116,533
Equity securities	92,705	4,064		96,769
Real estate	773	2,801		3,574
Intercompany	(26,242)			(26,242)
Total	181,622	9,012		190,634

	Banking	Insurance	General (Incl. Eliminations)(1)	Total
		(EUR million)		
Total assets under management	**319,399**	**102,226**	**192**	**421,817**
31 December 2005				
Investments for own account:				
Debt securities	129,718	46,089	(829)	174,978
Equity securities	3,393	8,448	817	12,658
Real estate	402	2,144		2,546
Other	1,801	1,110	(24)	2,887
Total	135,314	57,791	(36)	193,069
Investments related to unit-linked contracts	—	25,907	(240)	25,667
Funds under Management:				
Debt securities	101,727	2,970		104,697
Equity securities	79,812	2,603		82,415
Real estate	1,045	1,998		3,043
Intercompany	(25,661)			(25,661)
Total	156,923	7,571		164,494
Total assets under management	**292,237**	**91,269**	**(276)**	**383,230**
31 December 2004				
Investments for own account:				
Debt securities	113,535	38,512	(484)	151,563
Equity securities	3,008	5,977	(39)	8,946
Real estate	365	1,939		2,304
Other	1,633	1,723	(1)	3,355
Total	118,541	48,151	(524)	166,168
Investments related to unit-linked contracts	—	16,936	(83)	16,853
Funds under Management:				
Debt securities	83,200			83,200
Equity securities	60,938			60,938
Real estate	891	1,111		2,002
Intercompany	(22,129)			(22,129)
Total	122,900	1,111		124,011
Total assets under management	**241,441**	**66,198**	**(607)**	**307,032**

Note:

(1) General consists of investments of the General sector (mainly Assurant shares) and eliminations of crossholdings of, among others, insurance companies' investments in Fortis Bank notes and Fortis shares.

2006 Compared to 2005

Assets under management increased by 10% from EUR 383 billion at 31 December 2005 to EUR 422 billion at 31 December 2006. Investments for own account (up EUR 9 billion), investments related to unit-linked contracts (up EUR 3 billion) and funds under management (up EUR 26 billion) contributed to the increase. Funds under management ended the year at EUR 191 billion, 16% higher compared with year-end 2005. Net inflow hit a record EUR 18 billion for the year, EUR 7 billion of which was attributable to Private Banking and EUR 10 billion at Fortis Investments. Growth at Private Banking was due chiefly to network expansion and effective cross-selling to Commercial Banking and Trust customers. Fortis Investments' substantial net inflows were the result of its strong focus on the diversification of distribution channels, with major successes among external institutional customers in countries like Italy, Spain, France and Germany.

2005 Compared to 2004

Assets under management increased by 25% from EUR 307 billion at 31 December 2004 to EUR 383 billion at 31 December 2005. The acquisitions of Millenniumbcp Fortis on the insurance side (EUR 7 of billion investments and investments for policy holders, and EUR 1 billion in funds under management at 31 December 2006) and Dryden, among other acquisitions, on the banking side (which increased funds under management by EUR 9 billion at 31 December 2006) contributed to the increase, as did the inflow of new funds under management (EUR 18 billion at 31 December 2006) and the appreciation of the value of assets under management due to decreasing interest rates and increasing stock market prices.

Funds Under Management by Roll Forward

The table below gives the roll forward of the Funds Under Management per segment from 31 December 2004 to 31 December 2005 and from 31 December 2005 to 31 December 2006.

	Retail Banking	Merchant Banking	Commercial & Private Banking	Other[1]	Inter company	Total
			(EUR million)			
Closing balance at 31 December 2004	89,569	248	52,311	4,012	(22,129)	124,011
In/out flow	12,532	(2)	3,319	3,037	(854)	18,032
Market gains /losses	8,489	(29)	5,307	618	(2,282)	12,103
Other[2]			8,890	1,854	(396)	10,348
Balance at 31 December 2005	**110,590**	**217**	**69,827**	**9,521**	**(25,661)**	**164,494**
In/out flow	10,920	(34)	6,871	(636)	(661)	16,460
Market gains /losses	3,867	77	3,890	718	84	8,636
Other[2]	2,729	(1)	(1,601)	(79)	(4)	1,044
Balance at 31 December 2006	**128,106**	**259**	**78,987**	**9,524**	**(26,242)**	**190,634**

Note:

(1) Other includes funds under management within the insurance segments as well as funds managed by operating companies reported in the "Other Banking" segment.

(2) Other includes the transfers between segments, the impact of acquisitions and divestments and the currency translation differences.

Net Interest Income

The change in total net interest income in 2006 and 2005 can be allocated as follows by the average rate and volume effects:

	Year Ended 31 December	
	2006	2005
	(EUR million)	
Change due to changes in average rates	(2,038)	337
Change due to changes in average balances	2,274	(280)
Change due to other interest on balance	198	70
Change in total net interest income	434	127

The following table sets forth certain information concerning the gross yield and the interest spread for Fortis banking operations for the years indicated, including other interest on balance (mainly from hedging transactions via derivatives). Interest margin is presented for the bank as a whole due to certain intra-bank loans being funded by Merchant Banking with funds borrowed from external sources whereby the liabilities for Merchant Banking are not offset by interest income which is eliminated on such intra-company loans. The interest figures in the following table do not include interest related to non-accrual loans, the portion of interest that is not recognised on partially non-accruing loans or lending commissions income. Net interest income is not calculated on a tax-equivalent basis.

	Year Ended 31 December		
	2006	2005	2004
		(%)	
Gross Yield[1]:			
Retail banking	5.4	5.3	5.3
Merchant banking	5.2	3.8	3.3
Commercial & Private banking...	4.7	4.2	4.3
Other banking	4.6	4.6	4.8
Total	5.0	4.2	4.0
Interest Spread[2]:			
Retail banking	3.3	3.4	3.4
Merchant banking	0.7	0.5	0.7
Commercial & Private banking...	2.1	2.2	2.5
Other banking	0.6	0.5	0.8
Total	1.2	1.2	1.4

	Year Ended 31 December		
	2006	2005	2004
		(%)	
Interest Margin(3):			
Total Banking	1.1	1.1	1.3

Notes:

(1) Gross Yield is the average return on the interest bearing assets.

(2) "Interest spread" is the difference between the average interest rate earned on "average interest-earning assets" and the average interest rate paid on "average interest-bearing liabilities". See "Selected Statistical Information — Average Balance Sheets and Interest Rates".

(3) "Interest margin" is "net interest income" as a percentage of "average interest-earning assets".

Retail Banking

The following table sets forth selected income statement data for the Retail Banking segment for the periods indicated.

	Year Ended 31 December			2006 vs. 2005 Change	2005 vs. 2004 Change
	2006	2005	2004		
			(EUR million)		
Income Statement					
Net interest income	2,647	2,467	2,298	7%	7%
Net commissions and fees	1,362	1,092	939	25%	16%
Realised capital gains (losses)	11	63	27	(83)%	*
(Un)realised gains (losses)	44	43	25	2%	72%
Dividend and other investment income	18	16	13	20%	15%
Other income	724	513	(10)	41%	*
Total revenues	**4,806**	**4,194**	**3,292**	**15%**	**27%**
Change in provisions for impairment	(150)	(130)	(121)	15%	7%
Net revenues	4,656	4,064	3,171	15%	28%
Staff expenses	(1,249)	(1,111)	(1,033)	12%	8%
Other operating and administrative expenses	(523)	(385)	(314)	36%	22%
Allocated expenses(1)	(1,370)	(1,262)	(1,210)	9%	4%
Total expenses	**(3,142)**	**(2,758)**	**(2,557)**	**14%**	**8%**
Profit before income tax	**1,514**	**1,306**	**614**	**16%**	*
Income tax	(424)	(444)	(247)	(5)%	80%
Net profit before minority interests	**1,090**	**862**	**367**	**26%**	*

	Year Ended 31 December			2006 vs. 2005 Change	2005 vs. 2004 Change
	2006	**2005**	**2004**		
		(EUR million)			
Minority interests	0	0	0	*	*
Net profit	**1,090**	**862**	**367**	**26%**	*

Note:

(1) The expenses from shared services are recorded in Other banking and allocated to the banking segments.

	Year ended 31 December		2006 vs. 2005 Change
	2006	**2005**	
	(unaudited)		
	(EUR million)		
Activity-based[(1)]			
Net interest income on interest-margin products	2,647	2,467	7%
Capital gains on investment portfolio	11	63	(83)%
Treasury and financial markets	44	43	2%

Note:

(1) Information for 2004 not available.

Since the restatement from accounting view to activity based view primarily relates to different presentation of trading activities, the restatement does not impact the income statement of Retail Banking and Commercial & Private Banking because Retail Banking and Commercial & Private Banking do not have trading activities.

Retail Banking Key Performance Indicators

	Year Ended 31 December				
	2006	**2005**	**2004**	**2006 vs. 2005 Change**	**2005 vs. 2004 Change**
Cost/Income ratio	65.4%	65.8%	77.7%	—	—
Operating leverage[1]	0.7%	19.5%			—
— number of FTEs	17,030	14,186	14,509	20%	(2)%
— number of Fortis Bank branches					
Belgium	1,092	1,128	1,212	(3)%	(7)%
Netherlands	159	163	171	(2)%	(5)%
Luxembourg	37	37	37	0%	0%
Turkey	211	174	—	21%	—
Funds under management (in EUR billion)	128	111	90	16%	23%

Note:

(1) Operating leverage is defined as the difference in the percentage growth in total revenues, prior to changes in provisions, and in total expenses.

2006 Compared to 2005

Revenues. Total revenues increased 15% to EUR 4,806 million in 2006 compared with EUR 4,194 million in 2005, due principally to higher net commissions and fees and an increased allocation of ALM results income as well as a 7% increase in net interest income. Net interest income and net commission and fees represented 83% of total revenues in 2006 compared to 85% of total revenues in 2005.

Net interest income for 2006 increased 7% compared to 2005, primarily due to acquisitions. Excluding the EUR 170 million impact of the consolidation of Consumer Finance Germany and Retail Bank Turkey, net interest income remained stable as margin pressure in the Benelux was largely offset by volume growth.

Customer deposits for total Retail Banking grew to EUR 91.2 billion, up EUR 6.3 billion or 7% from year-end 2005, with more than half of the rise realised in Belgium. Saving deposits became less attractive as a result of flattening yield curves, making short-term deposits with interest rates equal or higher then saving accounts more appealing. In addition, the continuous shift from saving deposits towards off-balance sheet products (investment funds) during the last 2 quarters of 2006 resulted in a slight decrease in the overall balance. Retail Banking Belgium posted a net intake of EUR 3.3 billion for 2006 in total deposits, mainly due to the success of time deposits (up EUR 3.1 billion), while at the same time recording EUR 1.6 billion inflow into off-balance products.

The mortgage portfolio grew EUR 7.4 billion (plus 15%) to EUR 56.7 billion in 2006. The bulk of the increase (upwards of EUR 4 billion) was attributable to mortgages in The Netherlands, which grew strongly especially in the first half of the year. In the last few months of the year, Retail Banking opted to pursue disciplined growth due to increasing margin pressure. Belgium contributed EUR 2.1 billion to the increase in the mortgage portfolio. After continuous margin pressure since the start of 2006, Retail Banking Belgium repriced its mortgage rates in Belgium during the month of September in order to stabilise and improve the margins while at the same time protecting its market share. The yield on the loan portfolio increased by 10 basis points; however the funding costs of Retail Banking increased by 30 basis points, reducing the interest spread during 2006 in Retail Banking from 3.4% in 2005 to 3.3% in 2006. The increase in volumes (Loans to customers +16%, Due to customers +8%) more then compensated for the lower interest spread.

Net commissions and fees rose 25% to EUR 1,362 million in 2006 compared with EUR 1,092 million in 2005. Excluding acquisitions, the increase was 19% above the 2005 level. The steep rise can be attributed to higher asset management fees in the Belgian distribution network, the strong performance of Fortis Investments (contributing EUR 93 million to the increase) and to the EUR 83 million result-related commission payment on insurance sales received from Fortis Insurance Belgium due to the transfer of FB Insurance to Fortis Insurance Belgium during 2006.

Fortis Investments had a very strong year, posting net profit of EUR 87 million in 2006, 64% higher than in 2005. Funds under management increased 15% year-on-year, to EUR 121 billion at the end of 2006. The increase in funds under management was due to Fortis Investment's continued expansion and enhancement of its investment and distribution capabilities in 2006. Significant investments in IT and staff were made towards the end of the year to support its growth strategy. In addition to setting up a new joint venture with CIT Finance in Russia, Fortis Investments acquired 70% of Cadogan Management LLC and combined its respective fund of hedge funds activities, as it sees strong demand across the customer base for this type of product.

Other income, which includes rental income, allocated income from ALM and miscellaneous other items increased 41% to EUR 724 million in 2006 compared with EUR 513 million in 2005, due principally to higher ALM results. These higher results were primarily due to higher capital gains on sale of equity holdings in Euronext, Banksys and Arcelor.

Profit before income tax. The change in provisions for impairments was 15% or EUR 20 million higher than in 2005, largely due to the acquisitions made in Turkey and Germany and a change in the method used to compute the IBNR for SME business in accordance with Basel II guidelines. Underlying credit provisioning remained low at 21 basis points.

The growth plans both in the core Benelux market and on a European scale impacted costs in the retail bank. Total expenses in 2006 were 14% higher than in 2005 increasing to EUR 3,142 million from EUR 2,758 million in 2005. Scope changes account for 50% of the EUR 138 million increase (+12%) in staff expenses (EUR 1,249 million in 2006 and EUR 1,111 million in 2005), with the balance made up by FTE transfers in Belgium and The Netherlands, higher staff costs at Fortis Investments due to new hiring and higher bonuses, only partly offset by a reversal of provisions in Belgium and The Netherlands.

Other operating and administrative expenses increased 36% to EUR 523 million in 2006, up EUR 138 million, or 17% excluding scope changes, reflecting investments in Consumer Finance, higher marketing costs in The Netherlands, and higher one-off expenses at Fortis Investments. Allocated expenses rose 9% to EUR 1,370 million in 2006 from EUR 1,262 million in 2005, mainly due to higher IT investments.

At the end of 2006 the number of FTE's stood at 17,030, a 20% increase on year end 2005. Included in this increase of some 2,844 FTE's is the effect of the transfers of Fortis Bank Turkey from Other Banking to the respective business lines of approximately 1,600 FTEs, with respect to the acquisition of Von Essen bank, 500 FTE's and the transfer of people from Central credit risk to the business line.

Net profit. Net profit passed the EUR 1 billion mark, improving to EUR 1,090 million for 2006, up 26% on 2005. This rise was due to the 15% income growth attributable to higher net commissions and fees, increased ALM income and a lower tax rate. The increase of 14% in total expenses, translated into a 65 basis-point operating leverage for 2006, despite heavy investments in growth. Excluding the consolidation of Consumer Finance Germany and Retail Bank Turkey (acquired beginning Q3 2005), total income growth (+11%) significantly outpaced cost growth (+6%), which was reflected in a 570 basis-point organic operating leverage. The cost/income ratio remained relatively stable improving to 65.4% in 2006 compared to 65.8% in 2005.

2005 Compared to 2004

Revenues. Total revenues increased 27% to EUR 4,194 million in 2005, driven by good underlying growth in net interest income and net commissions and fees, and higher Other income as a result of higher allocated ALM results and some one-off contributions such as the reimbursement of EUR 48 million from the deposit protection fund in Belgium. Net interest income and net commissions and fees represented 85% of total revenues in fiscal year 2005 and 98% for 2004.

Net interest income for 2005 rose to EUR 2,467 million, up 7% from 2004, due principally to a combination of higher volumes and a margin effect following the 25 basis-point repricing of the Belgian savings account rate on 1 August 2005. Customer deposits increased 7% to EUR 85 billion, while outstanding loans increased 15% to EUR 67 billion, mainly reflecting the growth in mortgages. In The Netherlands, the mortgage portfolio at Direktbank rose 42% to EUR 12.7 billion at year-end. Net interest income improved in the latter half of 2005 as the impact of the 25 basis-point reduction in the savings account rate, which was implemented on 1 August 2005 took full effect.

The interest spread was substantially flat in 2005 compared to 2004 with an increase of 7 basis points. This was primarily due to the improvement in the average yield on loans to customers of 7 basis points and the decrease in the cost of amounts due to customers of 4 basis points (due to the termination of an additional interest loyalty bonus paid on certain savings accounts in Belgium).

Net commissions and fees increased to EUR 1,092 million, up 16% in 2005 compared to 2004. Successful marketing campaigns throughout 2005 boosted sales of asset management and life insurance products, resulting in higher commission and fee levels, offset in part by higher transaction fees when compared to 2004.

Fortis Investments results improved by 13% to reach EUR 53 million at the end of 2005 driven by higher performance fees due to good investment results. Funds under management increased by 21% to reach EUR 105 billion at the end of 2005, such gain due to market gains of EUR 9 billion and net new inflow of EUR 11 billion.

Realised capital gains and (un)realised gains (losses) rose to EUR 106 million in 2005, compared to EUR 52 million in 2004, driven mainly by the gain on the sale of real estate assets during 2005.

Other income rose sharply to EUR 513 million in 2005 from a loss of EUR 10 million in 2004 due to strong ALM results and a one-off reimbursement of EUR 48 million from the ‘deposit protection fund’ in Belgium. Other income in 2004 was also adversely impacted compared to 2005 due to Fortis not being able to retroactively apply hedge accounting.

Profit before income tax. The change in provisions for impairment increased by 7% to EUR 130 million in 2005 from EUR 121 million in 2004. This was chiefly the result of the enlarged scope of consumer finance activities and did not reflect a change in the underlying credit quality. The overall quality of the loan portfolio remained stable and impairments were relatively low due to the improving economy.

Total expenses were up 8% at EUR 2,758 million in 2005. This was caused mainly by the inclusion of ICS in Consumer Finance and the expansion plans of this business, rising staff expenses at Fortis Investments (due to hiring’s and performance-related variable remuneration), and costs involved in upgrading the quality of management. Other operating and administrative expenses increased due to the inclusion of ICS and the various marketing campaigns and re-branding operations. Excluding the extensions of scope and the cost related to upgrading the quality of management, the underlying cost movements in the retail banking operations were in line with the 0-2% cost growth target announced in June 2005.

At the end of 2005, the number of FTEs stood at 14,186, a 2% decrease on year-end 2004. While Fortis Investments and Consumer Finance stepped up hiring in order to support their growth ambitions, the total number of FTEs declined due principally to continued efficiency focus in Belgium and The Netherlands.

To increase the focus on consumer lending the Consumer Finance Group was set up as a separate entity in 2005. ICS and Alpha Credit formed the largest part of the group with the scope to be gradually enlarged (e.g. regrouping of activities in Turkey). The acquisition of Von Essen, a German bank specialised in consumer finance, was announced at the end of 2005. Consumer Finance recorded net profit of EUR 71 million for 2005, a 9% increase on the previous year.

Due to the significantly greater growth in revenues compared to expenses, profit before taxation increased from EUR 614 million in 2004 to EUR 1,306 million in 2005.

Net profit. Net profit increased 135% to EUR 862 million in 2005 from EUR 367 million in 2004, due primarily to strong customer and sales growth in 2005 which boosted productivity and revenues. A 27% rise in total revenues and an 8% cost increase led to an operating leverage of 19.5%. The cost/income ratio fell 12 percentage points to 65.8%, although the overall improvement benefited from the adverse impact on total revenues from not applying hedge accounting in 2004.

Merchant Banking

Merchant Banking includes the following divisions: Corporate and Institutional Banking, Global Markets, Private Equity & Structured Finance and Global Securities and Funds Solutions. We monitor the profitability of each of these divisions.

The following table sets forth selected income statement data for the Merchant Banking segment for the periods indicated.

	Year Ended 31 December			2006 vs. 2005 Change	2005 vs. 2004 Change
	2006	2005	2004		
	(EUR million)				
Income Statement					
Net interest income	886	764	1,036	16%	(26)%
Net commissions and fees	561	459	487	22%	(6)%
Realised capital gains (losses)	128	318	37	(60)%	*
(Un)realised gains (losses)	910	527	(279)	73%	*
Dividend and other investment income	99	114	94	(13)%	21%
Other income	160	126	73	27%	73%
Total revenues	**2,744**	**2,308**	**1,448**	**19%**	**59%**
Change in impairment	116	107	(48)	8%	*
Net revenues	**2,860**	**2,415**	**1,400**	**18%**	**73%**
Staff expenses	(675)	(603)	(510)	12%	18%
Other operating and administrative expenses	(345)	(364)	(399)	(5%	(9)%
Allocated expenses	(409)	(359)	(344)	14%	4%
Total expenses	**(1,429)**	**(1,326)**	**(1,253)**	**8%**	**6%**
Profit before income tax	**1,431**	**1,089**	**147**	**31%**	*****
Income tax	(78)	(76)	120	3%	*
Net profit before minority interests	**1,353**	**1,013**	**267**	**34%**	*****
Minority interests	5	6	1	(17)%	*
Net profit	**1,348**	**1,007**	**266**	**34%**	*****

	Year Ended 31 December		2006 vs. 2005 Change
	2006	2005	
	(unaudited) (EUR million)		
Activity-based			
Net interest income on interest-margin products	796	705	13%
Capital gains on investment portfolio	83	111	(25)%
Treasury and financial markets	1,045	793	32%

Note:

(1) Information for 2004 is not available.

Merchant Banking Key Performance Indicators

	Year Ended 31 December			2006 vs. 2005 Change	2005 vs. 2004 Change
	2006	2005	2004		
Cost/Income ratio	52.1%	57.5%	86.5%		
Operating leverage[1]	11.1%	53.6%	—		
Net profit per FTE (in EUR)[2]	287,175	248,449	69,604	16%	*
— number of FTEs	4,694	4,056	3,817	16%	6%

Notes:

(1) Operating leverage is defined as the difference in the percentage growth in total revenues, prior to changes in provisions, and in total expenses.

(2) Period average.

Revenues. Total revenues amounted to EUR 2,744 million in 2006, up 19% compared to 2005, attributable to a 24% growth in commercial loans, increased cross-selling and an improved performance in trading and private equity.

Merchant Banking's fast-growing niches such as Energy, Commodities & Transportation ("**ECT**"), Structured Products and Securities Financing continued to strengthen their leading positions in the Benelux and expanded across Asia and North America. These niches became increasingly important to the growth of Merchant Banking in 2006 and now represent more than 50% of total revenues. Services to hedge funds and other institutional investors generated 27% of total revenues, ECT generated 19% of total revenues and structured products and complex financing solutions for financial institutions accounted for 9%.

Net interest income increased by 16% from EUR 764 million in 2005 to EUR 886 million in 2006. Net interest income is impacted by the IFRS treatment of unrealised gains on trading derivatives that are divided between net interest income and unrealised gains/losses (clean fair value) (market value less interest accrued). Because tradings positions in derivatives change considerably year on year, net interest income related thereto is also affected by such changes. To better explain the development in interest margin, the interest is analysed on the activity based presentation. Net interest income on interest-margin products increased 13% to EUR 796 million in 2006 compared to EUR 705 million in 2005, as higher volumes more than offset lending margin pressure. Commercial loans increased 24% to EUR 56 billion compared with the end of 2005, with growth stemming mainly from ECT activities, Real Estate, Retail and Services sectors and from Institutional Banking. Net interest income also benefited from interest-related income on several transactions in the Metals, Shipping, Energy and Chemicals sectors. Global Securities & Funds Solutions recorded a sharp rise in net interest income on the back of its clients' portfolio growth and high turnover. Likewise, robust activity and higher financing requirements of professional counterparties benefited Clearing & Custody. The average margin on commercial loans remained under pressure throughout the year due to strong competition in a benign credit environment. Although the interest margins on loans to customers are under pressure, Merchant Banking increased the overall interest spread by 20 basis points to 70 basis points compared to 2005 due to the growth in loans to customers (relative higher margins) and a reduction in loans to banks (relatively low margins).

Net commissions and fees rose 22% to EUR 561 million in 2006 compared to EUR 459 million in 2005 due principally to robust client activity and higher cross-selling results. Assets under custody (+18% to EUR 313 billion) and assets under administration (+42% to EUR 123 billion) both posted strong volume growth.

Capital gains on the investment portfolio were EUR 83 million, 25% lower than in the previous year. Higher capital gains realised on the Private Equity portfolio failed to match last year's gains in ECT and Corporate Banking.

Treasury and financial markets income grew by 32% to EUR 1,045 million in 2006, supported by strong client activity and buoyant capital markets. Securities lending and arbitrage activities contributed EUR 313 million to this revenue line, predominantly in the second quarter, due mainly to higher trading volumes. Private Equity also had a very good year, as its portfolio gained EUR 207 million on revaluation. Marking-to-market of Merchant Banking´s credit hedge portfolio, however, had a negative impact of EUR 87 million as credit spreads almost halved in the second half of 2006. Other miscellaneous factors unrelated to trading contributed EUR 15 million to Treasury and financial markets income.

In addition to the revenue from securities lending, private equity, credit hedging and others, Treasury and financial markets revenue was EUR 597 million, earned on trading and funding positions at Global Markets. This level of revenue should be viewed in conjunction with the effective tax rate as the structure of trading results strongly influences the balance between Treasury & financial markets revenue and tax expense. The trading results in both years had a large impact on the corporate income tax due to the recognition of tax-exempt gains and realised tax losses. This reduced the tax rate to 5% in 2006 (2005: 7%). With a diversified mix of activities, all performed better than in 2005. The average daily Value at Risk (VaR) climbed from EUR 14.4 million in 2005 to EUR 24.9 million in 2006, remaining at a relatively low level, close to Fortis historical average VaR.

Profit before income tax. The change in impairments amounted to a reversal of EUR 116 million for 2006, up 8% over the EUR 107 million reversal in 2005. Substantial provisions were released, in line with improved financial positions of counterparties or repayment of credit facilities. The continued low level of loan impairments reflects the quality of the bank's loan portfolio and the sustained benign credit environment.

Total expenses increased 8% to EUR 1,429 million in 2006 compared with EUR 1,326 million in 2005, resulting in operating leverage of 11%. More than 70% of this rise was due to staff hiring. While the average number of FTEs grew by 16%, staff expenses increased only 12% year-on-year as an extraordinary charge was taken in the fourth quarter of 2005 for upgrading the quality of management.

Excluding this charge, staff expenses would have been completely in line with the growth in the average number of FTEs. Other operating and administrative expenses and allocated expenses grew by 4% in 2006 compared to 2005, due primarily to integration costs and higher IT investment aimed at supporting future growth. The cost/income ratio for 2006 was 52.1%, a 5 percentage point improvement over 2005.

As a result of the foregoing, profit before income tax increased 31% from EUR 1,089 million in 2005 to EUR 1,431 million in 2006.

Net profit. Taxation at Merchant Banking is heavily influenced by the structure of trading results, as gains and losses on the various financial instruments are subject to different tax treatments. The low effective tax rates in 2006 (5%) and 2005 (7%) reflect the composition of trading results, with large tax-exempt gains and tax-deductible losses. Conversely, reported trading revenues would appear inflated in years with few tax-exempt gains and tax-deductible losses, but this would be entirely offset by higher tax expenses.

As previously mentioned, Merchant Banking's trading positions are managed on an after-tax basis and the structure of trading results ultimately has no impact on net profit.

Net profit increased 34% to EUR 1,348 million in 2006. This increase was mainly due to the 19% rise in total income to EUR 2,744 million, resulting in 11% operating leverage. All businesses benefited from sustained commercial activity, generating a strong 24% growth in commercial loans, increased cross-selling and an exceptional performance in trading and private equity.

2005 Compared to 2004

Revenues. Total revenues for 2005 amounted to EUR 2,308 million, up 59%. This increase was attributable to strong trading results, high capital gains and overall robust commercial activity. The improvement was also due to the impact of hedge accounting not retroactively applied to 2004, which impacted the other realised and unrealised gains and losses and other income.

Net interest income declined by 26% in 2005 to EUR 764 million from EUR 1,036 million in 2004. The high volatility of the net interest income was generated by unrealised gains on trading derivatives that are divided between net interest income (accrued and cash interest) and unrealised and realised gains/losses (clean fair value) (market value less interest accrual). Margin erosion was due to a further flattening of the yield curve as well as a reduction in credit spreads. Despite the overall decline of net interest income at Merchant Banking, net interest income increased 8% in Corporate Banking and Specialised Finance, where increased loan volume more than offset pressure on net interest margin. Overall the impact of the foregoing factors resulted in a decrease in the interest spread of Merchant Banking by 20 basis points, from 70 basis points in 2004 to 50 basis points in 2005.

Excluding significant releases in provisions for impairments on loans, total revenues from Corporate and Institutional Banking and Specialised Finance increased 30%, on higher capital gains but also on higher income from the loan portfolio. Volume growth of total average outstanding assets more than offset declining margins.

Net commissions and fees decreased 6% to EUR 459 million in 2005 compared to EUR 487 million in 2004 due to higher fees paid by Global Markets to distribution partners, partly compensated by an increase in net commissions from strong business development. Assets under custody increased 39% in 2005 to EUR 266 billion, 28% of which came from net new inflow. Funds under administration increased by 14% in 2005 to EUR 73 billion, more than half of which stemmed from new funds.

Realised capital gains increased EUR 281 million to EUR 318 million in 2005 mainly due to the sale of the bond portfolio. These gains were partially offset by negative valuation of underlying derivatives, reported under (un)realised gains (losses).

Other (un)realised gains (losses) reversed from a EUR 279 million loss in 2004 to a EUR 527 million gain in 2005. A portion of this was attributable to the application of hedge accounting in 2005. It was also due to Global Markets strongly rebounding from poor proprietary trading in 2004. Trading results were strong, backed by higher equity trading results and a favourable performance delivered by the fixed income business.

Due to a favourable mix in trading results, a tax benefit was recorded. Positive revaluations of participating interests in the Global Private Equity portfolio also contributed to the growth in (un)realised gains in 2005.

Profit before income tax. The change in impairment was a reversal of EUR 107 million compared to a charge of EUR 48 million in 2004. The reversal was due to the return to health of a number of clients. The low level of loan impairments which continued in 2005 reflected the quality of the bank’s loan portfolio and the sustained benign credit environment.

Total expenses increased by 6% in 2005; this increase was in line with the strategic plans and underlying business development. Staff expenses rose 18% to EUR 603 million due to provisions for variable compensation and new hirings; investments in upgrading the quality of management, and the reclassification of certain Employee Benefits expenses from Other operating expenses to Staff expenses.

Total FTEs were up 6% to 4,056 at the end of 2005 compared to 3,817 at the end of 2004. Other operating and administrative expenses and allocated expenses declined by 3% from EUR 743 million in 2004 to EUR 723 million in 2005. This decline was primarily attributable to the reclassification mentioned above. Although expenses increased, due to favourable market conditions and significant growth in revenues which outpaced the growth in expenses, the cost/income ratio declined from 86.5% in 2004 to 57.5% in 2005. The very favourable change in cost/income ratio is partly attributable to the impact on revenues for 2004 as a result of Fortis not being able to apply hedge accounting in that year.

As a result of the foregoing, profit before income tax grew significantly from EUR 147 million in 2004 to EUR 1,089 million in 2005.

Net profit. Due to the asymmetrical treatment of equity securities and derivatives on equities in Belgium (results on equities are tax exempt and the results on derivatives are taxed) the composition of the result realised in the trading position has an impact on the income taxes. In 2004 Fortis realised taxable losses on derivatives compensated by tax exempt gains on equities. This resulted in 2004 in a net tax benefit while in 2005 the same effect resulted in an effective tax rate of 7%.

Net profit for 2005 rose to EUR 1,007 million, nearly four times the net profit recorded in 2004. Double-digit growth in net profit was achieved at all businesses. The main contributors were Corporate and Institutional Banking and Specialised Finance although Global Markets and Private Equity also contributed.

Commercial & Private Banking

The following table sets forth selected income statement data for the Commercial & Private Banking segment for the periods indicated.

	Year Ended 31 December			2006 vs. 2005	2005 vs. 2004
	2006	**2005**	**2004**	**Change**	**Change**
		(EUR million)			
Income Statement					
Net interest income	1,190	1,031	935	16%	10%
Net commissions and fees	843	702	615	20%	14%
Realised capital gains (losses)	11	16	20	(31)%	(20)%
(Un)realised gains (losses)	85	62	48	37%	29%
Dividend and other investment income	46	39	31	18%	26%
Other income	327	238	89	37%	*
Total revenues	2,502	2,088	1,738	20%	20%
Change in impairment	(137)	(153)	(65)	(10)%	*
Net revenues	2,365	1,935	1,673	22%	16%
Staff expenses	(721)	(566)	(483)	27%	17%
Other operating and administrative expenses	(373)	(277)	(309)	35%	(10)%
Allocated expenses	(406)	(446)	(323)	(9)%	38%

	Year Ended 31 December			2006 vs. 2005 Change	2005 vs. 2004 Change
	2006	2005	2004		
	(EUR million)				
Total expenses	**(1,500)**	**(1,289)**	**(1,115)**	**16%**	**16%**
Profit before income tax	**865**	**646**	**558**	**34%**	**16%**
Income tax	(194)	(186)	(137)	4%	36%
Net profit before minority interests	**671**	**460**	**421**	**46%**	**9%**
Minority interests	0	0	1		*
Net profit	**671**	**460**	**420**	**46%**	**9%**

	Year Ended 31 December		2006 vs 2005 Change
	2006	2005	
	(unaudited)		
	(EUR million)		
Activity-based[1]			
Net interest income on interest-margin products	1,190	1,031	15%
Capital gains on investment portfolio	11	16	(31)%
Treasury and financial markets	85	62	37%

Note:

(1) Information for 2004 is not available.

Commercial & Private Banking Key Performance Indicators

	Year Ended 31 December			2006 vs. 2005 Change	2005 vs. 2004 Change
	2006	2005	2004		
Cost/Income ratio	60.0%	61.7%	64.1%		
Operating leverage[1]	3.5%	4.5%			
— number of FTEs	8,024	6,119	5,419	31%	13%
Funds under management (in EUR billion)	79.0	69.8	52.3	13%	33%

Note:

(1) Operating leverage is defined as the difference in the percentage growth in total revenues, prior to changes in provisions, and in total expenses.

2006 Compared to 2005

Revenues. Total revenues increased by 20% to EUR 2,502 million in 2006 compared to EUR 2,088 million in 2005, driven by higher levels of net interest income, net commissions and fees and other income. Net interest income rose to EUR 1,190 million, up 16% on 2005 with 10% of such growth due to organic growth. 80% of the non-organic growth resulted from the integration of the Turkish activities (Commercial Banking, Lease and Factoring) and the remainder was generated by the Dryden, Dreieck and Atradius Factoring acquisitions completed in late 2005 or early 2006.

Net interest income at Commercial Banking increased 12% to EUR 745 million in 2006 compared to EUR 663 million in 2005, with EUR 29 million attributable to the Turkish operations. Credits and deposits contributed equally to the organic growth of net interest income. 8% volume growth in loans to customers was spread across all countries. Ongoing competitive pressure slightly depressed margins compared with 2005.

The interest spread decreased as a result of these trends by 10 basis points to 210 basis points compared to 220 basis points in 2005. On the deposit side, the rise in short-term rates adversely affected margins and the product mix in the second half of the year, although the effect on net interest income was compensated for by volume growth.

Private Banking net interest income advanced 14% to EUR 180 million in 2006 compared with EUR 158 million in 2005. Higher net interest income on Private Banking deposits in 2006 was due to continued organic volume growth. Credits provided to High Net Worth Individuals rose EUR 2 billion to EUR 6.8 billion (+40%), with nearly all countries contributing.

Volume growth at all Commercial & Private Banking businesses more than compensated for slightly narrowing credit margins. On the deposit side, volumes in time deposits and highly remunerated current accounts increased considerably in the last quarter, partly due to a shift out of savings, though at significantly lower margins.

This resulted in lower quarterly net interest income on deposits at Private Banking, while overall volume growth compensated for the lower margin at Commercial Banking. Fortis Lease saw net interest income remain at a high level, benefiting from vigorous activity towards the end of the year.

Net interest income at Specialised Financial Services increased 28% to EUR 212 million in 2006 compared to EUR 166 million in 2005, with all sub-businesses (Trust, Leasing, Factoring and Global Trade Finance) contributing to growth. This result was driven by strong commercial developments (illustrated by a 22% organic growth in the leasing portfolio), acquisitions (Fortis Turkey in Leasing and Factoring, Dreieck in Leasing and Atradius in Factoring) and lower hedging and funding costs at Trust.

Net commissions and fees increased 20% to EUR 843 million in 2006 from EUR 702 million in 2005, 11% of which was attributable to organic growth. The Dryden and Atradius acquisitions contributed to this strong performance. Fees from securities transactions rose to EUR 201 million in 2006 from EUR 139 million in 2005 due to higher turnover. Commercial & Private Banking had a very strong first half, followed by seasonably lower volumes in the third quarter which picked up again in the fourth quarter in line with higher market volumes and rising equity markets. Total client turnover at Fortis Commercial Finance (Factoring) increased 31% to EUR 34.4 billion in 2006. Trust saw the number of structures managed grow by 2% to 22,465 in 2006, despite losing 201 accounts due to a small disposition.

Other revenues increased due to the allocation of higher ALM results, driven by higher capital gains on shares.

Funds under management at Private Banking rose to EUR 79 billion in 2006, 13% higher than in 2005. Ongoing efforts to expand the Private Banking network combined with successful cooperation with Commercial Banking and Fortis Intertrust resulted in a net inflow of EUR 7 billion in 2006 compared to EUR 3.3 billion in 2005. Referrals from Commercial Banking more than doubled, yielding EUR 1.5 billion in net inflow. Due to Private Banking's international strategy, more than half of net inflow was generated outside the Benelux, with 27% of new money coming from Asia and 26% from Europe (outside the Benelux). Despite last year's integration, the former Dryden entities acquired in the fourth quarter of 2005 managed to retain funds under management at EUR 8 billion, stable with 2005.

Total expenses increased 16% to EUR 1,500 million in 2006 from EUR 1,289 million in 2005. A significant portion of the increase was due to the acquisition of Dryden (consolidated only as of the last quarter of 2005) and Dişbank (Fortis Turkey, consolidated from the first quarter of 2006). Organically, cost growth compared to revenue growth remained low at 6% despite investments in the expansion of the Commercial & Private Banking network.

Staff expenses increased 27% to EUR 721 million in 2006 compared to EUR 566 million in 2005. Most of this increase was attributable to the acquisitions made in late 2005 and early 2006. Excluding expenses attributable to acquisitions, staff expenses increased by 3%, although the number of FTEs (excluding acquisitions) grew by 7%.

The lower level of staff expense can be attributed to one-off costs in the fourth quarter of 2005 for upgrading the quality of management and a release of provisions for pension schemes in The Netherlands in 2006. Commercial & Private Banking employed a total of 8,024 FTEs at the end of 2006, representing 31% growth.

Other operating and administrative expenses increased 35% in 2006 to EUR 373 million from EUR 277 million in 2005, with organic growth accounting for 22%. Nearly half of the increase in organic cost growth was due to higher external staff, training and consultancy expenses, about one third was due to one-off factors, and the remainder came from intensified marketing, advertising and public relations efforts. The faster growth in revenues resulted in a reduction in the cost/income ratio from 61.7% in 2005 to 60.0% in 2006 and operating leverage in 2006 of 350 basis points.

As a result of the increase in revenues and slower growth in expenses, profit before income tax increased 34% in 2006 to EUR 865 million from EUR 646 million in 2005.

Net profit. Net profit for 2006 was EUR 671 million, up 46% on 2005. The effective tax rate was 22% for 2006, 7% lower than in 2005. This decrease was due chiefly to one-off tax benefits which arose during the course of the year. With organic cost growth of 6%, organic operating leverage stood at 9%.

2005 Compared to 2004

Revenues. Total revenues increased by 20% in 2005 to EUR 2,088 million, due mainly to 10% organic growth and selective add-on acquisitions which resulted in higher levels of net interest income and net commissions and fees. The impact of hedge accounting in 2005 compared to 2004 is less significant in this business unit.

Net interest income increased 10% to EUR 1,031 million in 2005 from EUR 935 million in 2004, attributable to strong revenue growth in asset-backed financing and treasury-related products. This is in line with the 11% loan growth and 10% increase in average risk-weighted commitments. The traditional credit portfolio, however, experienced some margin erosion, with interest spread falling 20 basis points. Margin erosion was offset in part by increased volume as the broad range of services, reinforced by selective acquisitions and the expansion of our business centre network, together generated both more frequent and more profitable complex deals.

Specialised Finance's total average outstanding assets increased by 23% over 2005, mainly driven by Commodities, Intermodal & Logistics and Export & Project Financing. Net interest income increased by 19% in the same period, with average net interest margins declining slightly by 5 basis points. Average outstanding assets at Corporate Banking (excluding Institutional Banking) increased by 14%.

Net commissions and fees amounted to EUR 702 million in 2005, up 14% over 2004. This growth was generated by higher funds under management, the successful launch of new products (e.g. structured products, real estate funds, yacht and aircraft services), the rise in the number of Trust structures under administration and increased cross-selling and add-on acquisitions (Dryden and Fundamentum).

Funds under management at Private Banking increased by 33% to EUR 69.8 billion at the end of 2005. The additional EUR 17.5 billion can be broken down into EUR 3.3 billion from net intake (6% growth), EUR 8.9 billion from acquisitions (mainly Dryden) and EUR 5.3 billion related to market performance.

Other revenue items recorded overall growth of 89% in 2005, with higher unrealised capital gains, dividend and other investment income as well as a higher allocation of the results from ALM in other income.

Profit before income tax. The change in impairment was significantly above the 2004 level: EUR 153 million charge in 2005 compared to EUR 65 million charge in 2004. The increase was partially due to refinement of the underlying parameters applied in the calculation of the IBNR loan impairments and major recoveries in 2004 which lowered the overall provision in that year. The burn rate stood at 45 basis points over 2005 compared to 21 basis points in 2004, a level considered normal across the cycle.

Total expenses rose 16% to EUR 1,289 million in 2005 from EUR 1,115 million in 2004, as they included not only investments in the Commercial & Private Banking network (new Business Centers), service offering and staff, but also non-recurring charges related to the restructuring of Dryden (EUR 23 million) and costs of the management quality upgrade (EUR 28 million).

The total number of FTEs at Commercial & Private Banking reached 6,119 at the end of 2005, up 13% (or 700 FTEs), due to the hiring of 325 FTEs and the integration of staff coming from Dryden and Atradius Factoring. As a result principally of the non-recurring charges referred to in the preceding paragraph, the cost/income ratio decreased from 64.1% in 2004 to 61.7% in 2005.

Despite the increase in the change in impairments, for the reasons noted above, profit before income tax increased 16% to EUR 646 million in 2005 from EUR 558 million in 2004.

Net profit. Notwithstanding a higher change in provisions for impairments, higher tax rate, non-recurring charges and investments for growth, total net profit was 9% higher year-on-year, at EUR 460 million in 2005 compared to EUR 420 million in 2004. The tax charge increased due to the relative higher tax rate on the allocated ALM results.

Other Banking

Other Banking includes all Shared Service activities and the corporate functions of Banking, ALM, Fortis Hypotheekbank (the vehicle that sells mortgages through the broker channel) and Belgolaise. Income from ALM and Shared Services related expenses are allocated to banking business lines (which explains why other income items are negative and allocated expenses are positive).

A number of major changes have significantly affected the comparison of 2006 and 2005 figures. The 2005 figures included Fortis Bank Turkey's total revenues and expenses as of the third quarter whereas the 2006 figures include only Turkish income and costs relating to Other Banking. Fortis Bank Turkey is now fully accounted for in the applicable banking business lines. Belgolaise's total revenues and expenses, also, have been included for the first time in 2006, as have facility-related costs which are re-invoiced to Insurance. The costs of the Credit risk department of Central Risk Management, previously included in total expenses, were charged directly to the businesses in 2006.

The following table sets forth selected income statement data for Other Banking for the periods presented.

	Year Ended 31 December			2006 vs. 2005 Change	2005 vs. 2004 Change
	2006	2005	2004		
		(EUR million)			
Income Statement					
Net interest income	363	391	257	(7)%	52%
Net commissions and fees	(2)	37	78	*	(53)%
Realised capital gains (losses)	426	315	432	35%	(27)%
(Un)realised gains (losses)	300	173	(708)	73%	*
Dividend and other investment income	124	90	87	38%	3%
Other income (including allocations)[1]	(939)	(605)	(108)	55%	*
Total revenues	**272**	**401**	**254**	**(32)%**	**58%**
Change in impairment	13	(33)	26	*	*
Net revenues	285	368	280	(23)%	31%
Staff expenses	(980)	(1,090)	(937)	(10%)	16%
Other operating and administrative expenses[2]	(1,449)	(1,207)	(1,358)	20%	(11)%
Allocated expenses	2,185	2,067	1,877	6%	10%
Total expenses	**(244)**	**(230)**	**(419)**	**6%**	**(45)%**
Profit before income tax	**41**	**138**	**(139)**	**(70)%**	*****
Income tax	4	(28)	63	*	*
Net profit before minority interests	45	110	(76)	(59)%	*
Minority interests	5	5	12	0%	(59)%
Net profit	**40**	**105**	**(88)**	**(62)%**	*****

Note:

(1) For an explanation of the allocation of revenues and expenses between the segments see "— Segment Reporting".

	Year Ended 31 December		2006 vs. 2005 Change
	2006	2005	
	(unaudited)		
	(EUR million)		
Activity-based[1]			
Net interest income on interest-margin products	454	370	23%
Capital gains on investment portfolio	426	307	39%
Treasury and financial markets....................................	209	202	4%

Note:

(1) Information for 2004 not available.

2006 Compared to 2005

Revenues. In the activity-based income statement, net interest income for 2006 recorded an increase to EUR 454 million, up EUR 84 million or 23% compared to 2005. This increase is attributable to the investment of the cash proceeds of Fortis Bank's sale of FB Insurance to Fortis Insurance which pushed up net interest income from the second quarter of 2006 onwards an increased mismatch (expressed by equity duration), higher short-term interest rates and increased volumes. Lower margins on Fortis Hypotheekbank's mortgage portfolio depressed overall net interest income.

Capital gains on the investment portfolio increased EUR 118 million to EUR 425 million in 2006. The gains realised in 2005 predominately derived from the sale of bonds, whereas the gains in 2006 were mainly realised on the sale of the equity holdings in Euronext, Banksys, Arcelor and a few smaller holdings. Treasury and Financial Markets were stable year-on-year as the positive impact of non-qualifying hedges of EUR 180 million was off set by early repayment penalties on intercompany loans (EUR 91 million) and changes in the value of derivatives.

Profit before income tax. The annual change in impairments improved EUR 46 million due to a lower level of impairments at Fortis Hypotheekbank and releases at Belgolaise Bank.

Staff expenses and other operating and administrative expenses increased EUR 132 million in 2006 compared to 2005 reflecting lower staff expenses offset by higher operating and administrative expenses. Staff expenses decreased by EUR 110 million in 2006 from EUR 1,090 million in 2005 to EUR 980 million in 2006.

The most important factors behind this fall were the transfer of the department of Credit Risk of Central Risk Management to Credits to the business and lower restructuring provisions in 2006 compared to the provision made in 2005, offset by the centralisation of the Legal and Compliance team within Shared Services and the transfer of the Facilities team of the Insurance business in The Netherlands, (whose costs are re-invoiced). Excluding the effects of the above transactions, staff expenses increased EUR 14 million (1.7%), owing to normal wage drift offset by FTE savings due to improved efficiency.

Other operating and administrative expenses increased EUR 242 million to EUR 1,449 million in 2006 compared with EUR 1,207 million in 2005. EUR 140 million of this increase is due to the inclusion in 2006 of the Facilities costs of Fortis Insurance Netherlands, (which are re-invoiced) and the non-recurrence of the releases in 2005 of provisions relating to Belgolaise and other group companies. Excluding these costs, other operating and administrative expenses rose EUR 102 million. By far the most important element was the increase of EUR 88 million at Information Systems and Technology that, being demand led, continues to invest in the banking and infrastructure systems of both businesses and support services.

As a result of the foregoing, profit before income tax declined to EUR 41 million in 2006 compared to EUR 138 million in 2005.

Net profit. Net profit for 2006 was EUR 40 million, a 62% decrease compared to 2005. This decrease was attributable mainly to lower results of Fortis Hypotheekbank (Fortis mortgage selling vehicle), which were adversely effected by penalty interest of EUR 91 million due to an early redemption of fundings.

2005 Compared to 2004

Revenues. Total revenues increased from EUR 254 million in 2004 to EUR 401 million in 2005. In 2004, the numbers for Fortis Bank Asia, GWK and International card services were included; in 2005 the first two were sold and the last one was transferred to Retail Bank. Fortis Bank Turkey has been included in Other Banking as of the third quarter of 2005.

Profit Before income tax. Profit before income tax increased significantly from a EUR 139 million loss in 2004 to EUR 138 million in 2005 due to the reclassification of activities as discussed above.

Net profit. Net profit before results on divestments in Other Banking in 2005 increased from a loss of EUR 88 million in 2004 to EUR 105 million, as the profit contributed by Fortis Turkey more than offset the adverse effects of the reallocation of International Card Services to Retail Banking, the sale of GWK and Fortis Bank Asia and the adverse impact on other realised and unrealised gains and losses and income tax expense as a result of hedge accounting not having been applied in 2004.

Fortis Bank Turkey (previously Dişbank), consolidated in the second half of 2005, contributed EUR 35 million to net profit. Its total revenues amounted to EUR 182 million, of which the main components were net interest income of EUR 115 million and commissions of EUR 36 million. Total expenses stood at EUR 142 million. In the fourth quarter of 2005 Fortis began a rebranding campaign, for which a one-off charge of EUR 17 million was taken.

In 2006, Fortis has continued to develop the franchise in Turkey by opening 40 new branches, in line with the aim to have around 300 branches by 2009.

(v) Insurance

The following table sets forth selected financial information for Fortis consolidated insurance operations for the periods indicated. For purposes of this presentation, a number of customary insurance performance indicators are chosen. A reconciliation of these figures to the Fortis income statement is provided in Note 51 of the Notes to the Fortis Financial Statements 2006. These are only presentation changes and have no impact on net profit.

	Year Ended 31 December			2006 vs. 2005 Change	2005 vs. 2004 Change
	2006	**2005**	**2004**		
		(EUR million)			
Life					
— Gross written premiums	9,147	8,256	6,609	11%	24%
— Investment contracts without DPF	2,978	3,225	1,455	(8)%	*
Gross inflow[(1)]	12,125	11,481	8,123	6%	41%
Gross written premiums Non-Life	5,033	4,775	4,636	5%	3%
Technical result					
— Life	638	691	577	(8)%	20%
— Non-Life	573	537	389	7%	38%
Allocated capital gains	206	206	151	0%	36%
Operating margin[(2)]	**1,417**	**1,434**	**1,117**	**(1)%**	**28%**
— Life	811	858	706	(5)%	22%
— Non-Life	606	576	411	5%	40%
Non-allocated other income and charges	434	298	534	46%	(44)%
Profit before income tax	**1,851**	**1,732**	**1,651**	**7%**	**5%**
Income tax	(390)	(473)	(369)	(18)%	28%
Minority interests	41	34	10	21%	*
Net profit	**1,420**	**1,225**	**1,272**	**16%**	**(4)%**
— Life	924	748	710	24%	5%
— Non-Life	496	477	340	4%	40%
— Other			222		(99)%
Operating costs [(3)]	(1,341)	(1,256)	(1,423)	7%	(12)%

Notes:

(1) Under IFRS certain insurance products are treated as investment contracts (non-participating investment contracts) and premiums received are treated as policyholder deposits and not reported in the income statement. Management believes that gross inflow is, therefore, a better indication of the total business written by the insurance business during the applicable periods.

(2) Operating margin consists of the technical result plus the capital gains that are allocated to policyholders.

(3) Operating costs include general expenses, including claim handling costs, but excluding deferred acquisition costs and investment-related costs.

The following table sets forth the aggregate of (i) gross inflow (life) and (ii) gross written premiums (non-life) and profit before income tax and minority interests by business line for Fortis consolidated insurance operations for each of the periods indicated.

	Gross Inflow/Gross Written Premiums			Profit Before Income Tax		
	Year Ended 31 December			Year Ended 31 December		
	2006	**2005**	**2004**	**2006**	**2005**	**2004**
	(unaudited) *(EUR million)*					
Insurance Belgium	6,744	6,444	5,400	698	685	665
Insurance Netherlands	5,380	4,603	4,628	810	751	610
Insurance International	5,034	5,209	2,645	343	296	165
Other Insurance (including eliminations)	—	—	89	—	0	212
Total	**17,158**	**16,256**	**12,762**	**1,851**	**1,732**	**1,652**

Insurance Key Performance Indicators

	Year Ended 31 December			2006 vs. 2005 Change	2005 vs. 2004 Change
	2006	**2005**	**2004**		
Number of FTEs	13,106	13,083	12,937		
Operating leverage[(1)]	(4.3)%	17.6%			
Life:					
New business life — APE (in EUR million)	1,336	1,279	922	4%	39%
Non-Life total:					
Claims ratio	61.2%	61.3%	65.1%		
Expense ratio	34.9%	34.7%	33.9%		
Combined ratio	96.1%	96.0%	99.0%		
Non-Life Property & Casualty[(2)]:					
Claims ratio	59.1%	58.8%	60.7%		
Expense ratio	39.3%	38.3%	39.6%		
Combined ratio	98.4%	97.1%	100.3%		

	Year Ended 31 December			2006 vs. 2005 Change	2005 vs. 2004 Change
	2006	2005	2004		
Non-Life Accident & Health(3):					
Claims ratio..	65.9%	66.9%	72.0%		
Expense ratio...	24.7%	26.3%	25.3%		
Combined ratio	90.6%	93.2%	97.3%		

Notes:

(1) Operating leverage is defined as the difference in the percentage growth of operating margin excluding operating costs and in the percentage growth in operating costs.

(2) Property & Casualty includes insurance operations covering property damage and liability claims.

(3) Accident & Health covers insurance operations related to medical cost, illness and disability claims.

Insurance - European Embedded Value

As part of its 2006 results, Fortis published the Embedded Value ("**EV**") of its life insurance business in accordance with the European Embedded Value ("**EEV**") principles established by the CFO Forum of European insurance companies. In complying with EEV, Fortis has adopted a market consistent methodology and now publishes a Market Consistent Embedded Value ("**MCEV**"). EV of life insurance operations provides additional information on the value of the in-force contracts and the value of new business being written. EV excludes any value attributable to future new business but provides an estimate of the expected profits to emerge from a book of life insurance business. The changes in a company's EV from year-to-year provides a measure of the profitability of the company's life insurance business.

The 2006 figures have been calculated in accordance with the EEV principles. The transition to MCEV reporting, which started in 2005, has now been completed. The Value Added by New Business ("**VANB**") is calculated applying the same Market Consistent approach as used for calculating the total EV.

In 2006, Fortis also completed the transition of aligning internal core Risk and Value applications including Economic capital, Embedded Value and ALM and the migration to a market consistent methodology. This effort reflects Fortis desire to value and manage its business on an economic basis. Fortis now uses integrated processes with a single platform for stochastic analysis used for a range of risk management purposes including Economic Capital and ALM. This framework allows a bottom-up approach where the market value of each asset and liability is calculated at model point level, and includes, amongst others, an allowance for Cost of Financial Options and Guarantees.

	(EUR million)
	(unaudited)
Embedded Value year-end 2004	9,738
Impact Embedded Value	429
Model changes	(38)
Acquisition Millenniumbcp Fortis	319
Embedded Value beginning 2005	10,448
Accrual during the year	1,133
Accrued value year-end 2005	11,581
Dividend payment to Fortis	(751)
Embedded Value year-end 2005	10,830
Opening adjustment [1]	(208)
Accrual during the year	2,898
Accrued value year-end 2006	13,521
Dividend payment to Fortis	(1,214)
Embedded Value year-end 2006	12,307

Note:

(1) Opening adjustment: reflects changes as a result of completing transition to aligning internal models

Value added by new business – Traditional Methodology

The following tables set forth certain measurements applied in determining the value of new business added by each of Fortis' insurance business segments.

	PVNBP[1]			VANB[2]			New Business Margin[3]	
	2006	2005	Change	2006	2005	Change	2006	2005
	(unaudited)							
	(EUR million, except %)							
Insurance Belgium [4]	4,760	4,837	(2)%	240	164	46%	5.04%	3.39%
Insurance Netherlands	2,051	2,044	0%	50	45	9%	2.42%	2.22%
Insurance International	3,705	3,346	11%	84	91	(8%)	2.26%	2.72%
Insurance Total	**10,516**	**10,227**	**3%**	**373**	**300**	**24%**	**3.55%**	**2.94%**

	PVNBP(1)			VANB(2)			New Business Margin(3)	
	2006	2005	Change	2006	2005	Change	2006	2005
	(unaudited)							
	(EUR million, except %)							
Insurance Belgium	4,837	3,626	33%	164	134	22%	3.39%	3.70%
Insurance Netherlands	2,044	2,207	(7)%	45	55	(17)%	2.22%	2.50%
Insurance International	3,346	1,861	80%	91	28	*	2.72%	1.50%
Insurance Total	**10,227**	**7,694**	**33%**	**300**	**216**	**39%**	**2.94%**	**2.82%**

Notes:

(1) PVNBP = present value new business premiums.

(2) VANB = value added by new business.

(3) New business margin is the value added by new business as a percentage of the present value of new business premiums.

(4) Insurance Belgium on a look through basis; result related commission between Fortis Insurance Belgium and Fortis Bank.

2006 Compared to 2005

Net profit for 2006 increased 16% to EUR 1,420 million (2005 EUR 1,225 million), with Life net profit increasing 24% to EUR 924 million (2005: EUR 748 million) and Non-Life net profit rising 4% to EUR 496 million (2005 EUR 477 million). At Life, higher investment income and higher capital gains, partly offset by the result-related commission paid to Retail Banking in Belgium, was principally responsible for the 11% increase in pre-tax results to EUR 1,161 million as reflected in the segment reporting in the financial statements. A lower effective tax rate owing to a more favourable capital gains mix further contributed to the rise in net profit. Non-Life technical results increased 7%. Higher technical results in the Dutch Accident & Health market and better results at Motor more than compensated for lower results at Fire. The increase in net profit at Non-Life before results on divestments was in line with higher technical results.

Operating costs increased 7% in 2006, owing to business expansion, acquired distribution skills and integration expenses. Operating costs in The Netherlands remained virtually stable, while volumes grew. In Belgium, operating costs increased as a result of the integration of Fortis AG and FB Insurance. Operating costs of the international activities were also higher as Fortis Insurance continued to pursue its international growth strategy and Outright (acquired by Fortis UK) was included for the full year.

2005 Compared to 2004

Net profit decreased 4% to EUR 1,225 million. A 40% rise in the Non-Life net profit before results on divestments, to EUR 477 million, and a 5% improvement in net profit at the Life businesses, to EUR 748 million, more than compensated for the absence of profit contribution by Assurant following its divestment (but which remained partially consolidated in 2004 under 'Other').

Operating costs declined 12% to EUR 1,256 million in 2005 compared to EUR 1,423 million in 2004. Excluding Assurant, operating costs were up 13% year-on-year due to the inclusion of Millenniumbcp Fortis, costs related to the integration of the Dutch insurance operations, charges taken in the fourth quarter for upgrading the quality of management, the inclusion of Outright, development of the UK brokerage activities, and development of our International activities.

Life

The following table sets forth certain technical information with respect to the life insurance business for the periods indicated. The information set forth below has been extracted from the reconciliation of Technical Accounts in Note 51 to Notes to the Fortis Financial Statements 2006.

Technical result Life	**Year Ended 31 December**		
	2006	**2005**	**2004**
		(EUR million)	
Gross earned premiums	9,147	8,256	6,609
Ceded reinsurance earned premiums	(56)	(50)	(43)
Financial result and capital gains allocated to technical result	4,690	5,496	3,132
Fee income	145	123	70
Other income	11	67	48
Total income	**13,937**	**13,892**	**9,816**
Benefits and surrenders, gross	(5,733)	(4,366)	(3,943)
Reinsurers' share of benefits and surrenders	137	206	23
Change in liabilities arising from insurance and investment contracts including unit-linked contracts	(6,151)	(7,685)	(4,041)
Reinsurers' share of change in liabilities	(115)	(170)	(326)
Profit sharing	(316)	(199)	(89)
Total technical charges	**(12,178)**	**(12,214)**	**(8,376)**
Commission expenses	(532)	(364)	(362)
Change in deferred acquisition costs and VOBA	(79)	(121)	(64)
Administrative expenses	(519)	(510)	(442)
Reinsurance commissions and profit participation	9	8	5
Total operating expenses	**(1,121)**	**(987)**	**(863)**
Technical result Life Insurance before taxation	638	691	577

2006 Compared to 2005

Gross inflow at Life increased by 6% in 2006 to EUR 12,125 million (EUR 9,147 of gross earned premiums and EUR 2,978 million of revenues from investment contracts) from EUR 11,481 million in 2005 (EUR 8,256 million of gross earned premiums plus EUR 3,225 million of revenues from investment contracts), benefiting from an exceptionally large group life contract in The Netherlands in the fourth quarter involving EUR 710 million. Excluding this contract, growth in The Netherlands (3%) and Belgium (4%) was offset by lower inflows in Portugal, resulting from the decision to favour returns over volumes in that country. Life technical result in 2006 declined 8% to EUR 638 million from EUR 691 million in 2005. The main reason for this decline was due to higher commission expenses, including payment of a EUR 75 million result related commission to Retail Bank. As allocated capital gains remained the same in 2006 and 2005 (EUR 206 million) life operating margin also declined by 5% in 2006.

2005 Compared to 2004

Gross inflow at Life in 2005 increased by 42% to EUR 11,481 million (EUR 8,256 million of gross earned premiums and EUR 3,225 million of revenues from investment contracts) from EUR 8,123 million in 2004 (EUR 6,609 million of gross earned premiums and EUR 1,455 million of revenues from investment contracts) due to the better technical result and higher allocated capital gains (EUR 206 million in 2005 and EUR 151 million in 2004). Almost two-thirds of the EUR 3.4 billion increase was due to the consolidation of Millenniumbcp Fortis as of January 2005. The remainder is principally attributable to a 23% increase in Belgium, which had record fourth-quarter sales. Excluding the sale of Assurant and the acquisition of Millenniumbcp Fortis, gross inflow would have increased by 18% due to the aforementioned strong sales in Belgium and double-digit growth rates in Luxembourg and France.

Life technical result in 2005 increased by 20% to EUR 691 million from EUR 577 million in 2004. The operating margin at Life improved in 2005 by 22% to EUR 858 million. Although all business contributed to both increases, more than half of it was due to better investment margins in Belgium. The performance of Millenniumbcp Fortis and the return to profitability in France were also responsible for this upward trend.

Insurance Life - European Embedded Value and value added by new business

The Embedded Value of life insurance operations provides additional information on the value of the contracts in force and the value of new business.

2006 Compared to 2005

After taking into account opening adjustments, the Embedded Value before dividends increased by 27% to EUR 13.5 billion from a restated opening value of EUR 10.6 billion as of the end of 2005. This increase is mainly driven by a strong Value Added by New Business (VANB) up 24%, compared to last year and higher investment returns due to higher interest rates and strong growth in shares values which returns were higher than the assumptions in the model.

After the dividend payment to Fortis, Embedded Value was EUR 12.3 billion at year-end 2006.

2005 Compared to 2004

The Embedded Value increased by 19% to EUR 11.6 billion, including EUR 0.7 billion due to the move to market consistent valuation and the acquisition of Millenniumbcp Fortis. On a "like-for-like" basis (i.e. excluding Millenniumbcp Fortis and after the impact of the move to market consistent valuation), the growth would have been 11%.

VANB together with the release of modelled profits and the positive variance between the actual and modelled investment income more than offset the negative impact of lower investment income due to lower investment assumptions.

After the dividend payment to Fortis, EV reached EUR 10.8 billion at year-end 2005.

Insurance Life - Value added by new business

2006 Compared to 2005

The VANB is calculated applying the same Market Consistent approach as used for calculating the total EV. The volume of new Life business is measured by the (market consistent) Present Value of New Business Premiums (**PVNBP**). In order to allow for comparison, the VANB and PVNBP 2006 were calculated applying the traditional method. The traditional method is based on cash flows using real world investment return assumptions and discounted at a discount rate of 7.2% which is the ten year risk free return plus 300 basis points equity risk premium. On a traditional basis, the VANB increased by 24% from EUR 300 million in 2005 to EUR 373 million in 2006 driven mainly by higher volumes at Insurance International and higher average margins. The higher margins are due mainly to an increase in investment margins at Insurance Belgium funded from the risk premium on shares and property.

Although these increases in margins are not recognised up front under the market consistent approach, the market consistent VANB increases further to EUR 377 million or 26% higher compared to 2005, because of other adjustments, notably the reduction in the cost of capital. The overall New Business margin under the market consistent methodology was 3.33%.

2005 Compared to 2004

In line with our strategy to focus on profitable growth, VANB in 2005 grew substantially faster than new sales, resulting in a 12 basis-point increase in the new business margin to 2.94%. The increase in business margin was due to a higher proportion of sales generated through the Banking channel in Belgium, the contribution of and significantly improved margins at Insurance International which included the initial contribution of Millenniumbcp Fortis.

Non-Life

The following table sets forth certain technical information with respect to the Non-Life insurance business for the periods indicated. The information set forth below has been extracted from the reconciliation of Technical Accounts in Note 51 to the Fortis Financial Statements 2006.

	Year Ended 31 December		
	2006	2005	2004
		(EUR million)	
Gross earned premiums	4,936	4,788	4,546
Ceded reinsurance earned premiums	(508)	(624)	(625)
Financial results and capital gains allocated to technical result	318	292	295
Other income	73	65	59
Total income	**4,819**	**4,521**	**4,275**
Claims paid, gross	(2,678)	(2,471)	(2,379)
Reinsurers' share of claims paid	276	299	235
Change in liabilities arising from contracts	(273)	(316)	(468)
Reinsurers' share of change in liabilities	(20)	(57)	63
Claim handling expenses	(197)	(182)	(180)
Total technical charges	**(2,892)**	**(2,727)**	**(2,729)**
Commission expenses	(885)	(827)	(798)
Change in deferred acquisition costs and VOBA	26	(4)	7
Reinsurers' share of change in deferred acquisition costs and VOBA	8	2	
Administrative expenses	(626)	(564)	(486)
Reinsurance commissions and profit participation	123	136	120
Total operating expenses	(1,354)	(1,257)	(1,157)
Technical result Non-Life insurance, before taxation	573	537	389
Technical result Non-Life business of Other insurance			22
Total	**573**	**537**	**411**

2006 Compared to 2005

Gross written premiums at Non-Life increased 5% to EUR 5,033 million in 2006 compared to EUR 4,775 million. This growth reflects higher volumes at International and Belgium, which more than compensated for a slight decline in The Netherlands resulting from the decision not to participate in the price war in medical expenses insurance. All product segments contributed to year-on-year volume growth. Sustained above-market growth rates in Belgium and the successful affinity marketing strategy in the UK pushed up gross earned premiums at Property & Casualty by 4% in 2006. Gross earned premiums at Accident & Health were 3% higher in 2006 compared to 2005, benefiting from strong healthcare growth in Belgium and commercial campaigns for health products in Portugal.

Non-Life operating margin improved 5% to EUR 606 million in 2006 from EUR 576 million in 2005. The improvement in operating margin was in line with the Non-Life technical result, which rose 7% to EUR 573 million in 2006 compared to EUR 537 million in 2005, mainly due to volume growth and a stable combined ratio of 96.1%. The increase was attributable to Accident & Health and Motor in The Netherlands, which more than compensated for lower results at Fire. The Dutch Accident & Health line had an exceptionally strong combined ratio of 82.5%, primarily the result of selective underwriting and a benign claims environment. For Fortis as a whole, the combined ratio for Property & Casualty increased only slightly from 97.1% in 2005 to 98.4% in 2006, with better technical results at Motor failing to fully offset the higher claim frequency at Fire. Fortis Corporate Insurance continued its strong underwriting performance. As a result of the foregoing, net profit grew 4% to EUR 496 million in 2006 from EUR 477 million in 2005.

2005 Compared to 2004

Gross written premiums at Non-Life increased 3% (excluding gross written premiums of EUR 503 million at Assurant in 2004). All product lines in Belgium and International contributed to this rise. The 6% decrease in gross written premiums at Non-Life in The Netherlands was due to a stricter acceptance policy at Motor (—9%) and an amendment in Accident & Health legislation, resulting in a repayment of premiums (—7%), including reimbursement of premiums already collected.

The operating margin at Non-Life increased by 40% to EUR 576 million in 2005, reflecting sharply higher technical results (+38% to EUR 537 million in 2005), particularly at Insurance Netherlands and Insurance International. All product lines contributed to this improvement.

The combined ratio for Non-Life improved by 300 basis points to 96.0% in 2005. Both principal segments — Property & Casualty and Accident & Health — contributed to the reduction in the ratio. This improvement can be attributed to a favourable claims environment in terms of frequency and severity and a lower expense ratio.

The following tables set forth the technical result of Fortis non-life operations by business line and principal product line for the periods indicated.

	Accident and Health	Property & Casualty			2006
		Motor	Fire	Other	Total
			(EUR million)		
Insurance Netherlands	192	38	27	15	272
Insurance Belgium	39	54	30	6	129
Insurance International	12	57	65	38	172
Other Insurance	0	0	0	0	0
Total	**243**	**149**	**122**	**59**	**573**

	Accident and Health	Property & Casualty			2005
		Motor	Fire	Other	Total
			(EUR million)		
Insurance Netherlands	146	18	39	20	223
Insurance Belgium	47	62	29	1	139
Insurance International	16	53	67	39	175
Other Insurance	0	0	0	0	0
Total	**209**	**133**	**135**	**60**	**537**

	Accident and Health	Property & Casualty			2004
		Motor	Fire	Other	Total
			(EUR million)		
Insurance Netherlands	138	14	22	(9)	165
Insurance Belgium	27	59	36	5	127
Insurance International	4	31	59	3	97
Other Insurance	9	0	0	13	22
Total	**178**	**104**	**117**	**12**	**411**

Insurance Investments

The following table sets forth the carrying amount of the components of the investment portfolio of Fortis insurance operations at the dates indicated. Land and buildings are valued at cost less depreciation and impairments. Equity securities, debt securities and investments related to unit-linked contracts are valued at market value at the end of the relevant period. See Note 19 of the Notes to the Fortis Financial Statements 2006.

	At 31 December		
	2006	**2005**	**2004**
		(EUR million)	
Land and buildings	2,447	2,144	1,939
Equity securities	10,239	8,448	5,978
Debt securities and other fixed-income securities	50,553	46,090	38,512
Investments in equity associates and joint ventures	548	476	1,119
Other investments(1)	560	634	604
Subtotal	**64,347**	**57,790**	**48,152**

	At 31 December		
	2006	2005	2004
		(EUR million)	
Investments related to unit-linked contracts.................	28,865	25,907	16,936
Total investments	**93,212**	**83,223**	**65,088**

Note:

(1) Includes participations in investment pools, excluding investments in associates and joint ventures.

The following table sets forth the direct income from investments (excluding realised capital gains) of the Fortis insurance operations by asset category for the years indicated. See the Fortis Financial Statements 2006.

	Year Ended 31 December					
	2006		2005		2004	
	Income	Pre-Tax Yield[(1)]	Income	Pre-Tax Yield[(1)]	Income	Pre-Tax Yield[(1)]
			(EUR million, except %)			
Land and buildings..............................	263	11.5%	258	12.6%	252	13.1%
Equity securities..................................	270	2.9%	226	3.1%	180	3.1%
Debt securities and other fixed-income securities	2,095	4.3%	1,903	4.5%	1,674	4.3%
Investments in equity associates and joint ventures	112	21.9%	82	10.4%	156	22.5%
Other investments[(2)]............................	262	—	252	—	250	—
Subtotal...	3,002	4.9%	2,722	5.1%	2,510	5.2%
Investments for account of policyholders[(3)]	1,949	7.1%	3,255	15.2%	1,129	6.2%
Total income investments[(4)]	4,951	5.6%	5,977	8.0%	3,651	5.5%

Notes:

(1) Pre-tax yield is calculated using interest, rental, dividend and other income received for each period, divided by the average of beginning and year-end balances on related assets. It does not include realised capital gains (other than under “Investments for account of policyholders”).

(2) Includes income from participations in investment pools and Interparking

(3) Any revaluation of shares that belong to this category is taken to the profit and loss account as investment income for unit-linked contracts, including realised and unrealised revaluations of shares.

(4) Equal to the sum of “investment income” and “realised/unrealised gains on investments related to unit-linked contracts.

In 2006, income from investments of Fortis insurance operations decreased to EUR 4,951 million from EUR 5,977 million in 2005. Income in all asset categories held in the Fortis general account increased with a pre-tax yield of 4.9% in 2006 compared to 5.1% in 2005. Investments related to unit-linked contracts in 2006 decreased by EUR 1,306 million from EUR 3,255 million in 2005 to EUR 1,949 million in 2006. This decrease was due to the negative revaluation of bonds due to interest rate increases not fully compensated by increased equity revaluations.

In 2005, income from investments of Fortis insurance operations increased to EUR 5,977 million from EUR 3,651 million in 2004. All investments categories increased. Income from investments related to unit-linked contracts, which is fully attributable to policyholders, increased by EUR 2,126 million, to EUR 3,255 million in 2005 from EUR 1,129 million in 2004 due to decreasing interest rates resulting in unrealised gains on bonds and improved equity market conditions.

Insurance Belgium

The following tables set forth selected summary financial information for Insurance Belgium for the periods indicated.

	Year Ended 31 December			2006 vs. 2005 Change	2005 vs. 2004 Change
	2006	**2005**	**2004**		
	(EUR million, except %)				
Gross inflow					
Life[1]	5,474	5,280	4,300	4%	23%
Non-Life	1,270	1,164	1,100	9%	6%
Operating costs	(378)	(348)	(447)	9%	22%
Technical result	**453**	**537**	**462**	**(16)%**	**16%**
Life	324	398	335	(19)%	19%
Non-Life	129	139	127	(7)%	9%
Operating Margin[2]	**607**	**622**	**548**	**(2)%**	**14%**
Life	456	477	405	(5)%	18%
Non-Life	151	144	143	5%	1%
Non-allocated other income and expense	91	63	117	44%	(46)%
Profit before taxation	**698**	**685**	**665**	**2%**	**3%**

	Year Ended 31 December			2006 vs. 2005 Change	2005 vs. 2004 Change
	2006	2005	2004		
	(EUR million, except %)				
Income Tax	(141)	(190)	(187)	(26)%	2%
Minority interests	4	7	6	(43)%	17%
Net profit	**553**	**488**	**472**	**13%**	**3%**
Operating leverage[3]	(7.0)%	7.5%			

Notes:

(1) Under IFRS certain insurance products are treated as investment contracts (non-participating investment contracts) and premiums received are treated as policyholder deposits and not reported in the income statement. Gross inflow is, therefore, a better indication of the total business written by the insurance business during the applicable periods.

(2) Operating margin consists of the technical result plus the capital gains that are shared with the policyholders.

(3) Operating leverage is defined as the difference in the percentage growth in operating margin plus operating cost and in the percentage of growth in operating cost.

2006 Compared to 2005

Gross inflow at Life increased 4% (EUR 5.5 billion in 2006 compared to EUR 5.3 billion in 2005) and at Non-Life 9% (EUR 1.3 billion in 2006 compared to EUR 1.2 billion in 2005). According to the latest market estimates published by the Belgian insurance association Assuralia, Fortis Insurance Belgium's market share in individual life advanced from 20% in 2005 to 28% in 2006, while its non-life market share grew from 13% to 14%.

Operating margin decreased by 2% or EUR 15 million to EUR 607 million due to the result related commission payable to Retail Bank of EUR 87 million for the first time in 2006, not fully compensated by higher allocated capital gains of EUR 69 million.

Operating costs rose by 9% due to volume growth and expenses related to the integration of Fortis AG and FB Insurance which was sold to Insurance Belgium by Fortis Bank in the third quarter of 2006. Volume growth also drives the increase in the number of FTEs from 5,003 to 5,182. The number of FTEs employed by Fortis Insurance Belgium subsidiary Interparking, which is part of Fortis Real Estate, grew by 76 as a result of acquisitions in Spain and new car parks at German railway stations following a deal with Deutsche Bahn. The number of FTEs employed by the insurance operations went up by 103, in line with hiring targets set to accommodate the business's ongoing strong growth.

Net profit at Fortis Insurance Belgium was EUR 553 million in 2006, an increase of 13% compared with 2005. Net profit increased despite the EUR 83 million result-related commission paid to Fortis Retail Bank, introduced in 2006. This amount was more than offset by higher net capital gains and a lower tax rate (due to the capital gains mix).

2005 Compared to 2004

Life recorded solid growth in gross inflow (EUR 5.3 billion in 2005 compared to EUR 4.3 billion in 2004) supported by very strong fourth-quarter inflow. This substantial increase in the latter part of 2005 was due to sales which accelerated into this period to avoid a 1.1% premium tax effective from 1 January 2006. Non-Life premiums increased 6% to EUR 1.2 billion in 2005. The growth in non-life was ahead of the market generally, primarily due to the success of Health Fortis and its entry into a number of large group contracts.

Total operating margin increased 14% to EUR 622 million in 2005 from EUR 548 million in 2004, which can be fully attributed to the 18% rise in the Life operating margin as a result of higher volumes, investment returns and capital gains. The improved financial market performance in 2005 had a significant impact on the life operating results in 2005.

Operating costs decreased 22% to EUR 348 million in 2005, compared to EUR 447 million in 2004. The number of FTEs totalled 5,003 at the end of 2005, 3% lower than at 31 December 2004.

Net profit for 2005 increased 3% to EUR 488 million as the 9% improvement in Life was offset by the decrease in Non-Life.

Insurance Belgium — Life

	Year Ended 31 December			2006 vs. 2005	2005 vs. 2004
	2006	2005	2004	Change	Change
		(EUR million)			
Gross written premiums	4,353	4,139	3,669	5%	13%
Investment contracts without DPF	1,121	1,141	631	(2)%	81%
Gross inflow	5,474	5,280	4,300	4%	23%
Technical result	324	398	335	(19)%	19%
Allocated capital gains	132	80	70	65%	15%
Operating margin	456	478	405	(5)%	18%
Non-allocated other income and charges	74	67	98	10%	(32)%
Profit before income tax	530	545	503	(3)%	8%
Income tax	(93)	(147)	(139)	(37)%	6%
Minority interests	3	6	4	(50)%	50%
Net profit	**434**	**392**	**360**	**11%**	**9%**
Life:					
New business life — APE	511	494	417	3%	18%

The following table sets forth certain information regarding premiums received by Insurance Belgium's life business.

	Year Ended 31 December		
	2006	**2005**	**2004**
		(EUR million)	
Regular premiums	1,191	1,567	1,572
Single premiums	3,164	2,571	2,096
Annualised premium equivalent (APE)	511	494	417
Value added by new business (VANB) (1)	189	164	134

Note:

(1) Market consistent approach excluding result related commissions to Fortis Bank.

2006 Compared to 2005

Revenues. Gross inflow at Life increased 4% to EUR 5,474 million in 2006 compared to EUR 5,280 million in 2005. Total inflow was split between individual life insurance, EUR 4,570 million, representing 83% of total inflow, and EUR 904 million in group life in 2006 compared to EUR 4,347 million in individual life insurance, representing 82% of total inflow and EUR 933 million in group life in 2005.

New production, expressed as Annual Premium Equivalent (APE) increased to EUR 511 million, 3% higher than in 2005. The APE for individual unit-linked business grew by 18% and remained stable in individual non-unit-linked business. Group life APE increased by 17% compared with last year. Funds under management rose 9% to EUR 38.5 billion at the end of 2006 compared to EUR 35.3 billion at the end of 2005.

Individual life insurance inflow in 2006 represented a 5% increase over 2005. This increase is in contrast with a decline in inflow experienced by the Belgian individual life insurance market in 2006. According to Assuralia's latest estimates, the total individual life market in Belgium contracted by 22% in 2006. Anticipation of a 1.1% premium tax on most individual life insurance contracts to be introduced in 2006, caused inflow in the market in the final quarter of 2005 to increase materially as described above, consequently depressing inflow in 2006. Fortis Insurance Belgium overcame this market trend, recording higher inflow in 2006 than in 2005. The growing appetite for our successful 0%-guarantee products and our innovative product development combining unit-linked and traditional features – both contributed to this strong performance.

Total individual life inflow through the bank channel increased by 2% to EUR 3,103 million in 2006, of which EUR 145 million was sold through Bank van De Post. New products introduced in 2005 and 2006, such as Target Invest Plan and Planning for Pension, represented 20% of total bank channel inflow in 2006. The broker channel accounted for EUR 1,467 million of life insurance inflow in 2006, up 10% compared to 2005.

Sales of individual unit-linked contracts advanced 8% to EUR 1,067 million in 2006, with sales through the bank channel growing by 5% and through the broker channel by 20%. 12% of the total inflow from unit-linked contracts was generated by products offering a minimum capital guarantee. Inflow in individual traditional life -- insurance products with a guaranteed interest rate - rose by 3% to EUR 3,504 million in 2006, mostly driven by the broker channel. Fifty-five per cent of the new traditional business in the broker channel offers a 0% interest rate guarantee.

Group life insurance inflow decreased by 3% to EUR 904 million in 2006 compared to EUR 933 million in 2005, mainly due to product reclassification. According to the Assuralia 2006 Annual Report, the Belgian group life market expanded only by 0.5% in 2006 (including first pillar group life insurance results). Fortis Insurance Belgium's growth in group life was mainly driven by second-pillar insurance which recorded year-on-year growth of 8%. FBI's growth rate was higher than the overall second pillar market growth of 7%. Second pillar insurance is the market for pensions on top of the state pension plan, taken out by companies for their employees.

With a market share of 22%, Fortis Insurance Belgium is the leader in group life second-pillar insurance. Despite the sluggish growth of the group life market in 2006, we are confident about this business's strong long-term growth potential.

Profit before income tax. The technical result at Life decreased by 19% to EUR 324 million in 2006 from EUR 398 million in 2005, due to the payment of the result-related commission to the bank channel following the transfer of FB Insurance to Insurance Belgium, which was only partly offset by a gain related to the completion of a real estate development project. Excluding the internal commission paid to Fortis Retail Bank, the technical result in 2006 remained stable compared with 2005. Higher allocated capital gains increased the operating margin to EUR 456 million in 2006, down 4% in 2005. Excluding the result-related commission, the operating margin grew by 11%. Profit before income tax decreased 3% to EUR 530 million in 2006 from EUR 545 million in 2005.

Net Profit. Net profit for Insurance Belgium Life was EUR 434 million in 2006 compared to EUR 392 million in 2005. The increase in net profit (in contrast to the decline in technical results) was due to lower income tax (EUR 93 million in 2006 and EUR 147 million in 2005) due to the nature of the realised capital gains which were not taxable.

2005 Compared to 2004

Revenues. Gross inflow at Life increased 23% to EUR 5,280 million in 2005 compared to EUR 4,300 million in 2004, mainly due to the success of new or recently introduced products in 2005 (Planning for Pension, Top Invest plan, structured unit-linked contracts, Ascento, Top Rendement Invest). Both the banking and broker distribution channels performed favourably, contributing two-thirds and one-third to the increase in gross inflow, respectively. The banking channel recorded a 27% increase in gross inflow to EUR 3,148 million in 2005, driven by several commercial campaigns at Fortis Bank. The broker channel also posted strong growth of 19% to EUR 2,131 million in 2005.

APE amounted to EUR 494 million (2004: EUR 417 million). Single premium production grew by 23%, which contributed to the 18% increase in APE.

Both channels benefited from the anticipation by customers of tax changes that came into effect as of January 2006. Consequently, sales increased significantly in the fourth quarter and gross inflow also benefited from a summer campaign at Fortis Bank.

Gross written premiums at the traditional Life business rose 13% to EUR 4.1 billion in 2005. The bulk of this increase came from Individual Life, which advanced 15% to EUR 3,177 million in 2005. Group Life premiums also increased by 7% to EUR 962 million in 2005 due to a broader product offering: Ascento, a product used to capture lump sum payments made in connection with maturing pensions, continued its strong growth pattern, collecting inflow of EUR 67 million in 2005, while flexible products (e-volulife) grew 10%.

Interest in unit-linked contracts accelerated in the fourth quarter, bringing total inflow in 2005 to EUR 1,126 million, an 81% rise compared with 2004. Such increase is principally attributable to the strong financial markets in 2005, which made these products more attractive.

Life insurance funds under management increased 13% to EUR 38 billion.

Net profit before income tax. Staff expenses rose only 5% to EUR 216 million in 2005, including the costs related to the upgrade of the management program, and other expenses were well under control and grew by 1% to EUR 210 million in 2005.

The Life operating margin rose by 18% to EUR 478 million as both the technical result, up 19% on higher investment margin, and capital gains, up 15% to EUR 80 million, were higher than in 2004.

Net Profit. Net profit Insurance Life was EUR 392 million in 2005 compared to EUR 360 million in 2004. The increase in net profit was principally due to the improved technical result.

Insurance Belgium Life - Embedded Value and value added by new business

	Year End 31 December		
	2006	**2005**	**2004**
		(unaudited)	
		(EUR million)	
EV before dividend payment	5,406	4,405	4,214
VANB..	240	164	134
PVNBP	4,760	4,837	3,626

2006 Compared to 2005

The EV (after opening adjustments and before dividends) of Insurance Belgium rose 36% to EUR 5,406 million in 2006 compared with EUR 4,405 million in 2005. Measured on a traditional basis VANB increased by 46% to EUR 240 million in 2006 from EUR 164 million in 2005 principally due to higher average margins. The higher margins were due mainly to an increase in investment margins attributable to a change in investment mix, more shares and property. PVNBP decreased by 2% to EUR 4,760 million primarily due to lower PVNBP in Group Life. New business margin (VANB divided by PVNBP) was 3.66% in 2006 and 3.39% in 2005.

2005 Compared to 2004

The EV (before dividends) of Insurance Belgium rose 10% to EUR 4,405 million in 2005. The bancassurance business grew by 17%, while the broker business grew by 4%. VANB (measured on a traditional basis) increased by 22% to EUR 164 million in 2005 from EUR 134 million in 2004. PVNBP advanced 33% to EUR 4,837 million due to growth in written premiums. The new business margin declined by 31 basis points to 3.39%. This was due to a drop in the margin in unit-linked contracts from 3.63% to 2.72% as a result of lowered expected future appreciation of unit-linked funds. Excluding the unit-linked business, the margin dropped 12 basis points to 3.57%, mainly due to changes in assumptions regarding slightly lower expected interest rates and investment margins.

Insurance Belgium — Non-Life

	Year Ended 31 December			2006 vs. 2005	2005 vs. 2004
	2006	**2005**	**2004**	**Change**	**Change**
			(EUR million)		
Gross written premiums	1,269	1,164	1,100	9%	7%
Technical result	129	139	127	(7)%	9%
Allocated capital gains	22	5	16	*	(69)%
Operating margin	151	144	143	5%	1%
Non-allocated other income and charges	17	(4)	19	*	*
Profit before income tax	168	140	162	20%	(14)%
Income tax	(48)	(43)	(48)	12%	(10)%
Minority interests	1	1	1	0%	
Net profit	119	96	113	24%	(15)%
Non-Life total:					
Claims ratio	61.6%	60.2%	61.0%		
Expense ratio	37.4%	36.9%	37.4%		
Combined ratio	99.0%	97.1%	98.4%		
Property & Casualty:					
Claims ratio	52.7%	52.3%	51.3%		
Expense ratio	43.1%	42.2%	42.4%		

	Year Ended 31 December			2006 vs. 2005 Change	2005 vs. 2004 Change
	2006	2005	2004		
			(EUR million)		
Combined ratio	95.8%	94.5%	93.7%		
Accident & Health:					
Claims ratio	83.3%	79.8%	85.7%		
Expense ratio	23.6%	23.6%	24.8%		
Combined ratio	106.9%	103.4%	110.5%		

The following table shows gross premiums written by product line for the Insurance Belgium Non-Life business for the periods indicated.

	Year Ended 31 December			2006 vs 2005 Change	2005 vs 2004 Change
	2006	2005	2004		
			(EUR million)		
Accident & Health	366	331	309	11%	7%
Property & Casualty	903	833	791	8%	5%
Total	**1,269**	**1,164**	**1,100**		

2006 Compared to 2005

Gross written premiums at Non-Life increased by 9% to EUR 1,269 million in 2006 from EUR 1,164 million in 2005 due to strong growth at Accident & Health, mainly due to large group health contracts, and to Fire because of the introduction of compulsory natural disaster cover. Insurance Belgium's growth rate was more than double the market which, according to Assuralia's latest statistics, expanded by just over 4% in 2006.

Non-Life business distributed through the banking channel grew by 10% to EUR 212 million in 2006 compared to EUR 193 million in 2005.

Accident & Health experienced strong growth, as premium income increased by 11% to EUR 366 million in 2006 mainly due to large group health contracts. Growth of 12% at Fire – ending the year with an inflow of EUR 400 million - was largely due to the introduction of compulsory natural disaster cover. Excluding this factor, underlying growth in the Property & Casualty segment was 5% in 2006 compared to 2005.

Non-Life business sold through the broker channel grew by 7% to EUR 1,057 million. Our strong relationship with the broker community, reflected in the excellent results of the ICMA broker satisfaction survey, helped us to maintain healthy growth without sacrificing our underwriting or pricing criteria. Our innovative product offering, including flexible multi-cover concepts such as Familis and Modulis, sustained a solid growth rate. There were nearly 330,000 Familis policies, with an average of 2.3 contracts each, at the end of 2006, a 26% increase compared with 2005. The Modulis concept aimed at the SME market represented more than 52,000 contracts, 20% more than in 2005, with the average number of contracts at 3.7. We strengthened our product offering with the introduction of insurance packages aimed at the specific needs of targeted client segments.

Profit before income tax. The technical result decreased by 7% to EUR 129 million in 2006 from EUR 139 million in 2005, chiefly due to the result-related commission payable to Fortis Retail Bank. Other elements that had a minor negative impact on the technical results were lower positive run-offs from previous underwriting years, reserve strengthening in disability insurance and higher costs related to the activities for the integration of Fortis AG and FB Insurance and to volume growth. Operating margin, however, reached EUR 151 million, an increase of 5% due to higher levels of allocated capital gains. Together with an increase of EUR 21 million of non-allocated other income and charges (EUR 17 million in 2006 and EUR (4) million in 2005), profit before income tax increased 20% to EUR 168 million in 2006 from EUR 140 million in 2005.

Net profit. Net profit at Non-Life increased 24% to EUR 119 million in 2006 compared with EUR 96 million in 2005. This improvement was principally due to the higher net profit before tax for the reasons cited and a lower effective tax rate with respect to non-allocated other income and charges offsetting the lower technical result.

The combined ratio was 99.0% for 2006, up from 97.1% in 2005. Excluding the long tail Workers' Compensation insurance business, the combined ratio was 96.3% (94.9% in 2005). The claims ratio on policies sold during 2006, excluding Workers' Compensation, was 62.7%, lower than the 2005 claims ratio of 63.5%, indicating that the quality of the policies in force remains high.

The combined ratio for Workers' Compensation deteriorated slightly to 120%, compared with 112% in 2005. This high figure however does not indicate that this segment is unprofitable. The high reserve-to-premium ratio and the long duration of this business means that the sizeable financial revenues on Workers' Compensation provisions should be taken into account when assessing profitability.

2005 Compared to 2004

Gross written premiums at Non-Life increased 6% to EUR 1,164 million in 2005 from EUR 1,100 million in 2004. All product lines (Motor, Fire, Accident & Health and Other) contributed to this growth. Insurance Belgium's 6% growth was 2% ahead of growth in the Belgian market. The group health care market was particularly successful, as a number of large contracts were added during the year in both the corporate and public service segments.

Accident & Health improved due to the acquisition of three large group accounts during 2005 with the full impact on premium income to be evident in 2006. Motor increased 5% to EUR 369 in 2005, mainly due to volume improvement as rates were flat to down slightly in 2005. Fire increased 6% to EUR 358 million.

Staff expenses increased by 17% to EUR 153 million, mainly due to costs related to the upgrade of the management program, and other expenses increased by 11% to EUR 137 million.

Profit before income tax. The operating margin at Non-Life was stable at EUR 144 million despite lower capital gains recorded in 2005. The technical result increased 9% to EUR 139 million in 2005 as the combined ratio improved to 97.1% in 2005 from 98.4% in 2004 as a result of the drop in both the claims ratio (60.2% versus 61.0%) and the expense ratio (36.9% versus 37.4%). Accident & Health accounted for most of the increase in the technical result, more than offsetting lower results at Fire, which suffered from weather-related claims in the third quarter.

Net Profit. Net profit at Non-Life decreased 15% to EUR 96 million in 2005 from EUR 113 million in 2004, principally due to a decrease in realised capital from EUR 25 million in 2004 to EUR 9 million in 2005, capital gains realised in 2005 and higher expenses in 2005.

The combined ratio was 97.1% for 2005, down from 98.4% in 2004. This was primarily the result of a reduction in the claims ratio for Accident & Health, which fell from 85.7% in 2004 to 79.8% in 2005.

The following table shows the technical result by product line for the Insurance Belgium non-life business for the periods indicated.

	Year Ended 31 December					
	2006		2005		2004	
	Accident & Health	Property & Casualty	Accident & Health	Property & Casualty	Accident & Health	Property & Casualty
	(EUR million)					
Insurance Belgium						
Technical result	39	90	47	92	27	100

Insurance Netherlands

The following tables set forth selected summary financial information for Insurance Netherlands for the periods indicated.

	Year Ended 31 December			2006 vs. 2005 Change	2005 vs. 2004 Change
	2006	2005	2004		
			(EUR million)		
Gross inflow					
Life[1]	3,437	2,635	2,542	30%	4%
Non-Life	1,943	1,968	2,085	(1)%	(7)%
Technical result	548	516	428	6%	21%
Life	276	293	263	(6)%	11%
Non-Life	272	223	165	22%	35%
Operating Margin	596	605	496	(1)%	22%
Life	315	355	321	(11)%	11%
Non-Life	281	250	175	12%	43%
Non-allocated other income and expense	214	146	114	47%	28%
Profit before taxation and minority interests	**810**	**751**	**610**	**8%**	**23%**
Income Tax	(179)	(214)	(157)	(16)%	36%
Minority interests	7	3	4	*	(25)%
Net profit	**624**	**534**	**449**	**17%**	**19%**
Operating leverage[2]	(0.5)%	6.9%			
Operating costs	(553)	(556)	(514)	(1)%	8%

Notes:

(1) Under IFRS certain insurance products are treated as investment contracts (non-participating investment contracts) and premiums received are treated as policyholder deposits and not reported in the income statement. Gross inflow is, therefore, a better indication of the total business written by the insurance business during the applicable periods.

(2) Operating leverage is defined as the difference in the percentage growth in operating margins plus operating expense and in the percentage of growth in operating expenses.

2006 Compared to 2005

Revenues. Life recorded growth in gross written premiums of 30% (EUR 3,437 million in 2006 and EUR 2,635 million in 2005). All insurance contracts written in The Netherlands are treated as insurance policies under IFRS. This increase included one exceptional group life contract of EUR 710 million received in the fourth quarter of 2006. Excluding this contract, life gross written premium income would have increased by 3.5% in 2006 compared to 2005.

Non-Life gross written premiums decreased about 1% in 2006 compared to 2005 due mainly to lower Accident & Health premiums.

Total operating margin declined 1% in 2006 compared to 2005 as a 12% increase in Non-Life operating margin was more than offset by an 11% decline in operating margin for the life business. The decline in Life was due to the allocation method for investment income resulting in lower technical result and lower operating margin but in higher non allocated other income and expenses.

Operating costs remained tightly under control, benefiting from the integration of Fortis ASR, which was completed in 2006. Despite wage drift, volume growth and the first-time full-year consolidation of SOS International (specialist in worldwide emergency medical and travel assistance) in the fourth quarter, operating costs declined 1% to EUR 553 million in 2006 from EUR 556 million in 2005. Excluding the SOS-related expenses, operating costs fell by 3%. The number of FTEs stood at 4,210 at the end of 2006, down 5% on year-end 2005 (4,416), excluding 236 FTEs who are now employed by Group Resources.

Net Profit. Net profit at Fortis Insurance Netherlands increased to EUR 624 million in 2006, up 17% compared with 2005 (EUR 534 million). This increase was due to an excellent combined ratio for Non-Life, a robust performance at Life, taking into consideration the change in allocation method, tight cost control and lower average taxes, partly offset by lower capital gains.

2005 Compared to 2004

Revenues. Life recorded growth in gross written premiums of 4% (EUR 2,635 million in 2005 compared to EUR 2,542 million in 2004) in a competitive market, primarily due to the acquisition of new clients by the Group life portfolio, while Non-Life premiums decreased to EUR 1,968 million in 2005 from EUR 2,085 million in 2004, primarily due to the premium refunds granted pursuant to new regulations relating to the Accident & Health business.

Total operating margin increased 22% to EUR 605 million, with 11% and 43% increases in Life and Non-Life, respectively. The increase in Life was principally due to a better technical result. The increase in Non-Life was primarily due to increased technical results in the Property & Casualty portfolio. Operating costs increased by 8% to EUR 556 million in 2006 compared to 2005 mainly due to a broad marketing campaign related to the introduction of a new label and the integration of IT systems of three insurance companies. The number of FTEs totalled 4,652 at the end of 2005, 3% lower than at 31 December 2004.

Net Profit. Net profit of Insurance Netherlands increased 19% to EUR 534 million (2004: EUR 449 million) driven by a steep rise in net profit at Non-Life. Operating margins improved both at Life and at Non-Life. Net profit of Non-Life was 78% higher in 2005, at EUR 230 million.

Insurance Netherlands — Life

	Year Ended 31 December			2006 vs. 2005 Change	2005 vs. 2004 Change
	2006	2005	2004		
			(EUR million)		
Gross written premiums[(1)]	3,437	2,635	2,542	30%	4%
Technical result..........................	276	293	263	(6)%	11%
Allocated capital gains	39	62	58	(37)%	6%
Operating margin	315	355	321	(11)%	11%
Non-allocated other income and charges	198	74	127	*%	(42)%
Profit before income tax	513	429	448	20%	(4)%
Income tax	(101)	(122)	(124)	(17)%	(2)%
Minority interests........................	7	3	4	*%	(25)%
Net profit	405	304	320	33%	(5)%

Note:

(1) All contracts written in The Netherlands are treated as insurance contracts under IFRS (not investment contracts) due to the structure of products (transfer of risk).

The following table sets forth certain information regarding premiums received by Insurance Netherlands Life business for each of the years indicated.

	Year Ended 31 December		
	2006	2005	2004
		(EUR million)	
Regular premiums	1,772	1,686	1,451
Single premiums.......................................	1,666	949	1,091
Annualised premium equivalent (APE)......	275	250	273
Value added by new business (VANB) [(1)]..	50	45	55

Note:

(1) Based on a market consistent approach

2006 Compared to 2005

Revenues. Gross written premiums at Life increased 30% to EUR 3,437 million in 2006 (2005: EUR 2,635 million) in a competitive market, due mainly to an exceptionally large group life co-assurance contract of EUR 710 million received in the fourth quarter of 2006. Excluding this contract, total gross written premiums would have increased by 3.5%.

Individual life premiums in traditional and unit-linked contracts grew by 6% in 2006 from EUR 2,211 million in 2005 to EUR 2,343 million in 2006.

Group life gross written premiums increased by 671 million to 1,094 million in 2006 from 423 million in 2005 due to the new contract discussed above.

In 2006, Fortis Insurance Netherlands continued to follow its strategy of writing new business where it was able to maintain new business margins, while investing in bank and tied agents distribution models. New regular premiums increased by 5% to EUR 1,772 million in 2006 compared with EUR 1,686 million in 2005. Regular premium products generally have better business margins than single premium products.

This increase can be attributed to Fortis Insurance Netherlands emphasis on bancassurance (retail bank distribution) which resulted in premium equivalent APE through this distribution channel increasing by 37% to EUR 22 million. Excellent growth of 80% was realised in the production of mortgage-related life insurance products, supported by the introduction in the fourth quarter of 2005 of a new, innovative product in the mortgages segment specially designed for first-time homeowners with bright career prospects. The increase in single premiums from EUR 949 million in 2005 to EUR 1,666 million in 2006 was principally due to the large group contract discussed above.

The value of new production – expressed as APE – increased by 10% compared to 2005 and reached EUR 275 million in 2006 mainly due to good sales of traditional products.

Profit before income tax. The technical result life (EUR 293 million in 2005 and EUR 276 million in 2006) and operating margin (EUR 355 million in 2005 and EUR 315 million in 2006) both declined in 2006. The decline in life technical result of 6% was due to changes in allocation of investment income between life and non-life and between technical result and non-allocated other income and expenses. Notwithstanding such declines, profit before income tax increased by 20% to EUR 513 million in 2006 from EUR 429 million in 2005. Such increase was attributable to non-allocated other income and charges of EUR 198 million in 2006, a EUR 124 million increase over 2005 (EUR 74 million). This increase was mainly due to the changes in allocation of investment income noted above.

Net profit. Our focus on profitable premium growth and higher investment income (growing funds under management), together with a lower effective tax rate, lifted net profit 33% to EUR 405 million in 2006 compared to EUR 304 million in 2005.

2005 Compared to 2004

Revenues. Gross written premiums at Life increased 4% to EUR 2,635 million in 2005 in a competitive market. Individual life premiums increased 2% to EUR 2,212 million in 2005 on the back of higher sales in unit-linked contracts. Group Life increased 14% to EUR 423 million in 2005. Growth of Group Life was driven by two major new accounts obtained in the fourth quarter, enabling Fortis Insurance Netherlands to further penetrate this market segment.

In 2005 Fortis Insurance Netherlands also decided to focus on profitable growth in the mortgage production segment. This decision had an impact on Fortis Insurance Netherlands' market position in mortgage production. Market share came under pressure in 2005 due to fierce competition in the mortgage market and consequently had an adverse impact on life insurance policies sold in connection with such mortgages. As a result, new production — expressed as APE — amounted to EUR 250 million (2004: EUR 273 million). A more competitive mortgage proposition introduced in the fourth quarter of 2005 improved results. In conjunction with the commercial campaign to introduce the new Fortis ASR brand, Fortis Insurance Netherlands saw an increase in the fourth quarter in mortgage production.

The volume of life products sold through the Fortis Bank retail channel (bancassurance) continued to grow. New production expressed as APE increased by 37% to EUR 16 million and this trend has continued into 2006.

The operating margin consisting of EUR 293 million technical result and EUR 62 million in allocated capital gains (2004: EUR 263 million and EUR 58 million, respectively) increased by 11% to EUR 355 million. Although margins on new investments were under pressure, the contribution of the investment margins to the technical results remained stable. Fortis Insurance Netherlands transacted a landmark deal with the government concerning the exchange of 2,300 hectares of land — the largest land transaction ever for Fortis — as part of its strategy to improve the quality of the investment portfolio. Despite the improved operating margin, profit before income tax decreased 4% to EUR 429 million in 2005 from EUR 448 million in 2004 as non-allocated other income and charges fell 42% due to lower realised capital gains.

Net profit. Net profit decreased by EUR 16 million or 5% to EUR 304 million in 2005 from EUR 320 million in 2004, primarily as a result of lower realised capital gains, driving down non-allocated other income and charges.

Insurance Netherlands Life - Embedded Value and value added by new business

	2006	**2005**	**2004**
		(unaudited)	
		(EUR million)	
EV before dividend payment	6,802	6,016	4,998
VANB..	50	45	55
PVNBP	2,051	2,044	2,207

2006 Compared to 2005

The EV (after opening adjustments and before dividends) increased by 13% to EUR 6,802 million in 2006. All components, including value added by new business, expected return and better than anticipated results from investments, contributed to this result.

PVNBP remained stable at EUR 2,051 million compared to EUR 2,044 million in 2005.

Measured on a traditional basis, the Value added by new business (VANB) increased by 9% to EUR 50 million in 2006 from EUR 45 million in 2005. The increase can be attributed to improved margins as a result of an improved business mix, lower taxes and higher investment income. On a market consistent basis the VANB increased to EUR 84 million in 2006 reflecting the relatively low risk profile of the products and the reduction in cost of capital. On this basis, the new business margin (expressed as VANB divided by PVNBP) increased 122 basis points to 3.64% in 2006 compared to 2005.

2005 Compared to 2004

The EV (before dividends) increased by 20% to EUR 6,016 million in 2005. The positive impact of the unwinding of the discount rate, value added by new business and better than anticipated results from investments more than offset the negative impact of changed assumptions of lower interest rates.

The significant competition in the Dutch life-insurance market resulted in a 7% decline in the value of new business premiums (PVNBP), to EUR 2,044 million in 2005. The competition also negatively impacted the new business margin which dropped 28 basis points to 2.22%. VANB decreased by 17% to EUR 45 million in 2005 from EUR 55 million in 2004, primarily due to the lower value of fee income from unit-linked business and lower margins in Group Life due to competition.

Insurance Netherlands — Non-Life

	Year Ended 31 December			2006 vs. 2005 Change	2005 vs. 2004 Change
	2006	2005	2004		
	(EUR million, except %)				
Gross written premiums	1,944	1,969	2,085	(1)%	(6)%
Technical result	272	223	165	22%	35%
Allocated capital gains	9	27	10	(68)%	*
Operating margin	281	250	175	12%	43%
Non-allocated other income and charges	16	72	(13)	(78)%	*
Profit before income tax and minority interests	297	322	162	(8)%	99%
Income tax	(78)	(92)	(33)	(15)%	*
Minority interests	0	0	0	*	

	Year Ended 31 December			2006 vs. 2005 Change	2005 vs. 2004 Change
	2006	2005	2004		
	(EUR million, except %)				
Net profit	**219**	**230**	**129**	**(5)%**	**78%**
Non-Life total:					
Claims ratio	55.8%	57.3%	62.9%		
Expense ratio	34.8%	34.9%	34.9%		
Combined ratio	90.6%	92.2%	97.8%		
Property & Casualty:					
Claims ratio	53.4%	52.8%	58.7%		
Expense ratio	44.1%	42.4%	44.3%		
Combined ratio	**97.5%**	**95.2%**	**103.0%**		
Accident & Health:					
Claims ratio	58.6%	62.4%	68.1%		
Expense ratio	23.9%	26.4%	23.1%		
Combined ratio	**82.5%**	**88.8%**	**91.2%**		

The following table shows gross written premiums by product line for the Insurance Netherlands Non-Life business for the periods indicated.

	Year Ended 31 December		
	2006	2005	2004
	(EUR million)		
Accident & Health	965	993	1,064
Property & Casualty	978	976	1,021
Total	**1,943**	**1,969**	**2,085**

2006 Compared to 2005

Revenues. Gross written premiums were EUR 1,944 million in 2006, flat compared to the 2005 figure despite substantially lower premiums in the medical expenses line. The Dutch health insurance system was privatised in 2006, creating fierce pricing competition in the medical expenses business line. Fortis Insurance Netherlands decided to include medical expenses in its integrated Accident & Health product offering and not to compete in the price war. Excluding the decline in medical expenses, gross written premiums would have risen by 3%. Gross written premium at Accident & Health remained stable, driven by an increase in disability offset by lower gross written premiums in medical expenses. The rise in gross written premiums for disability was favourably influenced by new products introduced in anticipation of legislative amendments and lower lapses.

Motor experienced stiff price competition, though this only had a minor effect on premiums at Fortis Insurance Netherlands (decrease of 2% in gross written premiums), mainly due to successful marketing campaigns, new distribution models and several new features. Gross written Fire premiums remained virtually stable at EUR 315 million in 2006 compared to EUR 322 million in 2005.

Net profit before income tax. The technical result at Non-Life improved 22% to EUR 272 million in 2006 from EUR 223 million in 2005. This improvement was reflected in the operating margin at Non-Life which increased 12% to EUR 281 million in 2006 from EUR 250 million in 2005. The lower percentage increase is due to a lower level of allocated capital gains (EUR 27 million in 2005 and EUR 9 million in 2006). These improvements were also impacted by the changes in allocation of investment income.

The higher technical result was evidenced in the combined ratio for Non-Life, which remained low at 90.6% (2005: 92.2%). This ratio was predominantly driven by an enhanced performance of the Accident & Health portfolio, lowering the claims ratio to 58.6% (2005: 62.4%). Fortis Insurance Netherlands succeeded in reducing sickness leave periods of insured employees, thereby improving this segment's profitability. Despite a negative one-off influence, relating to decreased settlement time for personal injury claims following the so-called Tilburg Agreement, the Motor claims ratio in 2006 improved to 58.0% (2005: 61.7%).

The selective underwriting process that Fortis Insurance Netherlands has implemented in the past few years and controlled cost growth has contributed to Non-Life's continuing improvements in technical results.

Notwithstanding these factors, profit before income tax declined by 8% to EUR 297 million in 2006 from EUR 322 million in 2005, mainly due to high capital gains realised in 2005 that were not prepared in 2006. The 6% decrease in life technical result was due to changes in allocation of investment income between life and non-life and between technical result and non-allocated other income and expenses.

Net profit. Net profit in Non-Life declined by 5% to EUR 219 million in 2006 from EUR 230 million in 2005, mainly due to the higher capital gains realised in 2005.

2005 Compared to 2004

Revenues. Gross written premiums at Non-Life in 2005 were EUR 1,969 million (2004: EUR 2,085 million). Gross written premiums at Accident & Health decreased from EUR 1,064 million to EUR 993 million. This decline was largely due to the new long-term disability act (WIA) making selected insurance products written in 2004 and 2005 obsolete (WAO gat and Pemba), and pursuant to which Dutch insurers were required to refund premiums collected in 2004 and 2005. Motor gross written premiums declined from EUR 477 million to EUR 434 million mainly due to the profit pricing strategy and review of the authorised agents' portfolios, resulting in cancellation of contracts within these portfolios. Fire gross written premiums remained stable.

The Non-Life technical result improved 35% to EUR 223 million in 2005 from EUR 165 million in 2004. This improvement was evidenced in the Non-Life operating margin which rose by 43% to EUR 250 million, benefiting from higher levels of allocated capital gains (EUR 10 million in 2004 and EUR 27 million in 2005). This was predominantly driven by an increase in the technical result of the Property & Casualty portfolio due to an improvement in the claims ratio to 52.8% (2004: 58.7%). Motor, Fire and Other Lines contributed to this good result with very favourable combined ratios despite some weather and season-related claims during the fourth quarter of 2005 in Motor, Accident & Health surpassed the previous year's strong performance, resulting in a combined ratio of 88.8% (2004: 91.2%).

Profit before income tax. Profit before income tax in the non-life business increased by 99% to EUR 322 million in 2005 from EUR 162 million in 2004. This increase was due to the significant improvement in technical result and a EUR 81 million increase in capital gains, reflected in increased allocated capital gains of EUR 17 million and an increase in non-allocated other income and charges of EUR 84 million.

Net profit. Net profit in the non-life business increased 78% to EUR 230 million in 2005 from EUR 129 million in 2004. The lower percentage increase in net profit compared to net profit before income tax is due to a higher effective tax rate in 2005 (28.8%) compared to 2004 (20.4%)

The following table shows the technical result by product line for the Insurance Netherlands Non-Life business for the periods indicated.

	Year Ended 31 December					
	2006		2005		2004	
	Accident & Health	Property & Casualty	Accident & Health	Property & Casualty	Accident & Health	Property & Casualty
	(EUR million)					
Insurance Netherlands						
Technical result	192	80	146	77	138	27

2006 compared to 2005

Operating costs remained tightly under control, benefiting from the integration of Fortis ASR, which was completed in 2006. Despite wage drift, volume growth and the first-time full-year consolidation of SOS International (specialist in worldwide emergency medical and travel assistance) in the fourth quarter, operating costs declined 1% to EUR 553 million. Excluding the SOS-related expenses, operating costs declined by 3%.

2005 compared to 2004

Operating cost increased by 8% from EUR 514 million in 2004 to EUR 556 million in 2005. The increase was mainly due to integration of the three main insurance companies and the cost related to the quality upgrade management program.

Insurance International

The following table sets forth selected summary financial information for Insurance International for the periods indicated.

	Year Ended 31 December			2006 vs. 2005 Change	2005 vs. 2004 Change
	2006	2005	2004		
	(EUR million, except %)				
Gross inflow					
Life	3,214	3,567	1,222	(10)%	*
Non-Life	1,820	1,642	1,423	11%	15%
Technical result	**210**	**175**	**76**	**20%**	
Life	38	0	(21)	*	*
Non-Life	172	175	97	(2)%	80%
Operating Margin	**214**	**206**	**74**	**4%**	
Life	40	25	(20)	60%	*
Non-Life	174	181	94	(4)%	93%
Non-allocated other income and charges	129	90	91	43%	(1)%
Profit before taxation	**343**	**296**	**164**	**16%**	**80%**
Income Tax	(70)	(69)	(35)	1%	97%
Minority interests	30	24	0	25%	*
Net profit	**243**	**203**	**129**	**20%**	**57%**
Operating leverage[(1)]	(4.6)%	31.3%			
Operating costs	(411)	(353)	(250)	16%	41%

Note:

(1) Operating leverage is defined as the difference in the percentage growth in operating margins plus operating expense and in the percentage of growth in operating expenses.

2006 Compared to 2005

Revenues. Gross inflow at life for the consolidated international companies was EUR 3.2 billion, a decline of EUR 0.4 billion. Non-Life gross inflow offset this decline in part, increasing from EUR 1.6 billion to EUR 1.8 billion. Including the companies accounted for using the equity method (consisting of the life insurance operations in Spain, Malaysia, China and Thailand) on a 100% basis (hereafter referred to as 'on a 100% basis'), total gross inflow increased 17% to EUR 3,9 billion with excellent sales in China and Thailand and reflecting a successful acquisition in Malaysia.

Operating costs rose to EUR 411 million in 2006 from EUR 353 million as a result of the further implementation of the growth strategy and continued investment in growth.

Total operating margin increased 4% in 2006 to EUR 214 million from EUR 206 million in 2005 as a slight decline in Non-Life operating margin was offset by an improvement in life.

Net Profit. Net profit improved 20% to EUR 243 million in 2006 (2005: EUR 203 million). The increase in net profit was principally due to Life activities (up 63% to EUR 85 million in 2006), driven by the Asian operations. Non-Life net profit climbed 5% mainly due to continued effective underwriting and sound risk management.

2005 Compared to 2004

Revenues. Gross inflow life at the fully consolidated companies increased significantly from EUR 1.2 billion in 2004 to EUR 3.6 billion in 2005. Non-Life gross inflow also increased from EUR 1.4 billion in 2004 to EUR 1.6 billion in 2005. The increase was due primarily to the performance of Millenniumbcp Fortis and higher sales at Fortis Luxembourg. Gross inflow at the joint venture companies included on a 100% basis increased from EUR 3.0 billion in 2004 to EUR 3.3 billion in 2005.

Total operating margin improved from EUR 74 million in 2004 to EUR 206 million in 2005. The main contributors to this improvement were the first-time inclusion of Millenniumbcp Fortis in the scope of consolidation as of 2005, and the return to profit and positive technical results of Fortis Assurance France. The increase in operating expenses was also driven by the consolidation of Millenniumbcp Fortis.

Net profit. Net profit grew 57%, to EUR 203 million in 2005 from EUR 129 million in 2004, due primarily to a 53% rise in net profit at Non-Life.

Insurance International — Life

	Year Ended 31 December			2006 vs. 2005 Change	2005 vs. 2004 Change
	2006	2005	2004		
		(EUR million)			
Gross written premiums	1,357	1,482	398	(8)%	*
Investment contracts without DPF[1]	1,857	2,084	825	(11)%	*
Gross inflow[1]	3,214	3,566	1,222	(10)%	*
Technical result	38	—	(21)		*
Allocated capital gains	2	25	1	(92)%	*
Operating margin	40	25	(20)	60%	*
Non-allocated other income and charges	78	50	51	56%	(2)%

	Year Ended 31 December 2006	2005	2004	2006 vs. 2005 Change	2005 vs. 2004 Change
	(EUR million)				
Profit before income tax and minority interests	118	75	31	57%	*
Income tax	(10)	(9)	—	11%	*
Minority interests	23	14	—	64%	*
Net profit	85	52	31	63%	68%
New business life — APE	550	535	232	3%	*

Note:

(1) Under IFRS certain insurance products are treated as investment contracts (non-participating investment contracts) and premiums received are treated as policyholder deposits and not reported in the income statement. Gross inflow is, therefore, a better indication of the total business written by the insurance business during the applicable periods.

The following table sets forth certain information regarding premiums received by Insurance International Life business for each of the years indicated.

	Year Ended 31 December 2006	2005	2004
	(EUR million)		
Regular premiums	496	462	279
Single premiums	862	1,020	118
Annualised premium equivalent (APE)	550	535	232
Value added by new business (VANB) (1)	84	91	28

Note:

(1) Based on a market consistent approach.

2006 Compared to 2005

Revenues. Total gross inflow at fully consolidated Life companies was EUR 3,214 million in 2006 (2005: EUR 3,566 million). The decline was due to significantly lower volumes in Portugal only partially offset by higher premium volume in France and Luxembourg. The lower volume in Portugal was due to a decision to favour return versus volume in the Portuguese unit-linked campaigns. The product structure is being reviewed, and newly developed open-ended unit-linked contracts will be added to the offering to boost inflows with better returns.

Gross inflow at Life companies reported using the equity method (on a 100% basis) increased by 12% to EUR 3,446 million in 2006 compared to EUR 3,080 million in 2005. This rise was largely the result of excellent top-line growth in China, the incorporation of Malaysia National Insurance Holdings ("**MNIH**") and further growth of the bancassurance channel in Thailand. Both Taiping Life (China) and Muang Thai (Thailand) improved their market positions, which expanded from 2.2% to 2.8% and from 4.9% to 5.9% respectively (compared with year-end 2005).

The operating margin for the full year improved by 60%, from EUR 25 million to EUR 40 million. This increase was driven by operations in all countries, most notably in Portugal, where the improvement was attributable to higher assets under management and tight cost control.

Net profit. Life net profit advanced to EUR 85 million in 2006, up 63% from EUR 52 million in 2005, driven by positive trends in all countries, especially in Asia, as well as higher levels of non-allocated other income and charges.

2005 Compared to 2004

Revenues. Total gross inflow at the fully consolidated life companies, including the life insurance activities in Portugal, France and Luxembourg, increased from EUR 1,222 million in 2004 to EUR 3,566 million in 2005, principally attributable to Millenniumbcp Fortis (EUR 1,997 million) which was acquired on 1 January 2005 and the continued good sales performance of Fortis Luxembourg. Total gross inflow at the non-consolidated life companies, including the life insurance operations in Spain, Malaysia, China and Thailand, advanced (on a 100% basis) from EUR 2,744 million to EUR 3,080 million (+12%), as a result of group sales at CaiFor (Spain) and overall higher sales in the Asian region.

The operating margin improved from a loss of EUR 20 million in 2004 to EUR 25 million in 2005. This improvement reflected a technical result life that broke even (loss of EUR 21 million in 2004) as well as allocated capital gains of EUR 25 million.

Insurance International Life - Embedded Value and value added by new business

The EV calculations for Fortis Insurance International include the European subsidiaries and entities accounted for under the equity method on a full EV basis and include the Asian joint ventures on a net equity basis.

	2006	**2005**	**2004**
		(unaudited)	
		(EUR million)	
EEV before dividend payment	1,313	1,160	526
VANB	84	91	28
PVNBP	3,705	3,346	1,861

2006 Compared to 2005

The EEV of Fortis Insurance International (after opening adjustments and before dividends) increased by 13% to EUR 1,313 million in 2006, driven by Value added by new business and high investment returns.

PVNBP increased by 11% primarily due to an increase in regular premiums. On a traditional basis the Value added by new business decreased from EUR 91 million to EUR 84 million caused mainly by improvements in cash-flow modelling. Underlying New Business margins were generally stable except for a drop for term products in Portugal, which was compensated for by overall increased business volumes. Valued on a market consistent basis, the VANB increased to EUR 103 million reflecting the relatively low risk profile of the products and the lower cost of capital. The new business margin remained strong at 2.7%.

2005 Compared to 2004

EV at the start of 2005 was positively impacted by the EUR 319 million inclusion of Fortis Millenniumbcp. EV (before dividends) increased by 11% from EUR 1,048 to EUR 1,160 million, mainly driven by the unwinding of the discount rate and value added by new business more than offsetting the negative impact of a change in assumptions.

PVNBP advanced 80% to EUR 3,346 million due to the inclusion of Millenniumbcp Fortis. Value added by new business increased from EUR 28 to EUR 91 million due to the inclusion of Millenniumbcp Fortis, which contributed EUR 37 million, and to strongly improved value creation at all other companies. Other important drivers were excellent volume growth, while costs were kept flat, in France and Luxembourg, and improved sales of high margin risk and pension products at CaiFor. The new business margin in 2005 improved strongly, to 2.72% from 1.50% in 2004, including the relatively high margin sales of Millenniumbcp Fortis and the increase in number and scope of risk products sold.

Insurance International — Non-Life

	Year Ended 31 December			2006 vs. 2005 Change	2005 vs. 2004 Change
	2006	**2005**	**2004**		
	(EUR million, except %)				
Gross written premiums	1,820	1,642	1,423	11%	15%
Technical result	172	175	97	(2)%	80%
Allocated capital gains	2	6	(3)	(67)%	*
Operating margin	174	181	94	(4)%	93%
Non-allocated other income and charges	51	40	39	28%	(3)%
Profit before income tax	225	221	133	2%	66%
Income tax	(60)	(60)	(35)	0%	71%
Minority interests	7	10	0	(30)%	*
Net profit	**158**	**151**	**98**	**5%**	**54%**

	Year Ended 31 December			2006 vs. 2005 Change	2005 vs. 2004 Change
	2006	2005	2004		
	(EUR million, except %)				
Non-Life total:					
Claims ratio	67.1%	67.7%	72.0%		
Expense ratio	33.0%	32.4%	29.5%		
Combined ratio	**100.1%**	**100.1%**	**101.5%**		
Property & Casualty:					
Claims ratio	67.5%	68.1%	72.1%		
Expense ratio	33.3%	32.4%	29.7%		
Combined ratio	**100.8%**	**100.5%**	**101.8%**		
Accident & Health:					
Claims ratio	64.3%	64.6%	70.1%		
Expense ratio	30.7%	32.2%	25.3%		
Combined ratio	**95.0%**	**96.8%**	**95.4%**		

2006 Compared to 2005

Gross written premiums at the fully consolidated companies grew to EUR 1,820 million, up 11% compared with 2005. This increase was driven primarily by growing sales in the UK due to the successful transfer of Age Concern clients to Fortis and higher volumes at Motor. Gross written premiums at Non-Life companies reported using the equity method (on a 100% basis) advanced to EUR 439 million in 2006 from EUR 236 million in 2005 principally as a result of the acquisition of MNIH in Malaysia.

The technical result remained virtually unchanged at EUR 172 million in 2006, on the back of a stable combined ratio. This was realised mainly due to the continued strong underwriting performance of Fortis Corporate Insurance and Fortis UK.

Non-Life net profit increased 5% to EUR 158 million due to continued effective underwriting and sound risk management reflected in a consistently recorded combined ratio of 100%.

2005 Compared to 2004

Gross written premiums for the fully consolidated non-life companies increased by 15% from EUR 1,423 million in 2004 to EUR 1,642 million in 2005, partly driven by Millenniumbcp Fortis. Gross written premiums for the non-consolidated non-life companies increased (on a 100% basis) 28%, from EUR 184 million in 2004 to EUR 236 million in 2005. The greatest contributors were CaiFor and Muang Thai Fortis. Non-Life net profit rose from EUR 98 million to EUR 151 million (+54%) as a result of continued good performances at Fortis Corporate Insurance and Fortis UK and the contribution of Millenniumbcp Fortis Property & Casualty operations.

Non-Life net profit increased 54%, from EUR 98 million to EUR 151 million. The main drivers for this increase were favourable results at Non-Life (Fortis Corporate Insurance and Fortis UK) and the performance of Millenniumbcp Fortis (consolidated as of 1 January 2005).

The following table shows the technical result by product line for the Insurance International Non-Life business for the periods indicated.

	Year Ended 31 December					
	2006		2005		2004	
	Health & Accident	Property & Casualty	Health & Accident	Property & Casualty	Health & Accident	Property & Casualty
	(EUR million)					
Insurance International						
Technical result	12	160	16	159	4	93

(vi) Developments in Geographic Regions

Fortis holds a 100% interest in the companies listed below, unless otherwise noted.

2006 Compared to 2005

Fortis UK (Insurance) posted strong revenue and profit growth in 2006. Profits increased significantly in 2006 supported by strong underwriting results from Fortis Insurance Limited ("**FIL**"), where written premiums increased by 14% and from its retail businesses (Retirement Insurance Advisory Services ("**RIAS**"), OutRight and Text2Insure), where revenues rose by 14%. Affinity Solutions, its consultancy business, served a number of new clients seeking advice in relation to affinity partnerships. Fortis UK's profit before tax has delivered a CAGR of 16% over the past five years, due to a steady rise in the number of FIL customers, which reached 6.5 million at the end of 2006, or 15% more than the previous year. This includes 1.5 million cars insured (compared with 1.37 million at the end of 2005) and over one million Household customers, rising by 66% mainly due to the successful transfer of Age Concern customers. Meanwhile, RIAS, which specialises in the 'over 50s' target group, provided insurance to more than one million customers for the first time.

Fortis Corporate Insurance ("**FCI**") is a leading player in the market of mid-sized corporate risks in the Benelux. FCI launched several growth initiatives in 2006, increasing its business in identified niches such as shipyards, large yachts, owner associations and tour operators. FCI also embarked on prudent expansion outside the Benelux. It strengthened its contacts, for example, with French brokers and initiated joint efforts with Fortis Bank Business Centres aimed at the marine market. FCI also launched a two-year quality improvement program, to be completed in 2007, designed to make it the standard for quality of service in this segment. These growth initiatives helped raise gross written premiums by 3% to EUR 597 million in 2006 (EUR 582 million in 2005), despite softer market conditions and stiffer competition.

Millenniumbcp Fortis (Portugal, 51% stake) reported total gross inflow of EUR 1,629 million in 2006 compared with a total gross inflow of EUR 2,144 million in 2005. Non-Life premiums grew by 17% to EUR 171 million in 2006 but Life inflow declined to EUR 1,458 million in 2006 (EUR 1,997 million in 2005). The decline was due to significantly lower volumes as Milleniumbcp sought to improve returns at the expense of volume growth. A product innovation platform was launched and new products have been developed. The effect of these new products is expected to be felt after their introduction in 2007, based on positive initial results of a marketing pilot. New distribution channels were launched at Health, supported by new agreements with brokers and Portuguese insurance companies.

CaiFor (Spain; Life: 40%; Non-Life: 60%) realised gross inflow of EUR 1,719 million in 2006 compared with EUR 1,991 million in 2005. The risk business (both at Life and Non-Life) continued to display an upward trend, sustaining a strong growth rate. The low-interest rate environment and the government’s fiscal reform (including 18% taxation of all savings instruments), however, created a challenging business environment for savings products.

As usual, commercial efforts in the last quarter of the year focused on individual pension plan campaigns, with the launch of two new, innovative products PlanCaixa Triple 5 and PlanCaixa Invest 16. CaiFor also recently launched a new product designed to meet the specific needs of SMEs and self-employed professionals (VidaCaixa Convenios).

Fortis Assurances Luxembourg had another excellent year, as demonstrated by the increase in assets under management, which were EUR 5.2 billion at the end of 2006 compared to EUR 3.9 billion at the end of 2005. Although gross inflow in 2005 benefited from sales related to the introduction of certain new tax rules pursuant to Feira, a EU tax harmonisation, total gross inflow in 2006 advanced further by 13% to EUR 1,323 million. Sales through third parties doubled over 2005 and new production is more diversified, both from a geographic point of view and in terms of distribution. Italy, for example, generated 20% of total production in 2006.

Fortis Assurances France (insurance-life), posted growth of 26% in new production, both in the direct sales network and in the broker network. Growth was fuelled by the development strategy for unit-linked contracts, which represented more than 63% of new production. Gross inflow at Fortis Assurances rose 10% to EUR 433 million, outstripping the growth rates posted by more traditional insurers. Assets under management grew to EUR 3 billion by the end of the year. The fourth quarter of 2006 marked the launch of Fortis Assurances France’s partnership with Fortis Banque France and the introduction of two new products for its traditional networks (direct sales and brokers). These two products resulted in new production volume of EUR 40 million in 2006.

Taiping Life (China; Fortis stake: 24.9%) Gross inflow exceeded the EUR 1 billion mark for the first time in the company's history (EUR 1,120 million). Taiping Life offers a complete line of life, medical and retirement products for the Chinese market, backed by state-of-the-art computer systems and a skilled staff of insurance professionals. Sales are made primarily through the bancassurance channel, Group Life and an agents' network. This strong performance was achieved as the result of the successful introduction of several new products sold by agents, filling a gap in the product portfolio targeting high- and medium-end clients and the enhancement of business platforms that support the bancassurance and tied agency distribution channels. In terms of APE, the bancassurance and tied agency channels achieved premium growth of 67% and 74%, respectively. This growth was partly generated by the company's ongoing focus on steadily increasing the proportion of regular premium business across all distribution channels. The tied agency force grew to more than 23,500 by the end of 2006. Meanwhile, a multi-channel distribution development program is being implemented, the aim of which is to gradually build a robust third 'leg' alongside the existing distribution channels. Assets under management reached EUR 2.9 billion at year-end 2006, compared with EUR 2.2 billion at the end of 2005.

Mayban Fortis (Malaysia; Fortis stake: 30%) finalised the acquisition of MNIH in 2006, positioning itself as a leading multi-channel insurance company in Malaysia. The integration is on track and is expected to be completed in 2007. Total gross inflow more than doubled to EUR 797 million in 2006 and assets under management were EUR 3.7 billion at year-end 2006.

In 2006, **Muang Thai Fortis** (Thailand; Fortis stake: 40%) grew faster than the overall Thai insurance industry in 2006, chiefly due to the successful rollout of bancassurance in Thailand, which considerably boosted sales volumes. Muang Thai Fortis is now the second largest player in the bancassurance channel. Total gross inflow grew by 18% to EUR 249 million in 2006. More agents are now fully dedicated to the bank branches, bringing the total to more than 300 (up from 163 at the end of 2005). A number of new products were presented to the regulator for approval. Total assets under management grew by 15% to EUR 0.8 billion at the end of 2006.

2005 Compared to 2004

Fortis UK (Insurance). Net profit for the UK increased 22% to EUR 64 million in 2005 supported by strong results for both Fortis Insurance Limited and RIAS. While the UK motor market experienced a further period of downward pressure on pricing in 2005, Fortis Insurance Limited delivered good underwriting results for Private Care and continued to grow its portfolio. Performance of its other product lines (Household, Travel, Van and Commercial Lines for small businesses) was strong in terms of revenues and underwriting profits. Commission income at RIAS grew 20% in 2005 compared to 2004 due to the continued growth of its Household portfolio and has benefited from early success in the growth of its Private Care portfolio.

Fortis Corporate Insurance. Gross Written Premiums increased 4% in 2005 mainly due to growth in Marine and Liability lines with a modest increase in motor but a decline in the fire line due to increased competition. Net profits increased to EUR 58 million in 2005 compared to EUR 31 million in 2004, due to the improved technical results in all lines supported by a favourable claims environment. Since 1999 FCI had been working to improve its organisation and portfolio, which resulted in September 2005 in an increase of FCI's rating by FitchRatings to A+ (strong). Net income also benefited from higher capital gains.

Millenniumbcp Fortis finished its first year of operations as part of Fortis as the biggest bancassurance insurance group in Portugal, and the market leader in the Life business based on gross premiums (market share of 21.9%) and pension fund business (market share of 32.5%)(4). Its total gross inflow amounted to EUR 2,144 million, primarily realised through several successful unit-linked and savings product campaigns in cooperation with Millenniumbcp, the largest commercial bank in Portugal and its principal distribution channel. Net profit contribution was EUR 20 million in 2005.

CaiFor performed well in 2005. Life inflow increased by 4% and non-life premiums increased by 22%, supported by the successful introduction of several new products (e.g. accident insurance and a new household product) and improved customer service. Total assets grew to EUR 22 billion. CaiFor remained the market leader in life insurance, with a market share of 13.3% (measured by life insurance provisions).

Fortis Luxembourg Assurances had a strong year in terms of fund inflow, reaching EUR 1 billion for the first time. Total assets under management grew to EUR 3.9 billion at the end of 2005. A significant part of the sales was realised via the Fortis Bank network and via other banks and distributors outside Luxembourg, i.e. in France, Belgium, Germany and Italy. Fortis Luxembourg Assurances completed the Fortis rebranding exercise in 2005.

Fortis Assurances France gross inflow increased from EUR 359 million in 2004 to EUR 395 million in 2005. This growth was due to an improved performance of the broker network and improved productivity of the direct sales force. Following a major restructuring process, Fortis Assurances France has returned to profitability.

Total gross inflow for 2005 at **Taiping Life** amounted to EUR 768 million (on a 100% basis), an increase of 19% despite strong competition from banking products. Taiping Life's market share grew from 2.0% to 2.2% of the total market, thereby making it the sixth largest Chinese insurance company. Assets under management reached EUR 2.2 billion as of 31 December 2005. In August 2005, Taiping Pension Company, one of the first specialised pension companies in China, was granted a license for Trustee and Pension Asset Management in the new market of enterprise annuity business.

Mayban Fortis gross inflow in 2005 was EUR 354 million (on a 100% basis), 20% higher than in 2004. Assets under management reached EUR 0.9 billion by the end of 2005. In December 2005, Mayban Fortis completed the acquisition of a 74.24% stake in MNIH, a listed and leading insurance group in Malaysia. This deal resulted in a multi-channel insurer at the top of the insurance market in Malaysia in Life and General as well as in Takaful (Islamic insurance).

Muang Thai Fortis acquired in the first half year of 2004, had gross inflow of EUR 202 million in 2005 (on a 100% basis), with bancassurance sales up 110%. Assets under management reached EUR 0.7 billion as of 31 December 2005. In 2005, Muang Thai Life had the highest Annualised New Premium growth rate in the Thai market (on a year-to-year basis). Such increase was attributable to its multi-channel distribution growth, i.e. agency sales, bancassurance and affinity group marketing.

General (including eliminations)

General contains all activities not directly related to banking and insurance activities such as Corporate Headquarters costs and financing costs as well as all eliminations between Banking, Insurance and General.

(vii) General Income Statement

	Year Ended 31 December			2006 vs. 2005 Change	2005 vs. 2004 Change
	2006	**2005**	**2004**		
	(EUR million)				
Insurance premiums	(77)	(74)	(114)	4%	(35)%
Net interest Income	(226)	(233)	(257)	(3)%	(9)%
Net commissions and fees	—	—	1		
Realised capital gains (losses)	(15)	437	395	*	11%
(Un)realised gains (losses)	40	57	(50)	(30)%	*
Dividend and other investment income	(1)	(3)	(12)	(67)%	(75)%
Other income	(120)	(59)	0	*	*
Total revenues	**(399)**	**125**	**(37)**	*	*
Change in provisions for impairment	-	-			
Net revenues	(399)	125	(37)	*	*
Technical charges	161	162	192	(1)%	(16)%
Staff expenses	(49)	(53)	(58)	(8)%	(9)%
Other operating and administrative expenses	28	5	(39)	*	*
Total expenses	140	114	95	23%	20%
Profit before income tax	(259)	238	58	*	*
Income tax	52	43	60	21%	(28)%
Net profit before minority interests	(207)	282	118	*	*
Minority interests	11	(0)	2	*	
Net profit	(218)	282	116	*	*
Results on divestments	—	443	422	—	5%
Net profit before results on divestments	**(218)**	**(161)**	**(306)**	**35%**	**(47)%**

2006 Compared to 2005

The unusually high net profit for 2005 reflects the positive impact of the divestment in Assurant in the first quarter of 2005. Excluding this, the negative result increased EUR 57 million to EUR 218 million in 2006 compared with last year. The net decrease results from several offsetting elements.

Positive contributors were EUR 91 million in surrender penalties received from group entities owing to early loan repayments and lower eliminations of treasury share revenues. Negative elements were higher financing charges due to the acquisition of Fortis Bank Insurance from Fortis Bank Belgium in the context of the Fortis Insurance Belgium merger, a lower positive change in the fair value of the MEB convertible into Assurant shares (EUR 52 million compared with EUR 76 million last year) and higher costs related to the promotion of the Fortis brand

2005 Compared to 2004

The unusually high net profit at General in 2005 and 2004 (EUR 282 million and EUR 116 million, respectively) is related to the positive impact of the divestment of Assurant in each of these years. Excluding the impact of the divestment of Assurant, the net loss at General decreased from EUR 306 million to a net loss of EUR 161 million.

The decrease in net loss before divestments was primarily due to the issuance of the mandatorily exchangeable bonds on the remaining shares of Assurant. This issue generated an unrealised gain due to valuation of the Assurant shares at fair value through the income statement, rather than at net equity value, with further unrealised gains from the revaluation of the embedded derivative incorporated in the mandatorily exchangeable bond and the revaluation through the income statement of the Assurant shares.

(viii) Recent Developments

Fortis announced its results for the first half year ended 30 June 2007 on 9 August 2007. The following summary consolidated income statement information for the first half year ended 30 June 2007 and 30 June 2006 is set forth below.

	Half year ended 30 June		
	2007	**2006**	**Change**
		(unaudited)	
	(EUR million, except % and per share data)		
Net profit attributable to shareholders before results on divestments			
Banking	2,062	2,051	1%
Insurance	764	720	6%
General	(44)	(53)	(17)%
Net Profit	**2,782**	**2,718**	**2%**
Basic EPS (in EUR)	2.15	2.11	2%
Basic EPS before results on divestments (in EUR)	2.15	2.11	2%

	Half year ended 30 June		
	2007	2006	Change
Net equity per share (in EUR)	16.45	14.39	14%
Return on total equity (as %)(1)	22.2%	22.3%(2)	

Note:

(1) Rolling average, based on last four quarters, excluding results on divestments.

(2) Refers to full year 2006.

Consolidated results of operations

Net profit attributable to shareholders went up 2% to EUR 2,782 million in the first half of 2007. Results improved across Banking, Insurance and General.

The half-year results of Banking and Insurance are commented in more detail below

The negative net result of General for the first half year of 2007 came to EUR 44 million, up by EUR 9 million from last year. The EUR 128 million capital gain realised on the sale of a participation was offset by the non-recurrence of a one-off EUR 77 million surrender penalty received in 2006, increased financing charges and higher pension-related eliminations, the last mainly reflecting timing differences.

Financing charges were higher due to the acquisition of Fortis Bank Insurance shares from Fortis Bank Belgium in the context of the Fortis Insurance Belgium merger. Fair value changes relating to Assurant mandatory exchangeable bonds (MEB) ended lower than last year but were more than offset by positive fair value changes in other derivatives.

Solvency

	At 30 June	At 31 December
	2007	2006
	(unaudited)	
	(EUR million)	
Share capital and reserves	15,718	12,264
Net profit attributable to shareholders	2,782	4,351
Unrealised gains and losses	2,728	4,029
Shareholders' equity	21,228	20,644
FRESH	1,138	1,108
Minority interests	904	907
Revaluation of real estate to fair value	1,501	1,465
Revaluation of debt securities, net of tax and shadow accounting	1,099	(672)
Revaluation of equity securities, net of tax and shadow accounting	(1,051)	(967)

	At 30 June 2007	At 31 December 2006
Goodwill	(1,501)	(1,017)
Expected dividend	(913)	(1,066)
Other	(1,374)	(870)
Core equity	21,031	19,532
Innovative capital instruments	3,531	3,531
Extended core capital (1)	24,562	23,063
Subordinated loans	11,710	10,735
Other prudential filters and deductions on total capital	(1,586)	(2,018)
Total capital	34,686	31,780

Note:

(1) Corresponds with Tier 1 capital in Banking.

Core equity target

The three components of the Fortis equity model are:

- a capital target for Fortis Bank equal to a ratio of 7% Tier 1 capital to risk-weighted commitments, including 1% hybrid capital. This implies a target of 6% core equity to risk-weighted commitments;
- a capital target for Fortis Insurance equal to 225% of the regulatory minimum, including 50% of hybrid capital. This implies a core equity target of 175% of the regulatory minimum;
- a Group leverage target (at General) equal to 15% of the total core equity of Banking plus the core equity of Insurance, implying that 15% of Banking and Insurance's combined target core equity could be financed by group debt.

The key capital indicators of Fortis can be shown as follows:

	30 June 2007	31 December 2006
Core equity	21,031	19,532
Core equity target	19,922	17,733
Amount of core equity above target	1,109	1,799
Total capital	34,686	31,780
Minimum solvency requirements	25,946	22,898
Amount of total capital above minimum solvency r equirements	8,740	8,882

Banking

Income statement

	First half year Ended 30 June 2007	2006 (unaudited)	Change
	(EUR million, except %)		
Net interest income	2,655	2,643	0%
Net commissions and fees	1,489	1,411	6%
Realised capital gains (losses) on investments	456	265	72%
Other (un)realised gains and losses	930	1,006	(8)%
Dividend and other investment income	148	162	(9)%
Other income	134	145	(8)%
Total income	**5,812**	**5,632**	**3%**
Change in impairments	(36)	(50)	(28)%
Net revenues	**5,776**	**5,582**	**3%**
Staff expenses	(1,934)	(1,749)	11%
Other operating and administration expenses	(1,459)	(1,258)	16%
Total expenses	**(3,393)**	**(3,007)**	**13%**
Profit before income tax	**2,383**	**2,575**	**(7)%**
Income tax	(312)	(518)	(40)%
Net profit for the period	**2,071**	**2,057**	**1%**
Net profit attributable to minority interests	9	6	50%
Net profit attributable to shareholders	**2,062**	**2,051**	**1%**

Activity based:	First half year Ended 30 June 2007	2006 (unaudited)	Change
	(EUR million, except %)		
Net interest income on interest-margin products	2,617	2,522	4%
Capital gains on investment portfolio	416	261	59%
Treasury and financial markets	1,008	1,131	(11)%

Banking Key Performance Indicators

	First half year Ended 30 June		
	2007	2006	Change
	(unaudited)		
Cost/income ratio	58.4%	53.4%	
Operating leverage[(1)]	(9.6)%		
Credit Risk Weighted Commitments (RWCs) (EUR million)	254,272	221,633	15%
Credit loss ratio (basis points)[(2)]	2	5	
Credit Quality (EUR million)			
Total loans to customers	328,546	288,078	14%
Non-performing loans	5,294	5,582	(5)%
As a percentage of total loans to customers	1.6%	1.9%	

Note:

(1) Operating leverage is defined as the difference between the percentage growth in total revenues, prior to changes in provisions, and in total expenses.

(2) As a percentage of average Credit RWCs.

First half year 2007 compared with first half year 2006

Fortis's banking business reported **net profit** of EUR 2,062 million for the first half of 2007, topping the outstanding EUR 2,051 million recorded for the same period last year. These excellent results were achieved on the back of consistent momentum in commercial activity. The year-on-year-comparison shows sound and steady growth in commercially-driven revenue lines, net interest income, and net commissions and fees. This was supported by solid volume increases in loan portfolios, the deposit base and funds under management. The already structurally lower effective tax rate was helped even further by the make-up of Treasury and Trading results and the mix of capital gains. Changes in impairments remained very low as well. These advantages helped fund an ambitious investment programme aimed at securing long-term growth, which was the main reason for the increase in expenses.

Fortis Bank Turkey contributed EUR 57 million to the net profit in the first half of the year, thereby already comfortably surpassing the EUR 47 million achieved for full year 2006. This was due to the effective expansion of the distribution network, which pushed revenues up sharply while keeping costs under control. Fortis Bank Turkey is consequently on track to deliver the results set out in the acquisition plan.

First-half **total income** rose to EUR 5,812 million, up 3% from the same period last year. Last year's revenues benefited from EUR 220 million of the non-qualifying hedge plus EUR 54 million more mortgage prepayment fees than this year but were also impacted negatively by the EUR 77 million penalty on an internal financing repayment. This year's revenues were depressed by the EUR 29 million timing difference in revenues related to the Global Securities business and the EUR 38 million one-off correction at Fortis Hypotheekbank. Importantly, more than half of the underlying growth in net interest income and commissions was driven by activities earmarked as growth engines.

Net interest income on interest-margin products clocked in at EUR 2,617 million, an increase of 4% versus last year. Business-driven net interest income climbed by as much as 7%, excluding the lower prepayment fees and the one-off correction at Other Banking. The solid increase was realised on the back of strong volume growth particularly at loan-based businesses throughout the Bank. Double-digit net interest income growth was achieved by most Merchant Banking business lines, e.g. Corporate, Institutional & Public Banking, Energy, Commodities & Transportation, Investment Banking and Specialised Financial Services. The slight decrease of EUR 8 million at Retail Banking (excluding France) is fully explained by EUR 19 million lower penalty fees on mortgages in The Netherlands. Excluding this factor, net interest income increased by EUR 11 million, as strong growth in both volumes and margins in Poland and Turkey more than compensated for the change in portfolio mix in Belgium.

Sustained business growth was supported by a steady increase in both **underlying loan volumes and deposits**. Loan volumes, excluding securities lending and reverse repurchase agreements, rose by 9% in the first half of 2007, with commercial loans advancing 15% and residential mortgages 3%. The deposit base was 4% up on the 2006 year-end level. However, there has been a shift away from savings deposits towards lower margin time deposits.

Credit risk-weighted commitments climbed to EUR 254 billion, up 15% on the year-end 2006 level. This rise was driven by strong volume growth particularly at the Merchant & Private Banking business. Total risk-weighted commitments including market risk-weighted commitments of EUR 20 billion amounted to EUR 275 billion, representing an increase of 14% on year-end 2006.

Funds under management amounted to EUR 209 billion, up 10% on year-end 2006, benefiting from sustained inflow and the positive impact of capital markets. Funds under management rose 22% year-on-year, increasing the revenue base for recurring fund-based commission. Net inflow remained strong at EUR 10.3 billion in the first half, mainly due to Private Banking (EUR 2.9 billion) and Fortis Investments (EUR 6.6 billion). The high net inflow at Asset Management was driven by growing business in new key geographies.

Net commissions and fees amounted to EUR 1,489 million, up 6% on the first half of 2006. Fees related to funds under management contributed half of this growth on the back of a substantially higher fee base supported by positive net intake at Asset Management and Private Banking on the one hand and favourable market developments during the period on the other. Insurance related fees, securities and daily banking fees charges accounted for the remainder of the increase.

Capital gains not linked to financial market activity amounted to EUR 416 million in the first half of 2007, EUR 155 million higher than in the same period in 2006. Higher asset sales included disposals in the run-up to the financing of the offer for ABN AMRO. Realised capital gains were largely equity based, contributing to the further reduction of the overall effective tax rate.

Treasury and Financial Markets results declined by 11% (or EUR 123 million) to EUR 1,008 million in the first half. However, the EUR 172 million relating to the factors mentioned above – the non-qualifying hedge, the penalty on an internal financing repayment and timing difference in the Global Securities business – more than explains this decrease. The underlying results of the major contributors to this revenue line, such as Trading, Private Equity and Global Securities Financing, were all up or at least stable compared with last year's stellar performance.

The **change in impairments** remained very low, amounting to just EUR 36 million in the first half of the year. Further net releases at Merchant Banking were the main driver of this low charge at Bank level.

The overall **credit loss ratio** (calculated as a percentage of average credit risk-weighted commitments) remains very low at 2 basis points for the first half of 2007. Barring any unforeseen circumstances, Fortis now expects a credit loss ratio in the range of 10 to 15 basis points for full year 2007. Although the quality of the credit portfolio remains good and there are no signs of this changing in the short term, Fortis is taking a cautious stance, as the current jitters in the U.S. credit market might have spill-over effects.

Total expenses amounted to EUR 3,393 million in the first half of 2007, up 13% on the same period last year. This 13% growth can be broken down into three components. Scope changes and one-off effects explain 3%, while 3% was due to underlying organic growth and 7% to accelerated investment in growth initiatives

The cost/income ratio for the first half of 2007 amounted to 58.4%, which is lower than the ratio for full year 2006, but higher than the 53.4% for the same period in 2006.

The EUR 386 million rise in total expenses was almost equally divided between staff and other operating expenses.

Staff expenses clocked in at EUR 1,934 million, an increase of EUR 185 million or 11% compared with the first half of 2006. However, last year staff expenses benefited from a EUR 31 million pension release, explaining 2% of the increase. Around one third of the remaining increase is due to normal wage inflation and the rest is due to staff increases, owing to both hiring and acquisitions.

Total Banking FTEs amounted to 46,080 at the end of June 2007, an increase of 3,440 or 8% from a year ago. About 1% of the increase relates to the acquisition of Dominet, Cinergy Marketing & Trading, Von Essen etc. The remaining FTE growth occurred mainly at Merchant & Private Banking and Retail Banking. Additional staff hired at Merchant Banking was destined mainly for Global Markets, Specialised Financial Services, Clearing Funds and Custody and Commercial Banking while hiring at Retail, concentrated on countries with accelerated growth (e.g. Turkey, Germany and Poland).

Other operating and administration expenses were up 16% to EUR 1,459 million, compared with EUR 1,258 million in the first half of 2006. While consolidation of acquisitions and an exceptional charge in the first quarter explain around 3% of this rise, the majority of the increase was due to investment in support of the long-term growth plans. Investment focused on IT infrastructure across the Bank, distribution expansion at Retail Banking in Germany (Consumer Finance), Turkey and Poland and support for business growth at Merchant & Private Banking.

The effective **tax rate** was as low as 13% for the first half of 2007, compared with 20% for the same period last year. The fully operational Belgian treasury centre and the reduction in the Dutch corporate tax rate both structurally improved the effective tax rate. The structure of Treasury and Financial Market’s results and the mix of capital gains, which ensued mainly from tax-exempt equity deals, also helped to drive the tax rate down to this exceptionally low level.

Retail Banking Network

The following table sets forth selected income statement data for the Retail Banking Segment for the periods indicated:

	First half year Ended 30 June		
	2007	**2006**	**Change**
	(unaudited)		
	(EUR million, except %)		
Income Statement			
Net interest income	1,305	1,351	(3)%
Net commissions and fees	543	524	4%
Realised capital gains (losses) on investments	4	6	(33)%
Other (un)realised gains and losses	24	21	14%
Dividend and other investment income	9	10	(10)%
Other income	349	393	(11)%
Total income	**2,234**	**2,305**	**(3)%**
Change in impairments	(52)	(73)	(29)%
Net revenues	2,182	2,232	(2)%
Staff expenses	(566)	(537)	5%
Other operating and administrative expenses	(233)	(194)	20%
Allocated expenses(1)	(659)	(661)	0%
Total expenses	**(1,458)**	**(1,392)**	**5%**
Profit before income tax	**724**	**840**	**(14)%**
Income tax expenses	(141)	(226)	(38)%

	First half year Ended 30 June		
	2007	2006	Change
Net profit for the period	**583**	**614**	**(5)%**
Net profit attributable to minority interests			
Net profit attributable to shareholders	**583**	**614**	**(5)%**

Note:

(1) The expenses from shared services are recorded in other banking and allocated to the banking segment.

	First half year Ended 30 June		
Activity based:	**2007**	**2006**	**Change**
	(unaudited)		
	(EUR million, except %)		
Net interest income on interest-margin products	1,305	1,351	(3)%
Capital gains on investment portfolio	4	6	(33)%
Treasury and financial markets	24	21	14%

Retail Banking Network Key Performance Indicators

	First half year Ended 30 June		
	2007	2006	Change
	(unaudited)		
Cost/income ratio	**65.3%**	**60.4%**	
Operating leverage	(7.9)%		
Number of FTEs (1)	18,026	16,231	11%
Number of Fortis Bank branches)			
Belgium (1	1,077	1,092	1%
Netherlands (1)	158	159	(1)%
Luxembourg (1)	37	37	0%
Turkey (1)	220	202	9%
Poland (1)	30	26	15
Funds under management (in EUR billion)(1)	**8**	**7**	**14%**

Note:

(1) Refers to Full Year 2006.

The decision to move the retail activities of Fortis Banque France towards the more up market Private Banking and Commercial Banking businesses led to a change in reporting as of the second quarter of 2007. The retail activities of Fortis Banque France were transferred from Retail banking to Merchant & Private Banking in the second quarter or 2007, without re-stating prior periods. This transfer may consequently distort year-on-year comparisons for both Retail banking and Merchant & Private Banking.

Retail Banking Network's **net profit** amounted to EUR 583 million in the first half of 2007 compared with EUR 614 million last year. Total income remained almost stable at EUR 2.2 billion, as 4% higher net commissions and fees (EUR 19 million) were offset by lower ALM results and a 3% reduced net interest income. The change in impairments decreased by EUR 21 million, while total expenses went up by EUR 66 million.

Total income decreased 3% to EUR 2.2 billion in the first half of 2007 compared to the first six months of 2006, due to the transfer of Fortis Banque France to Merchant & Private Banking. Net commissions and fees – 4% higher than last year – have gained further in importance in line with the strategy to make revenues less sensitive to interest rate movements.

Net interest income decreased to EUR 1,305 million from EUR 1,351 million. The decrease of EUR 46 million is partly explained by EUR 19 million in lower penalty fees on mortgages in The Netherlands and in Belgium by the negative impact of a shift in customer preference away from savings deposits to time deposits, which generate lower margins. Overall, however, deposit volumes kept growing in Belgium.

Customer deposits rose by 4% year-on-year to EUR 95 billion (including the restatement of Fortis Banque France). The increased popularity of time deposits was boosted by the ECB hiking its repo rate to 4% on 6 June. Time deposits increased from EUR 11 billion to EUR 21 billion, funded partly by a EUR 5 billion shift away from savings deposits. The biggest contributor to the increase in customer deposits was Retail Banking Belgium, where an increase of EUR 7 billion in time deposits and EUR 1 billion in demand deposits was partly offset by the above-mentioned EUR 5 billion decrease in savings deposits.

Loans to customers rose 10% to EUR 80 billion (including the restatement of Fortis Banque France). The main drivers were the growth in residential mortgages in Belgium and The Netherlands (both up EUR 2 billion), the EUR 800 million increase in commercial loans in Belgium and the EUR 700 million increase in consumer loans at Consumer Finance.

Net commissions and fees reached EUR 543 million in the first half year of 2007, an increase of EUR 19 million or 4% compared with the same period last year. This increase was based on 14% higher asset management fees (EUR 16 million) and 21% higher insurance premiums (up EUR 20 million), partly offset by the move of Fortis Banque France to Merchant. Insurance product gross intake at Retail Banking Belgium amounted to EUR 1.6 billion at the end of June 2007, as clients continued to opt for safe and higher yielding investment products. Retail Banking Belgium's total net intake, amounting to EUR 1.8 billion in the year to date, entirely concerned on-balance products (time deposits and current accounts).

The change in impairments came to EUR 52 million, EUR 21 million lower than the same period last year, due to several one-off releases in different countries.

Total expenses of EUR 1,458 million increased by 5% compared with the first half year of 2006. The increase was due to the expansion at Consumer Finance Germany (additional EUR 28 million), inclusion of Dominet in the second quarter (additional EUR 12 million), combined with the exceptional release for pension provisions in The Netherlands in the first semester of 2006 and some one-off expenses in Belgium.

Staff expenses increased by EUR 29 million (or 5%) compared with the previous year to EUR 566 million. The number of FTEs, however, grew by 18% in this period, most of which was accounted for by Poland and Turkey.

Other operating and administrative expenses increased by EUR 39 million compared with the first half year of 2006 to EUR 233 million. This was mainly due to the rollout of the credit shop network in Germany and the related marketing campaigns, together with the first-time inclusion of Dominet.

Allocated expenses were almost stable at EUR 659 million.

The **tax rate** reached 19% in the first half of 2007 due to equity-related capital gains in the ALM results.

Retail Banking Asset Management

The following table sets forth selected income statement data for the Retail Banking Segment for the periods indicated:

	First half year Ended 30 June		
	2007	**2006**	**Change**
	(unaudited)		
	(EUR million, except %)		
Income Statement			
Net interest income	(5)	0	*
Net commissions and fees	201	166	21%
Realised capital gains (losses) on investments	1	0	*
Other (un)realised gains and losses	5	2	*
Dividend and other investment income	4	2	*
Other income	2	2	*
Total income	**208**	**172**	**21%**
Change in impairments	0	0	*
Net revenues	208	172	21%
Staff expenses	(80)	(71)	13%
Other operating and administrative expenses	(50)	(34)	47%
Allocated expenses(1)	(5)	(5)	*
Total expenses	**(135)**	**(110)**	**23%**
Profit before income tax	**73**	**62**	**18%**

	First half year Ended 30 June		
	2007	**2006**	**Change**
Income tax expenses	(18)	(18)	*
Net profit for the period	**55**	**44**	**25%**
Net profit attributable to minority interests	2		*
Net profit attributable to shareholders	**53**	**44**	**20%**

Note:

(1) The expenses from shared services are recorded in other banking and allocated to the banking segment.

	First half year Ended 30 June		
Activity based:	**2007**	**2006**	**Change**
	(unaudited)		
	(EUR million, except %)		
Net interest income on interest-margin products	(5)	0	*
Capital gains on investment portfolio	1	0	*
Treasury and financial markets	5	2	*

Retail Banking Asset Management Key Performance Indicators

	First half year Ended 30 June		
	2007	**2006**	**Change**
	(unaudited)		
Cost/income ratio	64.9%	64.0%	
Operating leverage	(1.8)%		
Number of FTEs (1)	901	799	13%
Funds under management (in EUR billion) (1)	**131.2**	**120.6**	**9%**

Note:

(1) Refers to Full Year 2006.

Retail Banking Asset Management recorded **net profit** of EUR 53 million for the first half of 2007. This result was 20% higher than for the same period last year and was driven primarily by the continued generation of net inflow and underlying bullish equity markets.

Net commissions and fees increased to a EUR 201 million, a 21% increase compared with the EUR 166 million in the first half of 2006. This increase was essentially due to the increase in assets under management and in average fees, as well as the contribution from Cadogan's fund of hedge fund activities.

Expenses were 23% higher than in the comparable period in 2006, reflecting continued investment in line with Fortis Investments' growth plan for the next five years.

Funds under management reached EUR 131 billion at the end of June 2007, 9% higher than at year-end 2006. This sustained performance was driven by strong sales figures and illustrates Fortis Investments' highly diversified distribution platform and product solution proposal to its clients.

Merchant & Private Banking

The following table sets forth selected income statement data for Merchant & Private Banking for the periods indicated.

	First half year Ended 30 June		
	2007	**2006**	**Change**
	(unaudited)		
	(EUR million, except %)		
Income Statement			
Net interest income	1,309	1,198	9%
Net commissions and fees	753	722	4%
Realised capital gains (losses) on investments	131	76	72%
Other (un)realised gains and losses	727	688	6%
Dividend and other investment income	79	72	10%
Other income	284	301	(6)%
Total income	**3,283**	**3,057**	**7%**
Change in impairments	24	27	(11)%
Net revenues	**3,307**	**3,084**	**7%**
Staff expenses	(659)	(531)	24%
Other operating and administrative expenses	(318)	(290)	10%
Allocated expenses	(722)	(548)	32%
Total expenses	**(1,699)**	**(1,369)**	**24%**
Profit before income tax	**1,608**	**1,715**	**(6)%**
Income tax expenses	(164)	(278)	(41)%
Net profit for the period	**1,444**	**1,437**	*
Net profit attributable to minority interests	1	3	*
Net profit attributable to shareholders	**1,443**	**1,434**	**1%**

Activity based:	First half year Ended 30 June 2007	2006	Change
	(unaudited)		
	(EUR million, except %)		
Net interest income on interest-margin products	1,269	1,000	27%
Capital gains on investment portfolio	91	72	26%
Treasury and financial markets	805	890	(10)%

Merchant & Private Banking Key Performance Indicators

	First half year Ended 30 June 2007	2006	Change
	(unaudited)		
Cost/income ratio	51.8%	44.8%	
Operating leverage	(16.7)%		
Net profit per FTE (EUR)	90,064	100,070	(10)%
Number of FTEs(1)	16,022	14,330	12%

Note:

(1) Refers to Full Year 2006.

The decision to move the retail activities of Fortis Banque France towards the more up market Private Banking and Commercial Banking businesses led to a change in reporting as of the second quarter of 2007. The retail activities of Fortis Banque France were transferred from Retail banking to Merchant & Private Banking in the second quarter or 2007, without re-stating prior periods.

Net profit attributable to shareholders for the first half of 2007 increased by 1% year-on-year to EUR 1,443 million, compared with the high first half 2006 base. This reflects continued commercial efforts and the strong resilience of the diversified portfolio of market-related activities.

Total income increased by 7% to EUR 3,283 million, driven mainly by a 9% rise in net interest income. Net interest income growth was mostly organic, supported by higher volumes as well as interest-related fees earned on corporate deals. Higher volumes more than compensated for the margin pressure felt particularly at Specialised Financial Services, Commercial Banking and Private Banking, while the overall quality of the portfolio improved in the 12 months to 30 June 2007. Treasury and financial markets posted a 10% decline, largely explained by the negative contribution of credit portfolio hedging. The underlying trading results remained very firm in the first half of 2007, reaching EUR 967 million (including gross-up) despite difficult market conditions in the U.S. sub-prime sector

Net interest income on interest-margin products rose by a strong 27% in the first half of 2007 to EUR 1,269 million, representing 39% of total income. This considerable increase was mostly organic with almost all businesses contributing. Loans to customers increased by 14% to EUR 219 billion. Strong volume growth at Corporate, Institutional & Public Banking (CIPB), Commercial Banking (CB) and Energy, Commodities & Transportation (ECT) was responsible for 60% of the total increase in net interest income. CIPB recorded a 40% rise in net interest income, helped mainly by strong volumes but also by interest-related fees earned on corporate deals. Net interest income at CIPB moved in line with risk-weighted commitments. The 36% increase in net interest income at ECT was driven mainly by growth in outstanding loans.

Margins remain under pressure in sectors such as Energy and Transportation with the environment staying highly competitive and the credit risk profile of Fortis's portfolio improving.

Net interest income at Commercial Banking increased by 13% on the back of higher volumes in almost all countries, while some margin pressure remained on both the credit and the deposit sides.

Net commissions and fees increased by 4% in the first half of 2007, compared with the high 2006 base. While the integration of Fortis Banque France’s results with Merchant & Private Banking results was a favourable factor, Private Banking recorded a strong performance, as did Clearing, Funds and Custody. Private Banking’s solid growth in net commissions and fees (up 8%) was due to a strong net intake of EUR 2.8 billion in the first half of 2007. Funds under management stood at EUR 86.5 billion at the end of June, already up 9% in the year to date.

Capital gains on the investment portfolio amounted to EUR 91 million, an increase of 26%, linked mainly to revaluations of the private equity portfolio and realised gains on equity positions.

Treasury and financial markets results declined by 10% (or EUR 85 million) to EUR 805 million in the first half. However, several factors need to be taken into account to properly assess the underlying performance. These relate to the EUR 36 million negative revaluation of the credit-hedging portfolio in the first half of 2007, the change in the accounting of fixed fees at Global Securities Financing Group (inflating the first half 2006 income by EUR 29 million compared with the first half of 2007) and the gross-up of the tax impact on trading revenues (up from EUR 112 million to EUR 162 million year-on-year). Corrected for these three items, the underlying results of the major contributors to this revenue line, such as Trading, Private Equity and GSFG, were all up or at least stable compared with last year’s stellar performance.

Other income declined by EUR 17 million, due mainly to lower ALM allocation.

The **credit risk environment** remained favourable in the first half year of 2007, with the change in impairments showing a net release of EUR 24 million.

Total expenses increased by 24% year-on-year to EUR 1,699 million. Staff expenses were up 24% year-in-year, while FTEs increased by 12%. Around one third of the increase in staff expenses was because of scope changes, relating mainly to the Fortis Energy Marketing and Trading acquisition and the integration of Fortis Banque France. Excluding scope changes, the increase in staff expenses was due mainly to hiring at growth-engine businesses (mostly outside the Benelux countries), while the first half 2006 benefited from bonus releases. The rose, year-on-year, in other direct expenses was for around one third linked to scope changes. The balance related mainly to long-term investment in growth.

Taxation at Merchant & Private Banking level was low 10% in the first half of 2007, down from 16% in the first half of 2006. Higher tax-exempt gains at Global Markets and the lower ALM pre-tax profit contribution were the main reasons for the decrease.

Other Banking & Eliminations

	First half year Ended 30 June		
	2007	**2006**	**Change**
	(unaudited)		
	(EUR million, except %)		
Income statement			
Net interest income	46	94	(51)%
Net commissions and fees	(8)	(1)	*
Realised capital gains (losses) on investments	320	183	75%
Other (un)realised gains and losses	174	295	(41)%
Dividend and other investment income	56	78	(28)%
Other income	(506)	(557)	9%
Total revenues	**87**	**98**	**(11)%**
Change in impairments	(8)	(4)	*
Net revenues	**79**	**94**	**(16)%**
Staff expenses	(629)	(610)	3%
Other operating and administrative expenses	(858)	(740)	16%
Allocated expenses	1,386	1,214	14%
Total expenses	**(101)**	**(136)**	**(26)%**
Profit before income tax	**(22)**	**(42)**	**(48)%**
Income tax expenses	11	4	*
Net profit for the period	**(11)**	**(38)**	**71%**
Net profit attributable to minority interests	6	3	*
Net profit attributable to shareholders	**(17)**	**(41)**	**59%**

Activity based:	**First half year Ended 30 June**		
	2007	**2006**	**Change**
	(unaudited)		
	(EUR million, except %)		
Net interest income on interest-margin products	46	171	(72)%
Capital gains on investment portfolio	320	183	75%
Treasury and financial markets	174	218	(20)%

Net interest income on interest-margin products came in 72% lower in the first half of 2007 compared with the same period in 2006. This was firstly because the upward movement of global interest rates combined with a yield curve that remained flattish lowered net interest income. Secondly, the interest rate hike also negatively influenced prepayment penalties received on the mortgage portfolio. And thirdly, net interest income was also adversely impacted by a EUR 38 million one-off correction at Fortis Hypotheekbank in the second quarter of 2007.

Capital gains on the investment portfolio increased to EUR 320 million, up by 75% compared with the first half of 2006. This increase was fuelled by very favourable conditions in the equity markets and by the sale of a number of non-strategic equity holdings in the run-up to the financing of the ABN AMRO Offer.

Treasury and Financial Markets income decreased by 20% compared with the first half of 2006. The difference versus last year is due to the positive impact of a non-qualifying hedge for an amount of EUR 220 million in the first semester of 2006.

Staff expenses for the first half of 2007 decreased by 3% to EUR 629 million compared with the same period last year. The main reasons for the decline were the capitalisation of key information technology projects in accordance with IAS 38 rules and the exclusion of Belgolaise. The reduction in staff expenses is in line with underlying movements in headcount. Excluding scope and accounting changes, increases represent, in effect, normal wage drift. An efficiency improvement is evident at key processing units where volumes have increased by 7.5%, while costs have decreased by 3%. This has been made possible by our investment in IT systems

Other operating and administrative expenses for the first half of this year show an increase of 16% to EUR 858 million compared with the first half of 2006. A significant increase was seen at Information Services and Technology (IST) reflecting Fortis's continued investment in the infrastructure of its key banking systems. Some of these projects are mandatory in nature, e.g. Basel 2 and MiFid. There were also a number of other contributing factors, of which the most important were removal costs and building improvements in Belgium and The Netherlands, recruitment and training costs, technical adjustments and scope changes. Fortis continues to invest in the training of its entire staff in order to ensure that they are well prepared for the challenges ahead.

Insurance

	First half year Ended 30 June		
	2007	2006	Change
	(unaudited)		
	(EUR million, except %)		
Income statement			
Life			
Gross earned premiums	5,325	3,910	36%
Investment contracts without DPF	1,678	1,341	25%
Gross earned inflow[1]	7,003	5,251	33%
Gross earned premiums Non-life	2,632	2,418	9%
Operating costs	(671)	(650)	3%
Technical result			
Life	367	300	22%
Non-Life	197	299	(34)%
Allocated capital gains	79	82	(4)%
Operating margin[2]	643	681	(6)%
Life	439	374	17%
Non-Life	204	307	(34)%
Non-allocated other income and expenses	255	218	17%
Profit before taxation	898	899	0%
Income tax expenses	(135)	(187)	(28)%
Results on discontinued operations	36	30	20%
Net profit attributable to minority interests	35	22	59%
Net profit attributable to shareholders	764	720	6%
Life	556	476	17%
Non-Life	208	244	(15)%

Note:

(1) Under IFRS certain insurance products are treated as investment contracts (non-participating investment contracts) and premiums received are treated as policyholder deposits and not reported in the income statement. Gross inflow is, therefore, a better indication of the total business written by the insurance business during the applicable periods.

(2) Operating margin consists of the technical result plus the capital gains that are shared with the policyholders.

Insurance Key Performance Indicators

	First half year Ended 30 June		
	2007	**2006**	**Change**
		(unaudited)	
Number of FTEs [(1)]	14,467	13,106	10%
Operating leverage	(1.9)%		
Life:			
New business life — APE (in EUR million) [(2)]	699	531	32%
Non-Life total:			
Claims ratio	66.8%	60.2%	
Expense ratio	32.2%	34.3%	
Combined ratio	99.0%	94.5%	
Non-Life Property & Casualty:			
Claims ratio	67.1%	57.9%	
Expense ratio	37.1%	39.9%	
Combined ratio	104.2%	97.8%	
Non-Life Accident & Health:			
Claims ratio	66.3%	65.1%	
Expense ratio	21.6%	22.2%	
Combined ratio	87.9%	87.2%	

Note:

(1) Refers to Full Year 2006.

(2) Excluding CaiFor. CaiFor has been reclassified in Discontinued operations.

First half year 2007 compared with first half year 2006

Fortis Insurance continued to perform well in the first half year of 2007, with **net profit** advancing to EUR 764 million, up 6% compared with the first half of last year. This growth was realised despite the severe impact of Windstorm Kyrill (EUR 86 million pre-tax) and flooding in the UK (EUR 46 million pre-tax). Excluding those factors, both Life and Non-Life posted solid and sustainable technical results founded on profitable volume growth.

Fortis Insurance showed a good commercial performance. **Total gross earned inflow** reached EUR 9.6 billion in the first half, up 26% on the first half of 2006. Life grew significantly – by 33% to EUR 7 billion – due to considerable sales efforts. Fortis Insurance's leading Belgian market position was strengthened further by strong sales campaigns early in the year, resulting in an excellent performance by Individual Life. The business in The Netherlands benefited from the strategic decision to pinpoint pensions as a key area and from the growing Individual Life portfolio. Non-Life gross earned premiums, with the focus on profitable growth, climbed by a healthy 9% to EUR 2.6 billion, due to excellent sales performances in all countries.

The **operating margin at Life** was up 17%, compared with the first half of 2006, to EUR 439 million, driven by higher volumes of both inflow and funds under management (up 13% compared with first half of 2006) and an enhanced investment result. Net profit consequently increased by 17% to EUR 556 million.

At **Non-Life**, the impact of Windstorm Kyrill and flooding in the UK (combined EUR 132 million pre-tax) reduced the technical result by 34% to EUR 197 million. These events trimmed Non-Life net profit by 15% to EUR 208 million. Excluding these weather events, the technical result improved (up 10%) due to profitable premium growth and continued strong underwriting results.

Operating costs remained under control with only a slight increase of 3%, which was driven by costs related to growth initiatives.

Life

Gross earned inflow increased by 33% to EUR 7,003 million in the first six months of the year, benefiting from successful commercial campaigns and the continued excellent sales performance by pension-related activities. In Belgium, substantial new business in the banking and broker channels, benefiting from the sales campaigns of the first quarter, paved the way for remarkable 43% growth compared with the first six months of 2006. In The Netherlands, Individual and Group Life achieved inflow growth of 35% based on sound margins and in line with the strategy to focus on pension activities. All countries contributed to the 16% increase at International, which was driven by various growth initiatives.

Life technical result grew 22% to EUR 367 million, due to higher volumes and better seasonal investment income than in the first six months of 2006 in all countries.

Net profit rose 17% compared with the first half of 2006, mainly due to the better technical performance and lower effective tax rate.

Non-Life

Gross earned premiums advanced 9% to EUR 2,632 million in the first six months of 2007. All businesses contributed to this growth, which was also supported by all product segment, based on a strategy of focusing on customer needs without compromising underwriting discipline. Accident & Health posted 9% growth, headed by The Netherlands, which further strengthened its solid market position by entering the newly privatised long-term disability market. Property & Casualty increased gross written premiums by 10% based on healthy growth rates for all product lines, especially in the UK motor market (which benefited from relatively low costs in a competitive environment), and on product innovation in all markets.

The effect of Kyrill and the floods in the UK (impacting Property results) brought down the technical result by 34% to EUR 197 million in the first six months of 2007, with a combined ratio of 99.0%. Excluding these natural disasters, the technical result increased 10%, due to our continued focus on profitable growth in all countries, giving an excellent combined ratio of 93.6%.

The negative impact of the claims ensuing from the above events was partly offset by improved underwriting, higher capital gains and a lower effective tax rate. The net effect was a 15% decrease in net profit to EUR 208 million in the first half of 2007.

Insurance Belgium

	First half year Ended 30 June		
	2007	2006	Change
	(unaudited)		
	(EUR million, except %)		
Net profit			
Life	252	222	14%
Non-life	32	52	(38)%
Net profit	284	274	4%
Operating leverage	(6.4)%		
FTEs (1)	5,071	5,182	(2)%
Life			
Gross earned premiums	2,719	1,866	46%
Investment contracts without DPF	667	496	34%
Gross earned inflow	3,386	2,362	43%
Technical result	184	164	12%
Operating margin	214	216	(1)%
Non-life			
Gross earned premiums	664	612	8%
Technical result	35	62	(44)%
Operating margin	41	72	(43)%
Combined ratio	104.5%	98.9%	

Note:

(1) Refers to Full Year 2006.

Net profit of Fortis Insurance Belgium reached EUR 284 million in the first six months of the year, a 4% increase compared with the same period last year, despite the EUR 46 million (pre-tax) impact of Windstorm Kyrill. The technical result excluding Kyrill grew by EUR 39 million to EUR 265 million, driven by better performances at Life (volume growth) and Non-Life (improved claims ratio and volume growth). The higher technical result, together with a lower effective tax rate due primarily to a more favourable capital gains mix, more than compensated for the effect of Kyrill.

Total gross earned inflow reached EUR 4,050 million in the first six months of 2007, 36% ahead of last year's level. Inflow at Life went up by 43%, driven by savings and unit-linked, while Non-Life inflow climbed 9%.

Operating costs remained under control, rising only 1% to EUR 194 million from EUR 191 million in 2006. The rise was mainly due to the increase in FTEs to accommodate the business's ongoing growth.

Life

Total Life inflow during the first six months of the year climbed to EUR 3,386 million, up 43% on last year. As already mentioned, this strong advance was linked to the seasonality of commercial campaigns.

Funds under management at Life went up by 6%, compared with the start of the year, to EUR 41 billion, due to a boost from savings-related new-generation insurance products.

Fortis Insurance Belgium sells its products through different distribution channels, i.e. independent broker channel, bank channel – branches both of Fortis Retail Bank and of third parties like Bank van Breda – and assurfinance channel (Fintro).

Inflow through the **bank channel** came to EUR 2,075 million in the first six months of the year, well ahead of last year, driven by the strong commercial focus early in the year and the March-April 'insurance months'. Credit-linked term life witnessed steady growth of 14% compared with last year, due to the increasing contribution by the Flemish Social Housing Fund. Unit-linked inflow reached EUR 546 million, up 57% on last year. Structured unit-linked products are sold through Banque de la Poste. New lines are to be introduced over the next few months. Inflow through the **broker channel** amounted to EUR 836 million in the first half of 2007, 22% higher than last year. Top Rendement Invest, a principal-protected product, continued its successful track record and now represents 63% of total inflow from the broker channel.

Group Life inflow rose by 9% to EUR 475 million in the first six months, with both single and regular premiums contributing. A project aimed at capturing group life potential in the SME market has been launched and implementation is scheduled for early next year.

Technical result at Life increased by 12%, compared with the first six months of 2006, to EUR 184 million, lifted by increased volumes and higher investment income.

The **operating margin** decreased by 1% compared to last year, due to lower realised capital gains.

Net profit at Life increased by 14% to EUR 252 million in the first six months of 2007, as a consequence of the better technical performance and the positive tax effect ensuing from the capital gains mix.

Non-Life

Gross earned premiums at Non-Life reached EUR 664 million in the first half of 2007, up 8% compared with the same period last year. All major lines contributed to this growth. Fire moved forward by a strong 15%, benefiting from compulsory natural disaster cover (Catnat) and the increase in the ABEX index (linked to construction prices).

Non-Life inflow through the bank channel reached EUR 101 million, up 9% on last year, supported by the compulsory natural disaster cover. Non-Life products sold through the broker channel also grew by a robust 9%, similarly benefiting from the natural disaster cover. Concepts that flexibly combine multi-products, such as Familis in the retail market and Modulis in the market for small and medium-sized enterprises, continue to provide Fortis Insurance Belgium with a strong competitive advantage in the Non-Life market. Approximately 353,664 Familis policies were in existence at the end of the second quarter 2007, with an average of 2.31 insurance covers per policy.

To support the ambitious growth targets, several new packs, targeting both retail and SME markets, were launched in the second quarter. Packs are personalised product packages that meet the specific needs of a particular customer segment. The launch of more packs is planned for later this year.

Technical result amounted to EUR 35 million in the first half year, down 44% on last year, depressed mainly by Kyrill. Excluding Kyrill, the Non-Life technical result for the first six months of the year was EUR 18 million higher than last year, driven by higher volumes and excellent claims experience.

Net profit for the first half was EUR 32 million, compared to EUR 52 million last year, due to Kyrill.

The combined ratio at Non-Life, including Workmen's Compensation, ended up at 104.5%, compared with 98.9% last year, and was severely impacted by Windstorm Kyrill. Disregarding Kyrill, the combined ratio stood at 97%. Excluding the long-tail Workmen's Compensation business, the combined ratio would improve even further to 94%.

Insurance Netherlands

	First half year Ended 30 June		
	2007	**2006**	**Change**
	(unaudited)		
	(EUR million, except %)		
Net profit			
Life	248	207	20%
Non-life	132	112	18%
Net profit	380	319	19%
Operating leverage	8.6%		
FTEs [(1)]	4,439	4,210	5%
Life			
Gross earned premiums	1,918	1,425	35%
Investment contracts without DPF			
Gross earned inflow	1,918	1,425	35%
Technical result	144	128	13%
Operating margin	172	127	35%

	First half year Ended 30 June		
	2007	2006	Change
Non-life			
Gross earned premiums	1,034	975	6%
Technical result	137	153	(10)%
Operating margin	135	152	(11)%
Combined ratio	89.6%	87.1%	

Note:

(1) Refers to Full Year 2006.

Net profit increased by 19% to EUR 380 million in the first half of 2007, thanks to higher technical results at Life, lower corporate taxes and higher capital gains, which more than compensated for the impact of Windstorm Kyrill.

Total gross earned inflow rose 23% in the first six months of 2007 to EUR 2,952 million, driven by Life (up 35%) and Non-Life (up 6%). Life figures were lifted by the focus on pension-related group contracts. Accident & Health (up 13%) contributed to the favourable top-line development at Non-Life.

Operating costs went up only 2% compared with the same period in 2006, from EUR 263 million to EUR 267 million, despite investments in growth initiatives such as the setting up of multi-channel distribution.

Life

Gross inflow at Life increased 35% to EUR 1,918 million in the first six months of 2007 driven mainly by Group Life activities combined with stable inflow at Individual Life. Gross inflow at Group Life more than doubled to EUR 650 million, benefiting from action taken as a result of the strategic decision to pinpoint pensions as a key area. Individual Life premiums for traditional and unit-linked products went up 8%, continuing to show balanced top-line growth with proper new business margins.

The Dutch market is being impacted by the debate on transparency of unit-linked products. Consumers are wary about regular unit-linked premiums, which has impacted the new business figures of Fortis Insurance Netherlands. Due to the excellent performance of Group Life, new production – expressed as annualised premium equivalent (APE) – soared 40% to EUR 199 million in the first six months of 2007 (2006: EUR 142 million).

The technical result rose to EUR 144 million, 13% up compared with the first half of 2006 due to higher volumes plus improved technical margins and higher investment income as a result of the continuous focus on profitable growth.

The improved technical performance combined with a lower average tax rate and tight cost control boosted net profit. The result was a 20% increase in first-half net profit from EUR 207 million to EUR 248 million. The well diversified investment portfolio also contributed to this solid result. Realised capital gains were influenced by market opportunities.

Non-Life

Gross earned premiums at Non-Life advanced 6% to EUR 1,034 million. Accident & Health contributed especially to this rise, while fierce price competition at Motor continued to put pressure on volumes.

In line with the strategy to grow in the Disability market, gross written premiums at Accident & Health increased by 12% to EUR 712 million. Recent figures show that Insurance Netherlands is one of the major players (with 21% market share) in the Accident & Health market excluding medical cost insurance. Amersfoortse's marketing campaign was well received, also. Its television commercial has been nominated for the 'Gouden Loeki', a prize awarded by the public for the most original commercial in The Netherlands.

The successful strategic focus on innovation kept gross written premiums at Property & Casualty at the same level as in the first half of 2006 (EUR 543 million), despite fierce price competition at Motor. Budgio, the competitively priced product line with a adequate margin for internet-based sales of car insurance via the broker channel, has remained very successful. In the first half of 2007, 7% of total new policies sold by Motor related to Budgio. Fortis ASR's integrated campaign to further strengthen its position in the Dutch non-life market is reflected by signs of new business development. Several initiatives have been launched in line with the strategic focus on strengthening and innovating distribution channels. 'Dubbelklik' is a new tool that enables customers to buy insurance policies via intermediary websites that are fully integrated with Fortis ASR systems. Broker feedback on this new tool is positive.

The technical result at Non-Life amounted to EUR 137 million. This marks a solid performance, given the positive one-off items in the first half of 2006 and the negative impact of Windstorm Kyrill in the first quarter of 2007.

Net profit reached EUR 132 million compared with EUR 112 million in the first half of 2006. Higher capital gains, good underwriting and a lower tax rate more than compensated for the negative impact of Windstorm Kyrill.

Insurance International

	First half year Ended 30 June		
	2007	**2006**	**Change**
	(unaudited)		
	(EUR million, except %)		
Net profit			
Life	56	47	19%
Non-life	44	80	(45)%
Net profit	100	127	(21)%
Operating leverage	(20.9)%		
FTEs [(1)]	4,957	3,714	33%
Life			
	688	618	11%

	First half year Ended 30 June		
	2007	2006	Change
Gross earned premiums			
Investment contracts without DPF	1,012	846	20%
Gross earned inflow	1,700	1,463	16%
Technical result	39	8	*
Operating margin	52	32	63%
Non-life			
Gross earned premiums	934	831	12%
Technical result	25	84	(70)%
Operating margin	28	84	(67)%
Combined ratio	105.7%	100.1%	

Note:

(1) Refers to Full Year 2006.

Windstorm Kyrill in the first quarter and flooding in the UK in the second quarter (June) impacted Fortis Insurance International's net profit for the first half of 2007, reaching EUR 100 million, compared with EUR 127 million in 2006. Disregarding those weather events, net profit showed healthy growth to EUR 148 million. Life net profit went up 19%, due to overall growth in funds under management and increased profit contributions from joint ventures. Non-Life net profit was impacted by weather-related events that affected the results of Fortis UK and FCI.

Gross earned inflow at consolidated companies went up 15% in the first six months of 2007 to EUR 2,634 million from EUR 2,294 million, due to an excellent sales performance at Life and Non-Life, driven by various growth initiatives. The continued successful development of third party channels increased Life inflow in Luxembourg. Gross inflow at the non-consolidated companies increased by 14% to EUR 2,225 million, driven by growth at Life joint ventures.

Business development and start-up costs in new markets increased operating costs by 7% compared with the same period last year to EUR 210 million including a reclassification.

Life

First-half gross earned inflow at fully consolidated Life companies increased from EUR 1,463 million to EUR 1,700 million (up 16%), and involved all countries. This increase was underpinned by strong growth in inflow under freedom of services in Luxembourg and significant growth in France, despite a declining market. Growth in France was due to the successful bancassurance distribution agreement with Fortis Bank. Millenniumbcp Fortis in Portugal managed to increase penetration rates among clients of the bank distribution partner.

Total gross inflow at Life companies reported using the equity method increased (on a 100% basis) by 14% to EUR 1,962 million from EUR 1,721 million. This increase was largely the result of higher inflow from the Asian joint ventures and CaiFor.

The operating margin improved from EUR 32 million to EUR 52 million, driven by the continued focus on profitability plus capital gains linked to the favourable market circumstances. The technical results of 2007 and 2006 cannot be compared because of a reclassification.

Net profit at Life went up 19% to EUR 56 million from EUR 47 million, due to overall higher funds under management, which improved the profitability of the Asian and European operations, and the consolidation of PCI in Hong Kong

Non-Life

Gross earned premiums at consolidated Non-Life companies rose 12% to EUR 934 million from EUR 831 million. This growth was primarily due to increased sales in the UK. Higher average premiums and a mounting number of insured cars increased the market share of Motor. Gross written premiums at Non-Life companies reported using the equity method increased 10% (on a 100% basis) from EUR 239 million to EUR 263 million.

Windstorm Kyrill and flooding in the UK in June depressed the technical result to EUR 25 million from EUR 84 million. Without these events, the technical result would have risen 11% to EUR 93 million, demonstrating the solid performance of Non-Life operations. The weather events have raised the combined ratio to 105.7%, 5.6% points above the 2006 level.

As a result of the two weather events, net profit amounted to EUR 44 million.

5.1.4 Trading update

Excellent commercial momentum continues in Q3 2007

Fortis believes that there is no reason for the FY07 consensus net profit before divestments estimate of EUR 4.2 billion to change[56].

Comments relate to the expected results for the nine-month period ending 30 September 2007, unless otherwise stated. They are based on management expectations using the most recent information available. The current quarter will only be closed as of 30 September, however, so actual results could differ from what is stated below. This statement also includes an update on Fortis's well-managed risk exposure as well as additional information on the impact of the remedies presented to the European Commission competition authorities to obtain clearance for the acquisition of selective ABN AMRO assets. Finally, it also contains an update of the key financial metrics of the proposed ABN AMRO transaction.

Trading update: First nine months 2007 compared to first nine months 2006

Fortis continues to perform well in 2007.

Banking saw the excellent commercial momentum of the first half continue in to the summer months. Total income continued to develop favourably as net interest income and net commissions and fees rose again in the third quarter, demonstrating that underlying business activity was hardly affected by the turmoil in global capital markets. Retail Banking

[56] As Reported on Bloomberg Earnings Estimates on 17/09/2007, based on 13 estimates.

delivered a robust performance thanks to its successful summer campaign in Belgium. Treasury and Financial Markets' results remained strong, benefiting from the diversified trading activities and the credit protection bought last year. The latter partly offset the impact of widening spreads. This would still leave underlying trading results well above the cycle-neutral quarterly run-rate and substantially above the level achieved last year. The nine-month credit loss ratio should be around 10 basis points. In line with earlier guidance, Fortis still expects a credit loss ratio in the range of 10 to 15 basis points for full-year 2007. Total expenses continued to grow in line with the 2% quarterly run-rate indicated at the half-year 2007 stage. As a result of all this, Banking nine-month 2007 underlying net profit is expected to top the level of EUR 2.6 billion achieved in the same period last year.

Insurance is expected to deliver yet another sound set of results. Total gross inflow should come in at around EUR 14 billion, up more than 20% on the same period last year, thanks to sustained sales momentum across all companies and across all businesses. As indicated when the second-quarter 2007 results were announced, third-quarter net profit was impacted by the claims following severe flooding in the UK in July. The effect is estimated at around than EUR 60 million, still resulting in nine-month 2007 net profit of at least EUR 1 billion.

Fortis therefore believes that, barring unforeseen circumstances, there is no reason for the FY07 consensus net profits before divestments estimate of EUR 4.2 billion for the full year 2007 to change.

Update on Fortis's well-managed risk exposure

As has been well publicised recently, credit markets and sub-prime residential mortgage markets, particularly in the US, have experienced severe dislocations and liquidity disruptions. Sub-prime mortgage loans have recently experienced increased rates of delinquency, foreclosure and loss. These and other related events have had a significant impact on the capital markets associated not only with sub-prime mortgage-backed securities, asset-backed securities and collateralised debt obligations (CDOs), but also with credit and financial markets as a whole.

Although Fortis does not have any direct mortgage financing activities in the US, it does have some exposure to the US sub-prime mortgage market through its ownership of mortgage-backed securities, asset-backed securities and CDOs. Approximately 95% of these MBS and ABS portfolios are AAA and AA rated. The impact on Fortis's full-year 2007 results is expected to be non-material thanks to its diversified portfolio, dynamic portfolio management and the credit risk protection purchased in 2006. Even if the current subprime severity would deteriorate with a further 20%, the additional non-linear net profit impact is estimated at EUR 20 million.

Fortis also has limited exposure to the leveraged finance market, representing around 1.5% of total loans to customers. Fortis has a very diversified portfolio with respect to geographies and sectors, focusing on the mid-cap segment. This portfolio has been built by more than 200 deals – around half of which date back to before 2007 – with an average ticket size of around EUR 25 million.

Fortis manages one conduit, Scaldis, which was established in 1999 and has current outstandings of around EUR 20 billion. This is a hybrid ABCP programme with 70% AAA securities and 30% multi-seller receivables, and it enjoys the highest possible ST ratings (P1/F1+/A1+). Despite the issues in the global commercial paper market, the programme has been fully rolled over. In the last week, maturing paper has again been completely market financed, benefiting from the high quality of underlying assets. In the unlikely, extreme event of having to fully consolidate the underlying assets by year end, the core Tier 1 impact of around 20 basis points should be easily absorbable.

As part of its Merchant Banking activities, Fortis engages in the financing of hedge funds. Here, too, exposure is limited as it represents less than 1% of total loans to customers. Around 90% of this exposure is to Funds of Hedge Funds, making this a very diversified portfolio with moreover a high collateral ratio of 6:1. Only one third of the total amount outstanding is for leverage, and the rest is for bridge financing.

Fortis Investments is active in both CDO and CLO markets and manages around EUR 9 billion in third-party closed-end funds. It is also active in CDOs within the sub-prime market, although there is no significant direct risk in its exposure. To date, Fortis Investments has seen outstanding performance in its CDO business with no single tranches downgraded. Fortis Investments does not currently foresee any negative consequences for its portfolios due to the recent market turmoil.

Since the start of the global liquidity crisis, Fortis has been managing its strong liquidity position tightly and has taken appropriate measures to maintain it. Its robust and diversified funding structure has proven its merit as Fortis has been in a position to remain absent, of its own volition, of certain segments of the financial markets.

As already stated at the announcement of the half-year 2007 results, Fortis expects the current market turmoil not to have a material impact on its full-year 2007 results.

Update on the potential impact of the remedies presented to European Commission competition authorities

In order to secure the approval of the European Commission competition authorities for the acquisition of ABN AMRO, Fortis has been discussing alternative remedies with the European Commission to address its competition concerns in the commercial banking segment in the Netherlands following the transaction. Fortis has proposed, and the European Commission is currently considering, implementing the Proposed Divestment.

A key element of the Proposed Divestment is the proposed sale of Hollandsche Bank Unie N.V. (an independent, separately licensed commercial bank), 13 advisory branches and two Corporate Client Units (excluding customers with turnover exceeding EUR 250 million), and the sale of the factoring portfolio held by clients of the businesses forming part of the Proposed Divestment.

The scope of the Proposed Divestment represents roughly 10% of the Business Unit Netherlands in terms of assets, income statement and projected revenue and cost synergies. The restructuring charges, however, remain unchanged compared to what was presented on 29 May. This assumes that the Proposed Divestment will be approved by the European Commission, whose final decision is expected by 3 October 2007.

Update on key financial metrics of the proposed ABN AMRO transaction

Since the proposed offer for ABN AMRO was published on 29 May 2007, several changes have occurred which impact the EPS accretion and ROI, key financial metrics of this transaction. Factors affecting these ratios include, inter alia, the sale of non-core assets, issuance of the CCEN, the Proposed Divestment, the cost of financing, the Fortis share price and the changes in analyst consensus.

Taking these factors into account, and based on Fortis's forecasts for business growth and transaction benefits, the acquisition of the selected ABN AMRO businesses is expected to lead to a 2.7%[57] accretion in cash earnings per share in 2010[58] and to produce a return on investment on a cash basis of 11.1%[59] in 2010. This is based on the assumption that the proceeds from the Proposed Divestment will be used to reduce the core capital as appropriate.

5.2 Capital resources

5.2.1 Information concerning the capital of the Issuers

(i) Price history of the Fortis Share

Year-end	**2006 (IFRS)**	**2005 (IFRS)**	**2004 (IFRS)**	**2003**	**2002**
Price/earnings	9.6	8.8	8.7	9.4	40.8
Price/equity	2.0	1.8	1.7	1.7	2.0
Earnings per Fortis Share (in EUR)..........	3.38	3.07	2.35	1.70	0.41
Shareholders' equity per Fortis Share (in EUR)	15.98	14.75	11.97	9.16	8.39
Gross dividend per Fortis Share (in EUR).	1.40	1.16	1.04	0.92	0.88
Number of Fortis Shares (in million)					
Outstanding...............	1,343	1,341	1,341	1;338	1,335
Carrying voting rights, entitled to dividend.....	1,303	1,301	1,301	1,298	1,295
Volume traded					
Average daily number of Fortis Shares x 1,000)........................	5,850	5,618	5,425	6,871	5,999
Average daily (in EUR million)..............	173	130	101	103	127
Share price					
Year high...................	33.51	27.15	20.63	17.80	29.10
Year low....................	25.12	20.36	16.40	9.26	12.51
Year average	29.56	23.08	18.57	14.98	21.13
At year-end	32.32	26.92	20.36	15.96	16.73

[57] This percentage is based on the Fortis share price at the close of the relevant stock exchanges on 19 September 2007.

[58] Adjusted for purchased intangibles amortisation.

[59] Represents profit after tax, plus post-tax transaction benefits divided by the consideration paid plus post-tax integration costs.

(ii) Changes in share capital

The changes in Fortis share capital since 1 January 2004 are described below:

	Shares issued	Amounts (in EUR million)
Number of shares at 1 January 2004	1,337,882,634	6,293
Issued related to options plans	2,903,911	14
Number of shares at 31 December 2004	1,340,786,545	6,307
Issued related to options plans	36,000	0
Number of shares at 31 December 2005	1,340,822,545	6,307
Issued related to options plans	1,993,000	9
Number of shares at 31 December 2006	1,342,815,545	6,316
Issued related to options plans	1,857,250	9
Number of shares at 30 June 2007	1,344,672,795	6,325

(iii) Number of own Fortis Shares held by Fortis and Fortis subsidiaries

As at 30 June 2007, Fortis SA/NV, Fortis N.V and Fortis subsidiaries held 49,769,410 Fortis Shares.

As at 30 June 2007, the book value of such Fortis Shares amounted to EUR 1,344,777,210.

As at 30 June 2007, the nominal vale of Fortis N.V. Shares held by Fortis SA/NV, Fortis N.V and Fortis subsidiaries amounted to EUR 20,903,152. Fortis SA/NV Shares do not have any nominal value.

5.2.2 Solvency

(i) Group solvency

The respective banking and insurance supervisors in Belgium and The Netherlands (CBFA and DNB) are of the opinion that the integration of the activities within a financial services company (or a financial conglomerate) gives rise to specific risks which require the separate banking and insurance supervision to be supplemented with comprehensive supervision at the group level. As a result, on 28 February 2002, the supervisors agreed on a Protocol (entitled "Framework for the exercise of the supplementary supervision of the Fortis Group") to provide for adequate supervision of Fortis. This Protocol replaced a 1996 agreement concluded between the supervisors, which needed to be reviewed as a result of the changes in the management structures of Fortis and the international developments in the supervision of financial services companies. Fortis has been identified as a financial conglomerate and is subject to supplementary supervisions of credit institutions, Insurance undertakings and Investment firms in financial conglomerate as provided for in the European Directive 2002/87/EC.

Since 1998 Fortis has established internal solvency targets that included a minimum and maximum level. The minimum level used till 31 December 2006 equals the sum of 6% of the risk-weighted assets of the banking operations plus 1.75 times the statutory minimum requirements for the insurance operations. The maximum level used till 31 December 2006 equals the sum of 7% of the risk-weighted assets of the banking operations plus 2.5 times the statutory minimum requirements for the insurance sector.

	At 31 December		
	2006	**2005**	**2004**
		(EUR million)	
Shareholders' equity	20,644	18,929	15,337
Minority interests	907	727	340
Hybrid loans	4,640	4,080	4,155
Revaluation of real estate to fair value	1,833	1,678	1,549
Revaluation of bonds, net of shadow accounting	(672)	(2,583)	(2,977)
Reversal of non trade derivatives and hedge accounting	491	696	1,458
Goodwill	(1,017)	(716)	(77)
Treasury shares	307	314	267
Net core capital	27,133	23,126	20,052
Fortis floor	21,547	19,300	16,371

Fortis has presented its solvency using this net core capital/cap/floor model since 1998. There were, however, some limitations to this model that have prompted Fortis to introduce a new model based on "target capital" from 1 January 2007.

The three components of the Fortis core equity target are:

- a Fortis Bank capital target set at a Tier 1 ratio of 7%, including 1% hybrid capital. This implies a core equity target of 6%;
- a Fortis Insurance capital target set at 225% of the regulatory minimum, which includes 50% of hybrid capital. This implies a core equity target of 175%; and
- a Group leverage target (at General) set at 15% of the total of the core equity of Banking plus the core equity of Insurance, implying that at the level of Banking and Insurance 15% of their combined target equity could be financed by group debt.

The three components together result in a group core equity target. The capital target is based on extensive analysis and set at a level that satisfies requirements by both regulatory supervisors and rating agencies, assuming AA-range ratings for core operations. Internal risk views based on stress scenarios have also been taken into account in these capital targets, which are based on the current risk profile of Fortis operations. A change in risk profile could result in a change of targets.

Fortis' core equity and total capital is composed as follows:

	Banking	**Insurance**	**General (incl. eliminations)**	**Total**
		(EUR million)		
31 December 2006				
Share capital and reserves	12,593	4,021	(4,350)	12,264
Net profit attributable to shareholders	3,149	1,420	(218)	4,351
Unrealised gains and losses	924	2,922	182	4,029
Shareholders' equity	16,666	8,363	(4,385)	20,644
FRESH[1]			1,108	1,108
Minority interests	198	678	31	907
Revaluation of real estate to fair value		1,465		1,465
Revaluation of debt securities, net of shadow accounting	(176)	(477)	(19)	(672)
Revaluation of equity securities, net of shadow accounting	(721)	(234)	(12)	(967)
Goodwill	(749)	(268)		(1,017)
Expected dividend	(225)	(520)	(321)	(1,066)
Other	(490)	(392)	12	(870)
Fortis core equity	14,503	8,615	(3,586)	19,532
Innovative capital instruments	2,438	600	493	3,531
Extended core equity[2]	16,941	9,215	(3,093)	23,063
Subordinated loans	11,642	819	(1,726)	10,735
Other prudential filters and deductions on total capital	(1,919)	(99)		(2,018)
Total capital	26,664	9,935	(4,819)	31,780

Note:

(1) FRESH: floating rate equity-linked subordinated hybrid capital.

(2) In Banking, extended core equity corresponds to Tier 1 capital.

The key capital indicators of Fortis are as follows:

	31 December 2006
	(EUR million)
Core equity	19,532
Core equity target	17,733
Amount of core equity above target	1,799
Total capital	**31,780**
Minimum solvency requirements	22,898
Amount of total capital above minimum solvency requirements	8,882

(ii) Banking

Capital adequacy and the use of capital are monitored by Fortis and its banking companies, employing techniques based on the guidelines developed by the Basel Committee on Banking Regulations and Supervisory Practices (the "**Basel Committee**") and implemented by the European Central Bank for supervisory purposes.

The Belgian and Dutch Central Banks, in common with other bank supervisors, regard the risk assets ratio developed by the Basel Committee as a key supervisory tool and set individual ratio requirements for banks in Belgium and The Netherlands, respectively. This ratio was designed to meet the dual objectives of strengthening the soundness and stability of the international banking system and of creating a fair and consistent supervisory framework for international banks by means of an international convergence of capital measurement and capital standards. The technique involves the application of risk-weightings to assets (which for this purpose includes both balance sheet assets and off-balance sheet items) to reflect the credit and other risks associated with broad categories of transactions and counterparties.

The Basel Committee guidelines set a minimum total risk asset ratio for all international banks of 8%. Bank capital adequacy requirements have also been established to comply with European Directives. These Directives, as implemented in Belgium and The Netherlands, set forth capital standards similar to those of the Basel Committee guidelines.

The principal European Directive is the EC Capital Adequacy Directive. This Directive establishes minimum capital requirements for banks and investment firms. The Capital Adequacy is based on a proposal by the Basel Committee.

The risk asset approach to capital adequacy emphasises the importance of Tier 1 (core) capital, comprising shareholder's equity, published reserves (minus revaluation reserves), hybrid loans with Tier 1 status and minority interest, minus intangible assets. Secondary or Tier 2 capital consists of revaluation reserves, long-term subordinated loans with a minimum/original maturity of at least five years and cumulative preference shares.

The concept of risk-weighting assumes that banking activities generally involve some risk of loss. For risk-weighting purposes, commercial lendings are taken as a bench-mark to which a risk-weighting of 100% is ascribed. Other transactions that are considered to present lower levels of risk than commercial lending, may qualify for reduced weightings. Off-balance sheet items are generally converted to credit risk equivalents by applying credit conversion factors laid down by the Basel Committee. The resultant amounts are then risk-weighted according to the nature of the counterparty. As a result, credit substitutes, such as standby letters of credit and acceptances, are allocated the same risk-weightings as similar on-balance sheet lending, while transaction-related off-balance sheet items such as performance bonds, are allocated a lower weighting in recognition of the smaller likelihood of loss from these instruments.

In the case of interest and exchange rate related contracts, the risks involved relate to the potential loss of cash flows rather than notional principal amounts. These risks are represented by the replacement cost (as defined by the Belgian Central Bank since the Banking, Finance and Insurance Commission is Fortis primary regulator) of the contracts plus an add-on to reflect potential future volatility in replacement cost arising from movements in market rates.

Fortis uses Tier 1 and total capital ratios to monitor its solvency. Fortis strives to maintain a minimum Tier 1 capital ratio of 6% in its banking operations. The following table sets forth the risk-weighted capital ratios of Fortis banking operations at the dates indicated, in each case calculated under the implementation of the relevant EC Directives.

	As of 31 December			
	2006	**2005**	**2005**	**2004**
	IFRS		**Belgian GAAP**	
Risk-weighted commitments ..	240,104	212,095	212,095	172,391
Tier 1 capital ratio(1)	7.1%	6.6%	7.4%	8.3%
Total capital ratio(2)	11.1%	10.1%	10.5%	11.6%

Note:

(1) The Tier 1 capital ratio is the ratio of Tier 1 capital, including equity capital and reserves and required deductions from Tier 1 capital to risk-weighted assets and commitments.

(2) The total capital ratio is the ratio of total capital, including equity capital, reserves and supplementary capital elements and required deductions from total capital to risk-weighted assets and commitments.

As of 1 January 2006, the basis for calculating the capital adequacy ratios moved from Belgian GAAP to IFRS. The transition to IFRS had an impact on the equity. The supervisors defined certain filters to exclude certain elements from equity. Due to the options chosen by Fortis in the transition to IFRS, the banking Tier 1 equity reduced by EUR 1.6 billion, primarily due to the recognition of deferred pension expenses (corridor) of EUR 1.1 billion. As of 31 December 2005, the Tier 1 ratio based on IFRS is 6.6%, compared to 7.4% under Belgian GAAP, and the total capital ratio is 10.1% under IFRS, compared to 10.5% under Belgian GAAP[60].

Basel II. The Basel II rules are a set of new, more risk-sensitive rules for capital requirement calculations that came into effect as of 1 January 2007. The Basel II rules define the minimum capital that a financial institution must hold for unexpected events. These rules also provide minimum qualitative standards and risk management practices that a financial institution should have in place. The Basel II rules include capital requirements for operational risk in addition to credit risk and market risk, which are already covered in the current rules.

The Basel II rules were developed by the Basel Committee for Banking Supervision to replace the current rules, known as Basel I. The committee's first proposal for revising the capital adequacy framework was published in June 1999. Since then, the revised framework, the International Convergence of Capital Measurement and Capital Standards, was published in November 2005. Based on the recommendations of the revised framework, the Basel II rules were ratified by the European Union, which made necessary amendments to the CRD, the Recast Capital Requirements 200/12.

The Basel II rules are represented by three "pillars": Pillar I addresses the calculation of minimum regulatory capital requirements for credit, market and operational risk. Pillar II addresses the supervisory review process, the financial institution's capital adequacy assessment including other risk not addressed under Pillar I and the strategy for maintaining capital levels. Pillar III addresses market discipline and requirements regarding market disclosure of risk-related information.

Under Pillar I, financial institutions can choose from three approaches for the calculation of the credit risk capital: the Standardised method (which is similar to the current Basel I rules), Foundation Internal Ratings-Based ("**IRB**") and advanced IRB – the difference being the sophistication of the capital requirement calculations. Under Foundation IRB and Advanced IRB, the financial institution uses its own calculation of risk-related variables that serve as the input in the calculation of capital requirement. For operational risk, financial institutions can also choose from three approaches: the Basic Indicator approach, the Standardised approach and the Advanced Measurement Approach (AMA) – the difference being the sophistication of methods and the processes required for operational risk monitoring and quantification.

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[60] The calculation of the Tier 1 capital ratio and CAD ratio for regulatory purposes was only applicable as from 1 January 2006. The 31 December 2005 calculation is only given for comparative purposes.

Fortis has applied for permission to use the Advanced Internal Ratings Based approach ("**AIRBA**") to determine the capital requirements for credit risk and the Advanced Measurement Approach ("**AMA**") for determining the capital requirements for operational risk as of 1 January 2008. Basel II will be applicable as of 1 January 2008 based on the final approval of the CBFA. The review related to the request for approval is on-going and based on Fortis application file.

Fortis expects that Basel II will result in a significant reduction in risk weighted commitments related to credit risk and compensated some what by the introduction of capital requirements for operational risk. In the transition period from 2008 to 2010 certain capital floors will be applicable based on Basel I; the full capital release will only become available over that period.

(iii) Insurance

The insurance operations of Fortis are subject to detailed, comprehensive regulation in all the jurisdictions in which Fortis does business. In addition European Directives have had and will continue to have a significant impact on the regulation of the insurance industry in the EU as such s are implemented through legislation adopted within each member state, including Belgium and The Netherlands.

Insurance companies in Belgium and The Netherlands are supervised by the Belgian Banking, Finance and Insurance Commission, the Belgian insurance regulator, and the DNB, the Dutch insurance regulator, respectively. Belgium and The Netherlands have adopted the European Directives of 1973 and 1979 setting forth certain solvency requirements for non-life and life insurance companies, respectively. Such solvency requirements apply to all of Fortis insurance subsidiaries in the EU.

Each of Fortis Belgian, Dutch and other European insurance subsidiaries is in compliance with the applicable solvency requirements. At 31 December 2006 the available funds to cover the aggregate solvency requirements of Fortis insurance businesses were EUR 10,404 million (2005: EUR 8,785 million; 2004: EUR 7,751 million), which was EUR 6,324 million (2005: EUR 5,028 million; 2004: EUR 4,306 million) above the legally required solvency levels of EUR 4,080 million (2005: EUR 3,757 million; 2004: EUR 3,445 million).

5.2.3 Sources and amounts of and narrative description of the Issuers' cash flows

(i) Combined Cash Flows

Fortis total cash flows are comprised of the net cash flow from operating activities, the net cash flow from investment activities and the net cash flow from financing activities.

The principal sources of funds for Fortis operating activities are insurance premiums, income from investments of the insurance operations and interest income and other income received from the banking operations. Fortis also supplements its funding requirements with borrowings from financial institutions, which consist of both short-term liabilities and long-term debt obligations. Fortis major uses of funds are for payments in connection with life policy benefits, payments of non-life claims, interest expenses, personnel expenses and other expenses, as well as investments in information technology. The net cash flow of Fortis operating activities also includes the sales and purchases of its trading portfolio, the net balance of loan advances and repayments and the change in deposits and other short-term borrowings of the banking operations.

(ii) Bank Cash Flows

The condensed cash flow statement for the Banking operations is as follows:

	2006	**2005**	**2004**
		(EUR million)	
Cash and cash equivalents at 1 January	25,594	24,834	18,993
Cash flow from operating activities	(13,624)	8,938	9,504
Cash flow from investing activities	(4,790)	(11,663)	(7,098)
Cash flow from financing activities	13,763	3,348	3,467
Exchange rate differences	(151)	135	(31)
Cash and cash equivalents at 31 December	20,972	25,594	24,834

The main elements of the operating cash flow of the bank are the profits of the period and the balance between the loans to banks and customers versus the funding from banks and customers.

The principal sources of funds for Fortis banking operations are growth of the deposit base, interbank loans, repayments of existing loans and purchases of trading portfolio securities and investments. The interbank funding accounted for 26% of Fortis Bank's total liabilities and equity at 31 December 2006 (2005: 27%; 2004: 23%). The saving and deposits due to customers accounted for 39% of Fortis Bank's total liabilities and equity at 31 December 2006 (2005: 41%; 2004: 42%).

The major uses of funds in Fortis banking operations are advances of loans and other credits, interbank lending, investments, purchases of trading portfolio securities, interest expense and administrative expenses.

(iii) Insurance Cash Flows

The condensed cash flow statement for the insurance operations is as follows:

	2006	**2005**	**2004**
		(EUR million)	
Cash and cash equivalents at 1 January	2,421	2,877	4,472
Cash flow from operating activities	7,720	7,131	4,318
Cash flow from investing activities	(6,830)	(6,451)	(5,282)
Cash flow from financing activities	(1,072)	(1,138)	(637)
Exchange rate differences		2	6
Cash and cash equivalents at 31 December	2,240	2,421	2,877

The main components of the operating cash flows are gross inflows (insurance premiums and deposits for investment contracts without DPF), benefits, surrenders and claims paid and operating expenses including claim-handling expenses.

Fortis insurance companies generate a substantial operating cash flow from operations because most premiums are received in advance of the time when claim payments or policy benefits are required. Other sources of funds include net investment income and proceeds from sales or maturity of investments. The major uses of these funds and premiums received are to acquire investments for policyholders, to provide life policy benefits, to pay surrenders and profit sharing for life policyholders, to pay non-life claims and related claims expenses, and to pay other operating costs.

The cash flow from financing activities relate primarily to the payment of dividends to the holding companies and the repayments/maturities/issuance of loans.

These positive operating cash flows, along with that portion of the investment portfolio that is held in cash and highly liquid securities, have historically met the liquidity requirements of Fortis insurance companies, as evidenced by the overall growth in the insurance investment portfolio.

In the insurance industry, liquidity generally refers to the ability of an enterprise to generate adequate amounts of cash from its normal operations, including its investment portfolio, to meet its financial commitments, which are principally obligations under its insurance contracts. The liquidity needs of Fortis life operations are generally affected by trends in actual mortality experience relative to the assumptions with respect to such trends included in the pricing of its life insurance policies, by the extent to which minimum returns or crediting rates are provided in connection with its life insurance products, as well as by the level of surrenders and withdrawals. The liquidity of Fortis non-life operations is affected by the frequency and severity of losses under its policies, as well as by the persistency of its products. Future catastrophic events, the timing and effect of which are inherently unpredictable, may also create increased liquidity requirements for Fortis non-life operations.

Fortis insurance companies' liquidity requirements are met on both a short-term and long-term basis by funds provided by insurance premiums collected, investment income and collected reinsurance receivables, and from the sale and maturity of investments. Fortis insurance companies also have short- term credit lines to cover temporary liquidity needs.

5.2.4 Capitalisation and indebtedness

Fortis SA/NV and Fortis N.V. are holding companies whose principal assets are their investments in Fortis companies. These investments are their sole assets other than certain "permitted" assets they may hold from time to time.

As holding companies, Fortis SA/NV's and Fortis N.V.'s principal source of earnings are therefore cash dividends received from Fortis companies. Fortis companies are subject to restrictions on the amount of funds they may transfer at any given time in the form of cash dividends or otherwise; in addition the insurance and banking companies are restricted in respect of minimum capital and solvency requirements that are imposed by insurance, banking and other regulators in the countries in which Fortis subsidiaries operate.

From time to time, the holding companies may raise funds via issuance of debt or equity securities. To issue debt, an issuing vehicle, Fortis Finance N.V., is used, which issues debt under the guarantee of Fortis SA/NV and Fortis N.V. under a EUR 4 billion commercial paper program and a EUR 15 billion European Medium Term Note program. To manage liquidity, Fortis Finance N.V. can cover its liquidity needs via a credit facility of EUR 1 billion, granted by unaffiliated third parties (maturing in 2009).

The liquidity and capital resource considerations for Fortis SA/NV and Fortis N.V. vary in light of the business conducted by the insurance and banking operations of Fortis. Insurance activities (premium and investment income) traditionally generate more cash inflow than has been required to meet maturities, surrenders, claims and expenses. In addition, at year-end 2006 the insurance activities hold EUR 59.0 billion in investments available for sale (primarily debt securities and equities at fair value), which represents more than 96% of net technical provisions.

Almost by definition, banking activities have good access to capital markets. On top of this Fortis Bank has a strong retail funding base and benefits from a large volume of customer deposits, which covers 91% of its customer loan book. Fortis Bank's liquidity is further enhanced by its available for sale investment portfolio (EUR 128 billion at 31 December 2006), which consists primarily of fixed-income securities at fair value.

At 31 December 2006 Fortis N.V. held no receivables to Fortis companies under intercompany lending arrangements (2005: nil; 2004: EUR 70 million). At 31 December 2006 Fortis N.V. had EUR 37 million of available cash, compared to EUR 72 million end of 2005 and EUR 3 million in 2004.

At 31 December 2006 Fortis SA/NV had EUR 41 million available in cash compared to EUR 9 million in 2005 and EUR 3 million in 2004.

The dividends declared over any year need to be funded from the dividend upstream of the next year.

The following table sets forth the consolidated capitalisation of Fortis Group as at 31 December 2006 and 30 June 2007. The figures set out in the following table have been extracted from the Fortis's audited consolidated financial statements at 31 December 2006 and unaudited consolidated interim financial statements at 30 June 2007, each prepared in accordance with IFRS.

	As at 30 June 2007	**As at 31 December 2006**
	(unaudited)	
	(EUR million)	
Debt certificates[(1) (2)]	114,241	90,686
Subordinated liabilities[(3) (4)]	16,303	15,375
Total Debt Issues...............................	**130,544**	**106,061**
Share Capital	6,325	6,316
Share Premium reserve	11,828	11,783
Other reserves and components of shareholder's equity	3,075	2,545
Total shareholder's equity.................	**21,228**	**20,644**
Minority interest	**904**	**907**
Total Capitalisation	**152,676**	**127,612**

Note:

(1) Also includes amounts which will mature within 12 months.

(2) All of the debt certificates are unsecured, except for the mandatorily exchangeable bond with a nominal amount USD 774 million issued in January 2005 on the remaining shares of Assurant, Inc. owned by Fortis. None of the debt certificates are guaranteed by third parties.

(3) Total debt issues do not include indirect and contingent liabilities.

(4) All the subordinated liabilities are unsecured, except for the undated floating rate equity-linked subordinated hybrid ("FRESH") capital securities, with a nominal amount of EUR 1,250 million issued in May 2002. None of the liabilities certificates are guaranteed by third parties.

The following table shows the components of the outstanding debt certificates at 31 December 2006 and at 30 June 2007:

Current debt certificates (including current position of long-term debt)	**As of 30 June 2007**	**As at 31 December 2006**
	(unaudited)	
	(EUR million)	
Short-term debt certificates (commercial paper)...	53,328	40,936
Bons de caisse / *Kasbons* (short-term)...........	7	6
Debt certificates held at fair value through net income..	3,433	9,043
Total current debt certificates......................	**56,768**	**49,985**

Non-current debt certificates (excluding current position of long-term debt)	**As at 30 June 2007**	**As at 31 December 2006**
	(unaudited)	
	(EUR million)	
Long-term debt certificates.............................	18,350	13,918
Medium-term debt certificates........................	24,572	20,442
Bons de caisse / *Kasbons* (long-term)	5,374	5,902
Bons de caisse / *Kasbons* (medium-term)	407	439
Debt certificates held at fair value through net income	8,770	0
Total non-current debt certificates..............	**57,473**	**40,701**
Total debt certificates	**114,241**	**90,686**

See also Sections 5.2.1 to 5.2.3.

5.2.5 Working Capital Statement

Fortis is of the opinion that its working capital, as indicator of its ability to pay off its short-term liabilities, is sufficient for the coming 12 months. For further details, see Sections 5.2.2 and 5.5.7.

5.2.6 Embedded Value (unaudited)

As part of its 2006 results, Fortis published the EV of its life insurance business in accordance with the EEV principles established by the CFO Forum of European insurance companies. The EEV Principles provide a framework intended to improve comparability and transparency in embedded value reporting across Europe. In complying with EEV Fortis has adopted a market consistent methodology ("**MCEV**" or Market Consistent Embedded Value). EV of life insurance operations provides additional information on the value of the in-force contracts and the value of new business. EV excludes any value attributable to future new business. The EV results are unaudited but the methodology and assumptions used in the calculation have been reviewed by an external actuary. The changes in a company's EV from year to year provides a measure of the profitability of the company's life insurance business.

Terms which are highlighted in bold below are defined later in this Section.

(i) Scope

The Fortis Life entities included in the scope of EV are:

- Fortis Insurance Belgium (Insurance Belgium)
- Fortis Insurance Netherlands (Insurance Netherlands)
- Fortis Insurance International (Insurance International)
- Fortis Assurances in France
- Fortis Luxembourg-IARD and Fortis Luxembourg-Vie in Luxembourg
- Millenniumbcp Fortis in Portugal. In Fortis Financial Statements 2006, Millenniumbcp Fortis is consolidated on a 100% basis, but is reported on a 51% basis for EV reporting in line with Fortis holding.
- The minority shared joint venture VidaCaixa in Spain. In Fortis Financial Statements 2006, VidaCaixa is reported on an equity only basis, but is reported on a 40% basis for EV reporting in line with Fortis holding.

The Asian joint ventures (Taiping Life in China, Mayban Life in Malaysia and Muang Thai Life in Thailand), in which Fortis has a minority share, are not modelled and are included on a net equity value only.

(ii) EV 2006 results

Completing the transition to a Market Consistent approach and other modelling improvements resulted in a restatement of the 2005 Embedded Value. This restatement resulted in a reduction of EUR 208 million or 1.9%.

Key changes include a reduction of shareholders' equity mainly due to revaluation of elements of Insurance Belgium shareholders' equity and re-allocation of assets to operating business at Insurance Netherlands. Both Certainty Equivalent Values of Operating Business ("**CE-VOB**") and Cost of Financial Options and Guarantees ("**CFOG**") reduced mainly because of the bottom-up approach compared to the top down transition approach used last year. Additionally, the Cost of Non-Financial Risks ("**CNFR**") increased due to a change in modelling approach to align more closely with the Solvency II methodology developments. Finally, the reduction in Cost of Capital ("**COC**") is driven by improved modelling of taxes and investments costs.

	Fortis		Insurance Belgium		Insurance Netherlands		Insurance International	
	2005	2005 restated	2005	2005 restated	2005	2005 restated	2005	2005 restated
	(unaudited)							
	(EUR million)							
EV	10,830	10,623	4,094	3,964	5,612	5,554	1,124	1,105
Total Shareholders' equity	6,340	5,998	2,292	2,100	3,396	3,249	652	649
Required Equity	4,117	4,276	1,695	1,857	1,776	1,776	646	643
Free Surplus	2,223	1,722	596	243	1,620	1,473	7	5
Value of Operating Business	5,358	5,291	2,138	2,216	2,664	2,562	556	512
Certainty Equivalent VOB	6,764	6,395	2,876	2,877	3,188	2,878	699	640
CFOG	(1,217)	(825)	(664)	(534)	(420)	(196)	(132)	(98)
CNFR	(189)	(279)	(74)	(126)	(104)	(120)	(10)	(33)
Cost of Capital	(867)	(667)	(336)	(353)	(447)	(257)	(84)	(56)

As a consequence of the new result related commission which Insurance Belgium pays to Fortis Bank in connection with the distribution of insurance products following the transfer of Fortis Bank Insurance to Insurance Belgium, the value of Insurance Belgium would have been EUR 354 million lower if we had not applied the look through approach. In the look through approach the result related commission has been reversed. In 2006, the result related commission amounted to a post-tax payment to Retail Banking of EUR 49 million.

Compared to the restated 2006 opening value, the EV before dividends showed an increase in EV of 27% over Restated 2005 to EUR 13.5 billion at the end of 2006.

	Fortis	Insurance Belgium	Insurance Netherlands	Insurance International
	(unaudited)			
	(EUR million)			
EV 2006 year end	12,307	4,833	6,249	1,225
Total Shareholders' equity	6,562	2,230	3,691	640
Required Equity	3,955	1,472	1,780	702
Free Surplus	2,608	758	1,911	(61)
Value of Operating Business	6,291	2,878	2,769	644

	Fortis	Insurance Belgium	Insurance Netherlands	Insurance International
	(unaudited)			
	(EUR million)			
Certainty Equivalent VOB	7,251	3,348	3,134	769
CFOG	(721)	(380)	(249)	(92)
CNFR	(239)	(91)	(116)	(33)
Cost of Capital	(547)	(276)	(211)	(59)

(iii) Change in Embedded Value

The Analysis of Change explains the movement in EV at 2006 year-start to the value at year-end by showing the different underlying components. The increase of 27% to EUR 13.5 billion before dividends is largely due to Value Added by New Business ("**VANB**"), higher interest rates and strong growth in share values. The dividends represent the payments out of Life Insurance activities within the EV scope.

	Value in Force +	Shareholders' equity =	EV	Insurance Belgium	Insurance Netherlands	Insurance International
			(unaudited)			
			(EUR million)			
Year-end 2005	4,491	6,340	10,830	4,094	5,612	1,124
Opening Adjustments	133	(341)	(208)	(130)	(58)	(20)
Year-start 2006	4,624	5,998	10,623	3,964	5,554	1,105
Operating assumption changes	124	(44)	80	101	(5)	(17)
Expected return	(307)	1,098	791	276	479	36
Variances	338	903	1,241	673	520	48
Change in economic assumptions	441	(33)	409	202	168	39
Value added by new business	524	(148)	377	189	85	103
EV before Dividends	5,744	7,776	13,521	5,406	6,802	1,313
Dividends under EV Life scope	-	(1,214)	(1,214)	(573)	(553)	(88)
Year-end 2006	5,744	6,562	12,307	4,833	6,249	1,225

The principal opening adjustment was restatement of embedded value of 2005 year-end to reflect changes resulting from the completion of the transition of aligning internal models. Other opening adjustments include a small increase in scope in Insurance Belgium.

Changes in Operating Assumptions include changes in tax and expenses assumptions at Insurance Netherlands, and changes in lapse assumptions (EUR (120) million) and a reduction in the level of required equity (EUR 137 million) as a result of raising additional admissible sub-debt for Insurance Belgium. Overall, the changes in Operating assumptions had a relatively small impact of EUR 80 million.

Expected return is the after-tax return on embedded value resulting from projections of assets and liabilities over the year based on expected "real world" returns. It includes the release of buffers for risk factors, including CFOG and CNFR. The Expected Return also reflects the release of modelled profits from the Value of the In-force business into Free Surplus, although the movement does not contribute to a change in value. In total, the Expected Return contributed EUR 791 million to the increase.

Variances measure the impact on EV of differences between actual compared to expected experience in the year. It includes the out-performance of actual investment returns against the expectation on Share and Real Estate portfolios. The variance amounts to a total of EUR 1.2 billion.

Change in Economic assumptions includes the impact on EV of changes in interest rate yield curves and volatilities and had an impact of EUR 409 million. The main effects are the impact of a higher yield improving margins on the block of in-force business with relatively higher guarantees. In addition, when interest rates go up the liabilities drop more in value than the assets because of an interest rate mismatch, which is typical for life insurance where assets have a shorter duration than liabilities.

Value Added by New Business written in 2006 is EUR 377 million and is now calculated on a Market Consistent basis and includes an allowance for CFOG and CNFR.

The following table gives a breakdown of the VANB for the various life insurance entities.

	Fortis	**Insurance Belgium**	**Insurance Netherlands**	**Insurance International**
	(unaudited)			
	(EUR million)			
EV 2006 year end	377	189	85	103
New Business Strain	(146)	(8)	(115)	(23)
Value of Operating Business	568	222	215	132
Certainty Equivalent VOB	635	258	231	146
CFOG	(48)	(28)	(9)	(11)
CNFR	(18)	(8)	(7)	(3)
Cost of Capital	(547)	(276)	(211)	(59)

The following table shows the key indicators for Sales and Margins. The reported IRR is calculated based on a traditional deterministic projection using realistic assumptions.

	Fortis	Insurance Belgium	Insurance Netherlands	Insurance International
	(unaudited)			
	(EUR million, except %)			
Value Added by New Business	377	189	85	103
Value of Operating Business	568	222	215	132
New Business Strain	(146)	(8)	(115)	(23)
Sales & Margins PVNBP basis				
PVNBP 2006	11,335	5,169	2,344	3,822
VANB/PVNBP	3.3%	3.7%	3.6%	2.7%
Sales & Margins APE basis				
APE 2006	1,230	511	275	444
VANB/APE	31%	37%	31%	23%
IRR				
IRR 2005	14.0%	15.6%	9.0%	21.8%
IRR 2006	16.7%	25.8%	9.3%	21.6%

The overall VANB for Insurance Belgium would have been EUR 49 million lower if we had not applied the "look through" approach to profit-related commissions which will be paid by Insurance Belgium to Retail Banking.

To allow comparisons to the results of 2005, the 2006 VANB has also been calculated on a traditional method based on cash flows using real world investment return assumptions and discounted at a discount rate of 7.2%, which is the 10-year risk free return plus 300bps Equity Risk Premium. This comparison is shown in table below.

	Fortis		Fortis Insurance Belgium		Fortis Insurance Netherlands		Fortis Insurance International	
	2005	2006	2005	2006	2005	2006	2005	2006
	(unaudited)							
	(EUR million)							
Value Added by New Business	300	373	164	240	45	50	91	84
New Business Strain	(138)	146	(21)	(8)	(101)	(115)	(16)	(23)
Value of Operating Business	541	621	245	300	169	195	127	126
Cost of Capital	(103)	(102)	(61)	(52)	(22)	(30)	(20)	(19)
PVNBP	10,227	10,516	4,837	4,760	2,044	2,051	3,346	3,705

On this basis, the VANB increased by 24% from EUR 300 million to EUR 373 million driven by higher volumes and higher average margins. The higher margins are due mainly to an increase in target pricing at FIB. This increase is largely due to the assumed expected risk premium on Shares and Real Estate, which is not recognised under market consistent valuation methodology.

The overall impact of moving to MCEV is slightly positive although the overall result of methodology changes varies across businesses. The new methodology has no impact on New Business Strain.

The impact of moving to the MCEV basis can be positive or negative depending on the product mix, level of guarantees, asset mix, nature of profit sharing rules and the prevailing yield curve and level of volatilities.

Cost of Capital reduces because under MCEV it represents only the cost of taxes on investment returns and investment expenses relating to the Required Equity.

The Present Value of New Business Premiums ("**PVNBP**") is affected because the Risk Discount Rate used in the Traditional method is higher than the risk free yield curve used in the MCEV method.

	Fortis		Fortis Insurance Belgium		Fortis Insurance Netherlands		Fortis Insurance International	
	2006	2006	2006	2006	2006	2006	2006	2006
	Traditional method	Market Consistent method	Traditional method	Market Consistent method	Traditional method	Market Consistent method	Traditional method	Market Consistent method
	(unaudited)							
	(EUR million)							
Value Added by New Business	373	377	240	189	50	85	84	103
New Business Strain	(146)	(146)	(8)	(8)	(115)	(115)	(23)	(23)
Value of Operating Business	621	568	300	222	195	215	126	132
Cost of Capital	(102)	(44)	(52)	(25)	(30)	(14)	(19)	(6)
PVNBP	10,516	11,335	4,760	5,169	2,051	2,344	3,705	3,822

(iv) Important Terms

Embedded Value methodology

EV represents a valuation of Fortis insurance business and comprises the market value of the shareholders' equity plus the value of the In-force portfolio. These components are defined as follows:

Embedded Value (EV)	= Value of Shareholders' equity (VSE)	
	- Cost of Capital (CoC)	Value of In-force Business (ViF)
	+ Value of Operating Business (VOB)	

Value of Shareholders' Equity ("VSE")

Shareholders' equity equals the market value of the tangible assets backing Fortis Life Equity including adjustments to ensure consistency with the calculation of the Value of Operating Business.

Value of Operating Business ("VOB")

The Value of Operating Business represents the value of assets and liabilities based on a market-consistent valuation of financial risks. It reflects the risk-adjusted value of the expected earnings emerging from the in-force policies by deducting the market consistent value of liabilities from the market consistent value of assets. This has previously been referred to as the Present Value of Future Profits ("**PVFP**").

The VOB can be split into the following three risks:

*Certainty equivalent value of operating business ("**CE-VOB**")*

Certainty Equivalent Value corresponds to the value of the business without taking credit for any future investment risk premiums and represents the value as if all cash flows are certain and all investment assets earn a risk free return (on a market value basis), with the cash flows discounted at the same risk free return. This value captures the intrinsic value (or in-the-money value) of the financial options and guarantees.

*Cost of Financial Options and Guarantees ("**CFOG**")*

Cost of Financial Options and Guarantees represents the time value of options and guarantees and is based on stochastic scenarios, consistent with the approach used in financial markets.

The CFOG is disclosed explicitly to place a market-consistent value on the asymmetry of shareholder profits around the expected cost of financial options and guarantees embedded in the insurance cash flows. The expected or intrinsic cost of the financial options and guarantees is allowed for in the Certainty Equivalent value. All material financial options and guarantees in the portfolio are accounted for in the Embedded Value. The time value of CFOGs is derived as the difference between the Certainty Equivalent value and the stochastic value.

*Cost of Non-Financial Risk ("**CNFR**")*

The Cost of Non-Financial Risk is an allowance for all other non-financial risks which are currently not allowed for in the models.

In the past, in a traditional embedded value framework this risk was included in the general risk discount rate. Now with a MCEV framework the financial risks arising from options and guarantees are addressed through the CFOG, an additional separate adjustment is necessary for all other risks. The CNFR is an explicit deduction to place a value on the uncertainty of shareholder profits around the expected operational and insurance risks embedded in the insurance cash flows.

Fortis' CNFR is now calculated based on an annual charge on a part of the solvency capital required to be held for these specific risks. Fortis has chosen to calibrate the annual charge on the solvency capital held for these risks as a simple 0.5% post-tax charge of the projected total required equity each year. Until calibrations and methodological details are more certain and the models can be improved to allow for the uncertainty of shareholder profits around non-financial risks.

Cost of Capital ("CoC")

The operating business cannot exist without Fortis meeting a number of solvency capital requirements including local regulatory, rating agency and economic capital. Meeting these requirements necessitates the locking in of a portion of the shareholders' equity (i.e. the Required Equity). Since this is locked in and cannot be released to the shareholder, the shareholder can only benefit via the investment yield earned on the investment assets backing the equity and therefore pays both the tax costs on this investment yield as well as any investment expenses.

The Cost of Capital represents the value lost through incurring these tax and investment expenses on the Required Equity.

Value Added by New Business ("VANB")

As part of the transition in 2006, the internal models have been adapted to allow the bottom-up market consistent methodology to value the block of new business. The VANB represents the value of new assets related to new business premiums and liabilities based on a market-consistent valuation of financial risks and deductions for CNFR, CoC and the first year losses (New Business Strain).

The Value Added by New Business includes only premiums arising from contracts sold during 2006 and does not include future new business. The VANB is valued based on year-end assumptions.

(v) Tax

Tax is modelled bottom-up. Appropriate tax rates are applied to direct and indirect returns on participations, shares, real estate and bonds. In all other cases the appropriate local corporate tax rate is applied.

Where tax can be deferred this is generally modelled within the cash flows projections and taken into account in the valuation. However, in cases where, in principle, tax could be deferred during the entire run-off period, Fortis takes the conservative assumption that in practice this may not be sustainable and instead model the tax rate as converging over time to the local corporate tax rate.

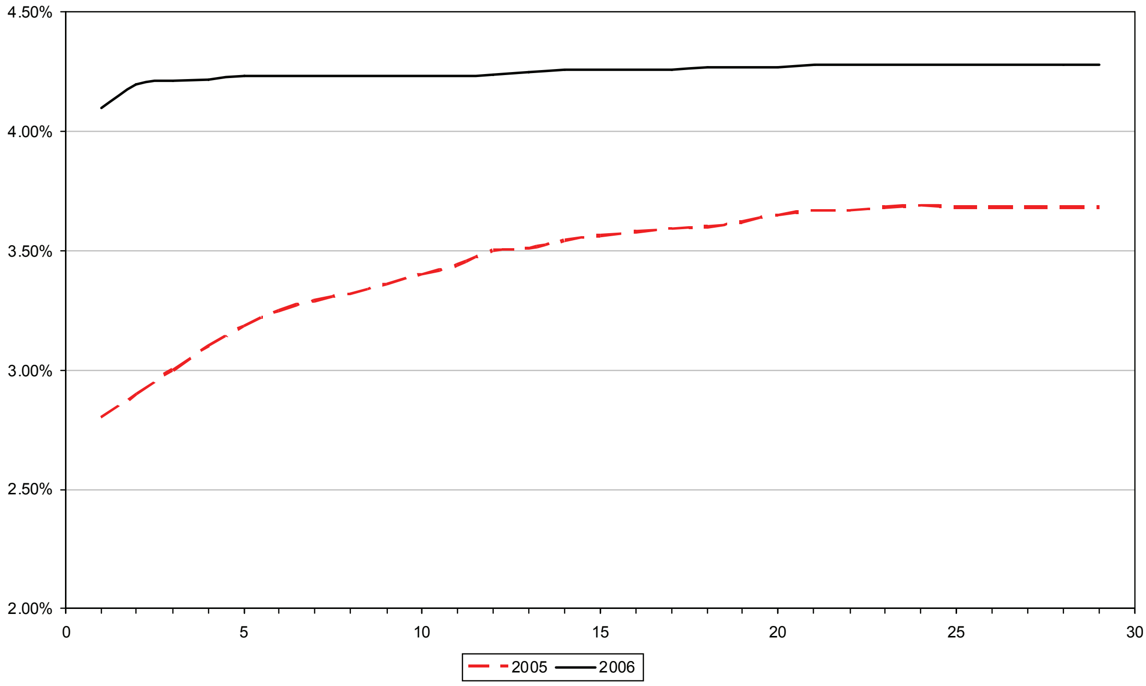
(vi) Assumptions and Sensitivities

The assumptions underlying the projections of the EV at 2006 year-end are described below.

Economic assumptions

Market yield

The basis for the Risk Free investment return assumptions in the market consistent valuation is the Euro swap curve at 29/12/2006 and is sourced from Fortis Bank. These rates are plotted below (rates after year 30 are assumed to remain flat). Fortis uses this curve to extract forward reinvestment yields that are used for all asset classes.



Fortis uses a stochastic economic scenario generator to produce 1,000 arbitrage free scenarios of future investment returns on each asset class, based on the yield curve above and the volatilities as given in the Section below. In 2006 Fortis improved it's economic scenario generator based on a more sophisticated interest rate model and implied volatilities based on current market data that allows a better calibration to market values. This contributed to a reduction of CFOG values in relation to the scenarios used in 2005.

Volatilities

Volatilities for shares and real estate are based on current market data. Volatilities in interest rates are a selection of the sample of at-the-money swaptions quotes as at 29/12/2006 used to calibrate the interest rate model.

	2006	2005 Restated
10 year swap (5year option/10year option)	13.3/12.2%	16.2%/14.3%
15 year swap (5year option/10year option)	13.1/12.2%	15.8%/14.1%
Shares	22.7%	22.9%
Real estate	10.1%	10.1%

Source: Fortis Bank

Asset mix and correlations

Asset mix is based on Market Value and for assets for the general account, split into assets allocated to value of shareholders' equity and to value of operating business.

The economic scenarios have been generated taking into account target correlations between the major asset classes, being shares, real estate and short rates for fixed income.

The asset mix for 2005 restated, compared to 2005 published, shows a difference which is mainly due to a representation of the mix on a market value compared to an IFRS value at previous year end.

	2006				2005 restated			
	Fortis	Insurance Belgium	Insurance Netherlands	Insurance International	Fortis	Insurance Belgium	Insurance Netherlands	Insurance International
Operating Business								
Fixed income	85%	82%	84%	97%	86%	82%	86%	97%
Shares	10%	13%	10%	2%	9%	12%	8%	2%
Others (Real Estate & cash)	5%	5%	6%	1%	5%	6%	6%	1%

Traditional (i.e. real world) investment return assumptions

The real world investment return assumptions from a traditional point of view are:

- Equity Risk Premium: The Equity Risk Premium has been assumed to be 300bp above the risk free return.
- Real Estate Risk Premium: The real estate risk premium has been assumed to be 200bp above the risk free return.

Note that these assumptions do not influence the final valuation, since higher expected returns will have an equal effect on the variance representing the difference between actual and Expected Return.

Inflation

Inflation is assumed to be 1.9% flat over all years.

Operating assumptions

Modelled expenses start at the actual 2006 expense level and are modelled taking into account the inflation rate over the projection period. Future commission payments follow the schemes agreed with the parties entitled to the payments. No account is taken of the effect of future expense reduction programs, productivity gains or integration synergies and no material non-recurring expenses have been identified.

The EV allows for the long-term cost of providing pension benefits to Fortis' staff in the Life entities as recognised under IAS 19.

The total unallocated central overheads in 2006 were EUR 194 million relating to all banking, insurance and central activities. The share for the life insurance activities of these expenses have not been taken into account in the embedded value or Value of New Business.

Each entity sets mortality and lapse rates at best-estimate level, based on its knowledge of the local markets and experience studies. All assumptions are actively reviewed each year and revised if required.

In certain cases, the dynamics of the insurance business that reflect either policyholder behaviour or flexibility of management actions are not allowed for in the models. This includes dynamic lapsing (i.e. lapses that vary according to economic conditions), the ability of management to change guarantees on future premiums on certain products as well as to optimise their benefits from pooling aspects for participating business. The CNFR is an allowance for the uncertainty of shareholder profits around the risks not currently allowed for in the models.

Sensitivities

The EV calculations are based on the current market conditions and Fortis view on best estimate assumptions. As provided for in the EEV guidance, Fortis provides information on the following sensitivities to demonstrate their impact on the EV and Value Added by New Business.

- Risk free rate +100 bp – This sensitivity assumes an upward parallel shift of 100 bp in yield curve.
- Risk free rate -100 bp – This sensitivity assumes a downward parallel shift of 100 bp in yield curve.
- Asset values of shares and real estate -10% – This sensitivity assumes a decrease of the asset values of both shares and real estate by 10%.
- Volatilities equities and properties +10% – This sensitivity assumes a 10% increase of both the equity and real estate volatility by multiplying the base assumption by a factor of 110%.
- Volatilities risk-free yields +10% – This sensitivity assumes a 10% increase of the volatility of the risk free yields by multiplying the base assumption by a factor of 110%.
- Costs -10% – all maintenance costs excluding commissions and acquisition expenses decrease by 10%. Cost inflation remains unchanged.
- Lapse -10% – This sensitivity assumes that the lapse rates used in the base scenario are multiplied by a factor of 90%.
- Mortality -5% – This sensitivity assumes that the mortality rates used in the base scenario are multiplied by a factor of 95%. This has been applied on both annuity and life assurance business.

- Required Capital on the local regulatory minimum level – This sensitivity assumes that the Required Capital to hold is only to meet the minimum local regulatory requirements.

The following table shows the impact of the above sensitivities on the in-force business for 2006.

	Fortis	Insurance Belgium	Insurance Netherlands	Insurance International
Base case EV (EUR million)	12,307	4,833	6,249	1,115
Risk free rate +100bp	5.9%	6.6%	4.3%	11.9%
Risk free rate -100bp	(11.9)%	(14.3)%	(8.6)%	(19.5)%
Asset values shares and real estate -10%	(8.7)%	(11.1)%	(8.1)%	(2.7)
Volatilities equities and properties +10%	0.0%	(0.1)%	0.2%	(0.6)%
Volatilities risk-free yields +10%	(0.7)%	(1.1)%	(0.5)%	(0.5)%
Required Equity (minimum regulatory level)	1.6%	1.9%	1.5%	1.0%
Costs -10%	2.1%	2.3%	1.7%	3.4%
Mortality rates -5%	0.2%	0.4%	0.2%	(0.7)%
Lapse rates -10%	0.0%	(0.7)%	0.4%	0.7%

The following table shows the impact of the above sensitivities on the value added by new business (VANB).

	Fortis	Insurance Belgium	Insurance Netherlands	Insurance International
Base case EV (EUR million)	377	189	85	103
Risk free rate +100bp	17.6%	21.8%	24.2%	4.2%
Risk free rate -100bp	(35.7)%	(55.5)%	(25.2)%	(8.1)%
Volatilities equities and properties +10%	0.7%	(0.7)%	6.5%	(1.4)%
Volatilities risk-free yields +10%	(5.2)%	(2.4)%	(17.1)%	(0.5)%
Required Equity (minimum regulatory level)	4.2%	4.4%	7.0%	1.5%
Costs -10%	8.8%	9.7%	11.2%	5.0%
Mortality rates -5%	5.6%	2.9%	18.6%	(0.4)%
Lapse rates -10%	4.4%	(0.0)%	9.8%	8.0%

5.2.7 Financing Programs and Available Credit Lines

Through its financing vehicle, Fortis Finance, Fortis utilises the capital markets to raise funding, including the European commercial paper market and the Euro Medium Term Note market. At 31 December 2006, Fortis Finance had EUR 0.3 billion outstanding under its EUR 4 billion Euro commercial paper program. EUR 5.6 billion was outstanding under Fortis EUR 15 billion EMTN program at the same date. In addition, Fortis Finance had a standby multi credit facility for EUR 1 billion. At 31 December 2006, no amount was outstanding under this credit line.

Fortis Bank organises its own financing programs and credit lines. As co-issuer together with a Luxembourg-based vehicle named Fortis Luxembourg Finance S.A., it utilises a EUR 15 billion EMTN program for funding and capitalisation on an opportunistic basis. Via Fortis Luxembourg Finance S.A., Fortis Bank also enters in the Euro commercial paper market via a EUR 3 billion program, the U.S. commercial paper market via a USD 7.5 billion program of Fortis Funding LLC and the Canadian commercial paper market via a CAD 2.5 billion program of FB Funding Company, and also issues via a USD 3 billion MTN program of its Hong Kong branch. All debt issued under these programs carries a guarantee or subordinated guarantee of Fortis Bank. Since September 2006 Fortis Bank also uses a USD 20 billion USMTN program, with Fortis Bank New York Branch and Fortis Bank Cayman Branch as co-issuers.

Fortis Bank Luxembourg S.A. and Fortis Bank Nederland (Holding) N.V., both subsidiaries of Fortis Bank, have their own programs. Fortis Banque Luxembourg has access to the capital markets via a USD 15 billion EMTN program, a EUR 3 billion Euro CP program and a USD 3 billion U.S. CP program. Fortis Bank Nederland (Holding) N.V. has access under a EUR 10 billion EMTN program. Next to these programs, various programs for issuance of Certificates of Deposit exist at the named banks.

5.2.8 Information regarding any restrictions on the use of capital resources

There are no restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the Issuers' operations.

5.2.9 Information regarding the anticipated sources of funds needed

Fortis intends to finance its portion of the consideration to be paid by RFS Holdings in the ABN AMRO Offer, which portion Fortis expects to amount to approximately EUR 24 billion, by means of the following sources:

- EUR 2 billion from the issue on 11 July 2007 of Conditional Capital Exchangeable Notes exchangeable into Mandatory Convertible Securities;
- Up to EUR 13 billion from the proceeds of this Offering; and
- EUR 9.5 to 11.0 billion from the proceeds of proceeds of a combination of (i) the issue of other Tier 1 capital instruments (approximately EUR 3.0-5.0 billion); (ii) the sale of specific non-core assets (approximately EUR 2.5 billion); (iii) sale of shared assets of the Consortium (approximately EUR 2.0 billion); and (iv) securitisation and other similar transactions (approximately 2.0 billion).

In respect of the EUR 9 billion portion of the ABN AMRO Offer consideration, Fortis entered on 15 May 2007 into a EUR 10 billion backstop liquidity facility with several European financial institutions, so as to secure entirely the financing of ABN AMRO Offer consideration to originate from Fortis internal resources.

Fortis intends that following the ABN AMRO Offer and this Offering it will refinance the EUR 9 billion component ABN AMRO Offer consideration through a combination of the following sources:

- up to EUR 8 billion through multiple transactions, consisting of further sales of non-core assets, securitisation transactions and other similar transactions; and
- up to EUR 5 billion to be raised by issuing Tier 1 capital instruments, equity-linked subordinated hybrid capital securities and/or convertible debt securities; on 16 May 2007, Fortis received a standby underwriting commitment from Merrill Lynch to raise such an amount.

Fortis announced on 12 July 2007 that already EUR 1.6 billion (sale price) of such an amount had been raised, representing a capital relief of EUR 1.2 billion due to the decrease in the risk weighted assets, by divesting various assets and shareholdings in European financial institutions. This amount includes the proceeds (EUR 980 million) from the sale by Fortis, on 11 July 2007, of its share in the joint venture CaiFor to its Spanish partner “la Caixa”.

In respect of the EUR 2 billion portion of the ABN AMRO Offer consideration and as also described in Section 7.4 below, on 11 July 2007 Fortis SA/NV and Fortis N.V. sold, on a joint and several basis as co-obligors with Fortis Bank and Fortis Bank Nederland (Holding) N.V., the Notes for a principal amount of EUR 2 billion (the “**Notes**”), automatically exchangeable into Mandatory Convertible Securities relating to Fortis Shares for the same principal amount (the “**Mandatory Convertible Securities**”) upon the completion of the Offering. The Notes were sold on 11 July 2007.

The Notes were offered to institutional investors acquainted with the complex characteristics of the instrument through a bookbuilding procedure. They constitute senior unsecured indebtedness of the co-obligors and, if not exchanged earlier into Mandatory Convertible Securities upon the completion of the Offering, will be redeemed in cash one year after their issue date.

The maturity date of the Notes is 4 August 2008 if the Offering is not completed. The Notes carry a coupon of three-month EURIBOR + 15 bps payable quarterly in arrear.

The Mandatory Convertible Securities are convertible into Fortis Shares (i) at any time at the request of the holders, (ii) at any time at the request of the issuers, (iii) in a number of special circumstances as described in the special Board report prepared in accordance with Article 602 of the Belgian Companies Code and (iv) at the latest, on the maturity date of the Mandatory Convertible Securities (which is three years from the issue date). Under no circumstances (other than liquidation of all co-obligors) are the Mandatory Convertible Securities redeemable in cash. The Mandatory Convertible Securities qualify as Core Tier 1 solvency at the level of the Fortis Group as well as at the level of Fortis Bank on a consolidated level and at the level of the Fortis Bank Nederland (Holding) N.V.

Subject to anti-dilution and adjustment rules, the maximum number of Fortis Shares that could be required to meet the conversion requirements under the instrument amounts to 115 million.

The exact number of Fortis Shares to be issued will however depend upon the conversion price, which will at all times be situated in a range between (i) a reference price equal to the average of the volume weighted average price of the Fortis Share during a 30 days period that will start seven days after the date of the last capital increase pursuant to the Offering and (ii) a maximum price equal to 120% of the reference price.

5.3 Trend information

Information on the Fortis trends is included in Section 2.3.2 above.

5.4 Selected statistical information

The tables below set forth historical selected statistical information regarding Fortis banking operations, which was derived from the Fortis Financial Statements 2006 prepared in accordance with IFRS (unless otherwise indicated). Unless otherwise indicated, average balances, when used, are calculated from quarterly data, and geographic data are based on the domicile of the customer.

The tables below do not include interest related to non-accrual loans, the portion of interest that is not recognised on partially non-accruing loans or lending commission income. Net interest income is not calculated on a tax-equivalent basis.

5.4.1 Average Balance Sheets and Interest Rates

The following tables show Fortis average balances and interest rates for each of the years set forth below.

	2006			2005			2004		
	Average(1) Balance	Interest	Average(1) Rate %	Average(1) Balance	Interest	Average(1) Rate %	Average(1) Balance	Interest	Average(1) Rate %
	(EUR million, except %)								
Interest on balance:									
Retail banking	1,267	66	5.2%	993	23	2.3%	1,119	108	9.6%
Merchant banking	103,236	5,354	5.2%	112,835	3,765	3.3%	93,517	3,218	3.4%
Commercial & Private banking	2,900	58	2.0%	1,639	16	1.0%	896	81	9.0%
Other banking	1,616	146	9.0%	2,172	54	2.5%	4,707	168	3.6%
Total Due from banks and Cash and cash equivalents	**109,019**	**5,624**	**5.2%**	**117,639**	**3,858**	**3.3%**	**100,239**	**3,575**	**3.6%**
Retail banking	73,548	3,961	5.4%	63,191	3,366	5.3%	56,885	2,992	5.3%
Merchant banking	127, 346	7,303	5.7%	98,920	4,554	4.6%	81,917	2,779	3.4%
Commercial & Private banking	56,461	2,740	4.9%	50,172	2,161	4.3%	43,557	1,814	4.2%
Other banking	30,723	1,575	5.1%	29,995	1,647	5.5%	27,982	1,749	6.2%
Total Loans to customers	**288,078**	**15,578**	**5.4%**	**242,278**	**11,728**	**4.8%**	**210,341**	**9,334**	**4.4%**
Retail banking	185	10	5.5%	19	3	15,6%	18	3	14.6%
Merchant banking	76,711	3,203	4.2%	68,399	2,294	3.4%	60,234	1,734	2.9%
Commercial & Private banking	61	2	3.7%	76	3	3.4%	104	8	7.9%

	2006			2005			2004		
	Average[1] Balance	Interest	Average[1] Rate %	Average[1] Balance	Interest	Average[1] Rate %	Average[1] Balance	Interest	Average[1] Rate %
				(EUR million, except %)					
Other banking	56,272	2,321	4.1%	56,107	2,321	4.1%	51,714	2,166	4.2%
Total Investments	**133,229**	**5,536**	**4.2%**	**124,600**	**4,620**	**3.7%**	**112,070**	**3,911**	**3.5%**
Total Interest-earning assets..........................	**530,326**	**26,738**	**5.0%**	**484,517**	**20,206**	**4.2%**	**422,649**	**16,819**	**4.0%**
Interest-earning assets									
Retail banking	75,000	4,036	5.4%	64,204	3,391	5.3%	58,021	3,103	5.3%
Merchant banking	307,293	15,860	5.2%	280,153	10,614	3.8%	235,668	7,731	3.3%
Commercial & Private banking	59,421	2,800	4.7%	51,886	2,179	4.2%	44,556	1,903	4.3%
Other banking	88,611	4,042	4.6%	88,274	4,022	4.6%	84,403	4,083	4.8%
Total Interest-earning assets..........................	**530,326**	**26,738**	**5.0%**	**484,517**	**20,206**	**4.2%**	**422,649**	**16,819**	**4.0%**
Trading assets	68,736			64,456			56,146		
Other assets	74,240			63,236			56,095		
Total average assets .	**673,302**			**612,209**			**534,890**		
Liabilities									
Retail banking	282	(37)	13.1%	333	(80)	23.9%	426	(151)	35.4%
Merchant banking	180,760	(7,757)	4.3%	169,989	(4,587)	2.7%	131,895	(3,905)	3.0%
Commercial & Private banking	1,019	(52)	5.1%	768	(57)	7.5%	2,052	(130)	6.4%
Other banking	549	(114)	20.7%	779	(84)	10.8%	5,704	(190)	3.3%
Total Due to banks.....	**182,610**	**(7,960)**	**4.4%**	**171,870**	**(4,808)**	**2.8%**	**140,077**	**(4,376)**	**3.1%**
Retail banking	89,868	(1,884)	2.1%	82,872	(1,459)	1.8%	78,905	(1,420)	1.8%
Merchant banking	121,641	(5,577)	4.6%	100,089	(4,099)	4.1%	92,687	(2,122)	2.3%
Commercial & Private banking	43,097	(1,107)	2.6%	38,225	(710)	1.9%	31,312	(458)	1.5%
Other banking	13,668	(500)	3.7%	15,034	(610)	4.1%	15,117	(601)	4.0%
Total Due to customers...................	**268,274**	**(9,067)**	**3.4%**	**236,221**	**(6,878)**	**2.9%**	**218,020**	**(4,601)**	**2.1%**
Retail banking	561	(12)	2.1%	698	(14)	2.0%	1,040	(20)	1.9%
Merchant banking	52,736	(2,386)	4.5%	40,578	(1,406)	3.5%	36,911	(732)	2.0%
Commercial & Private banking	221	(2)	0.9%	329	(2)	0.6%	824	(31)	3.8%
Other banking	28,862	(956)	3.3%	30,917	(1,046)	3.4%	30,537	(1,092)	3.6%
Total Debt certificates.................	**82,379**	**(3,356)**	**4.1%**	**72,522**	(2,468)	**3.4%**	**69,312**	**(1,876)**	**2.7%**
Retail banking	63	(2)	3.7%	39	0	0.5%	32	0	0.6%
Merchant banking	1,341	(75)	5.6%	1,316	(59)	4.5%	1,576	(79)	5.0%
Commercial & Private banking	233	(15)	6.3%	63	(5)	7.3%	149	(1)	0.9%

	2006			2005			2004		
	Average[1] Balance	Interest	Average[1] Rate %	Average[1] Balance	Interest	Average[1] Rate %	Average[1] Balance	Interest	Average[1] Rate %
				(EUR million, except %)					
Other banking	11,934	(583)	4.9%	10,212	(545)	5.3%	8,227	(499)	6.1%
Total Subordinated liabilities	**13,571**	**(676)**	**5.0%**	**11,630**	**(609)**	**5.2%**	**9,983**	**(579)**	**5.8%**
Total Interest-bearing liabilities	**546,835**	**(21,059)**	**3.9%**	**492,244**	**(14,762)**	**3.0%**	**437,392**	**(11,432)**	**2.6%**
Interest-bearing liabilities:									
Retail banking	90,774	(1,935)	2.1%	83,942	(1,553)	1.8%	80,402	(1,591)	2.0%
Merchant banking	356,748	(15,796)	4.4%	311,972	(10,151)	3.3%	263,069	(6,838)	2.6%
Commercial & Private banking	44,570	(1,175)	2.6%	39,386	(774)	2.0%	34,338	(621)	1.8%
Other banking	55,013	(2,153)	3.9%	56,944	(2,285)	4.0%	59,584	(2,382)	4.0%
Total Interest-bearing liabilities	**546,835**	**(21,059)**	**3.9%**	**492,244**	**(14,762)**	**3.0%**	**437,392**	**(11,432)**	**2.6%**
Other interest on balance trading liabilities:	61,123	(41,337)		54,573	(43,282)		47,501	(35,117)	
Other liabilities (interest-bearing)	24,178	(2,716)		27,312	(1,999)		23,614	(1,278)	
Other liabilities (non-interest bearing)...........	25,349	0		25,608	0		15,579	0	
Shareholders' equity .	**15,818**	**0**		**12,471**			**10,803**		
Total average liabilities and shareholders' equity..	**673,302**			**612,209**			**534,890**		
Trading assets	68,736	41,405		64,456	43,253		56,146	34,606	
Trading liabilities	61,123	(41,337)		54,573	(43,282)		47,501	(35,117)	
Other assets	74,240	2,052		63,236	1,236		56,095	929	
Other liabilities (interest-bearing)	24,178	(2,714)		27,312	(1,999)		23,614	(1,278)	
Other liabilities (non-interest bearing)...........	25,349			25,608			15,579		
Total average other interest on balance		**(593)**			**(792)**			**(861)**	
Net interest income ...		**5,086**			**4,653**			**4,526**	

Note:

(1) The average balances are calculated from quarterly data.

5.4.2 Selected Ratios — Banking Operations Only

Set forth below are selected ratios relating to Fortis banking operations for the years indicated.

	Year Ended 31 December		
	2006	**2005**	**2004**
Return on banking assets	0.5%	0.4%	0.2%
Return on banking equity	20.0%	19.6%	9.2%
Banking equity to banking assets	2.4%	2.0%	2.0%

5.4.3 Yields, Spread and Margins

The table below shows selected yield, spread and margin information applicable to Fortis for the years indicated. These amounts are derived from the table of average balances and interest rates above.

	Year Ended 31 December		
	2006	**2005**	**2004**
	(unaudited)		
Gross Yield(1):			
Retail banking	5.4%	5.3%	5.3%
Merchant banking	5.2%	3.8%	3.3%
Commercial & Private banking	4.7%	4.2%	4.3%
Other banking	4.6%	4.7%	4.9%
Interest Spread(2):			
Retail banking	3.3%	3.4%	3.4%
Merchant banking	0.7%	0.5%	0.7%
Commercial & Private banking	2.1%	2.2%	2.5%
Other banking	0.7%	0.6%	0.9%
Interest Margin(3):			
Total Banking	1.1%	1.1%	1.3%

Notes:

(1) “Gross Yield” is the average interest rate earned on average interest-earning assets.

(2) “Interest Spread” is the difference between the average interest rate earned on average interest-earning assets and the average interest rate paid on average interest-bearing liabilities.

(3) “Interest Margin” is “net interest income”, excluding other interest on balance, as a percentage of average interest-earning assets.

Interest margin is presented for the bank as a whole due to certain intra-bank loans being funded by Merchant Banking with funds borrowed from external sources whereby the liabilities for Merchant Banking are not offset by interest income, which is eliminated on such intra-company loans.

5.4.4 Changes in Net Interest Revenue — Volume and Rate Analysis

The table below allocates, by categories of interest-earning assets and interest-bearing liabilities, changes in net interest revenue and expense of Fortis due to changes in average volume and changes in average rate for the year ended 31 December 2006 compared to the year ended 31 December 2005 and for the year ended 31 December 2005 compared to the year ended 31 December 2004. Volume and rate variances have been calculated based on movements in average balances over the period and changes in interest rates on average interest-earning assets and average interest-bearing liabilities. Changes that are attributable in part to volume and in part to rate are allocated in proportion to their relationship to the amounts of change attributed directly to volume and rate.

	2006 over 2005			2005 over 2004		
	Total Change in	Change due to Increase (Decrease) in		Total Change in	Change due to Increase (Decrease) in	
	Interest	Volume	Rate	Interest	Volume	Rate
			(EUR million)			
Interest Income:						
Retail banking	43	10	33	(85)	(7)	(78)
Merchant banking	1,589	(409)	1,998	547	655	(107)
Commercial & Private banking	42	19	24	(65)	37	(102)
Other banking	91	(32)	123	(114)	(77)	(37)
Total Due from banks and Cash and cash equivalents	**1,766**	**(412)**	**2,178**	**284**	**607**	**(324)**
Retail banking	595	555	40	373	334	40
Merchant banking	2,749	1,469	1,279	1,775	680	1,095
Commercial & Private banking	579	288	291	347	280	67
Other banking	(72)	39	(111)	(102)	118	(220)
Total Loans to customers	**3,850**	**2,351**	**1,500**	**2,394**	**1,412**	**982**
Retail banking	7	17	(9)	0	0	0
Merchant banking	909	594	315	560	400	160
Commercial & Private banking	0	1	(1)	(6)	(4)	(2)
Other banking	0	(278)	277	155	26	129
Total Investments	**916**	**333**	**582**	**710**	**422**	**287**
Retail banking	645	581	64	289	327	(38)
Merchant banking	5,246	1,654	3,592	2,883	1,734	1,148
Commercial & Private banking	621	307	314	277	313	(37)
Other banking	19	(271)	290	(61)	67	(128)
Total Interest-earning assets	**6,532**	**2,272**	**4,260**	**3,387**	**2,442**	**946**

	2006 over 2005			2005 over 2004		
	Total Change in	Change due to Increase (Decrease) in		Total Change in	Change due to Increase (Decrease) in	
	Interest	Volume	Rate	Interest	Volume	Rate
	(EUR million)					
Interest Expenses:						
Retail banking	(43)	(33)	(10)	(71)	(44)	(27)
Merchant banking	3,170	2,794	376	682	(396)	1,078
Commercial & Private banking	(6)	(21)	16	(73)	16	(89)
Other banking	30	66	(36)	(105)	242	(347)
Total Due to banks	**3,151**	**2,805**	**346**	**433**	**(182)**	**614**
Retail banking	425	290	135	39	(32)	71
Merchant banking	1,478	543	935	1,977	1,741	236
Commercial & Private banking	397	289	108	252	137	115
Other banking	(110)	(57)	(53)	8	12	(3)
Total Due to customers	**2,190**	**1,065**	**1,125**	**2,276**	**1,858**	**418**
Retail banking	(2)	1	(3)	(6)	1	(7)
Merchant banking	981	495	486	674	574	100
Commercial & Private banking	0	1	(1)	(29)	(18)	(11)
Other banking	(90)	(21)	(69)	(46)	(59)	13
Total Debt certificates	**889**	**475**	**413**	**592**	**497**	**95**
Retail banking	2	2	1	0	0	0
Merchant banking	16	15	1	(20)	(7)	(12)
Commercial & Private banking	10	(1)	11	3	7	(3)
Other banking	38	(50)	88	46	(68)	113
Total Subordinated liabilities	**67**	**(34)**	**101**	**29**	**(68)**	**97**
Interest-bearing liabilities:						
Retail banking	382	259	123	(38)	(75)	37
Merchant banking	5,645	3,847	1,799	3,313	1,911	1,402
Commercial & Private banking	401	267	134	153	142	11
Other banking	(132)	(62)	(70)	(97)	127	(224)
Total Interest-bearing liabilities	**6,296**	**4,310**	**1,986**	**3,330**	**2,105**	**1,225**
Change in net interest income	235	(2,038)	2,273	57	337	(280)

The table below shows Fortis banking exposure to interest rate risk. Included in the table are all assets and liabilities at carrying value, classified by the earlier of contractual repricing or maturity date. The carrying amounts of derivatives, which are principally used to reduce Fortis banking exposure to interest rate changes, are in this table reported as "Non-interest bearing financial instruments".

The off-balance interest sensitivity gap over a given time period is the difference between the notional amounts to be received and the notional amounts to be paid for interest rate derivatives that mature or reprice during that period.

The maturities of assets and liabilities and the ability to replace, at acceptable cost, interest bearing liabilities as they mature, are important factors in assessing Fortis banking's exposure to change in interest rates.

At 31 December 2005

	1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	No Maturity	Total
				(EUR million)			
Fixed rate financial instruments	97,720	41,255	57,798	60,228	86,950	10,762	354,713
Variable rate financial instruments	42,533	26,062	23,266	18,929	28,258	27,001	166,049
Non interest bearing financial instruments	—	—	—	—	—	59,099	59,099
Non financial instruments	—	—	—	—	—	59,335	59,335
Total assets	**140,253**	**67,317**	**81,064**	**79,157**	**115,208**	**156,197**	**639,196**
Fixed rate financial instruments	189,400	58,720	46,445	17,828	12,354	7,816	332,563
Variable rate financial instruments	34,637	8,057	3,436	15,888	4,124	124,170	190,312
Non interest bearing financial instruments	—	—	—	—	—	60,789	60,789
Non financial instruments	—	—	—	—	—	42,351	42,351
Total liabilities	**224,037**	**66,777**	**49,881**	**33,716**	**16,478**	**235,125**	**626,015**
On balance sheet interest sensitivity gap	(83,784)	540	31,183	45,441	98,730	(78,929)	13,181
Off balance sheet interest sensitivity gap	117,331	36,559	(108,194)	(52,958)	(10,412)		(17,675)
Total interest sensitivity gap	**33,547**	**37,099**	**(77,011)**	**(7,517)**	**88,318**	**(78,929)**	**(4,493)**
Cumulative interest sensitivity gap	33,547	70,646	(6,365)	(13,882)	(74,436)	(4,493)	

At 31 December 2006

	1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	No Maturity	Total
				(EUR million)			
Fixed rate financial instruments	89,803	40,432	56,197	71,666	97,441	8,110	363,649
Variable rate financial instruments	46,146	20,874	21,525	22,585	25,410	63,510	200,050
Non interest bearing financial instruments	—	—	—	—	—	46,837	46,837

	At 31 December 2006						
	1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	No Maturity	Total
	(EUR million)						
Non financial instruments	—	—	—	—	—	64,122	64,122
Total assets	**135,949**	**61,306**	**77,722**	**94,251**	**122,851**	**182,579**	**674,658**
Fixed rate financial instruments	185,137	54,148	40,013	18,626	22,861	15,798	336,583
Variable rate financial instruments	32,877	22,532	5,092	10,026	14,136	141,803	226,466
Non interest bearing financial instruments	—	—	—	—	—	47,015	47,015
Non financial instruments	—	—	—	—	—	47,730	47,730
Total liabilities	**218,014**	**76,680**	**45,105**	**28,652**	**36,997**	**252,346**	**657,794**
On balance sheet interest sensitivity gap	(82,065)	(15,374)	32,617	65,599	85,854	(69,767)	16,864
Off balance sheet interest sensitivity gap	(327)	(4,291)	(7,495)	2,870	4,932	8,217	3,906
Total interest sensitivity gap	**(82,392)**	**(19,665)**	**25,122**	**68,469**	**90,786**	**(61,550)**	**20,770**
Cumulative interest sensitivity gap	(82,392)	(102,057)	(76,935)	(8,466)	82,320	20,770	

5.4.5 Investment and Trading Portfolio

The following table shows the carrying amount of Fortis banking investment and trading securities portfolio at 31 December 2006, 2005 and 2004.

	At 31 December		
	2006	2005	2004
	(EUR million)		
Trading:			
Belgian national government	3,428	1,409	4,108
Dutch national government	1,448	2,281	2,540
German national government	818	1,119	1,420
Italian national government	1,043	738	1,042
French national government	895	532	855
Greek national government	176	440	104
Spanish national government	472	424	365
Portuguese national government	71	128	273
Austrian national government	90	126	156

	At 31 December		
	2006	2005	2004
		(EUR million)	
Finnish national government	67	9	217
Other national governments and other government agencies	1,379	1,099	917
Total trading government debt securities	**9,887**	**8,305**	**11,997**
Banks and financial institutions	2,674	3,452	2,491
Other corporate debts	4,957	5,376	4,177
Mortgage-backed securities	2,254	2,673	2,228
Other asset backed securities	2,681	1,177	1,200
Total trading corporate debt securities	**12,566**	**12,678**	**10,096**
Total trading debt securities	**22,453**	**20,983**	**22,093**
Available for Sale:			
Belgian national government	9,220	10,521	11,363
Dutch national government	5,700	6,588	8,167
German national government	10,061	9,719	5,069
Italian national government	15,988	18,660	19,692
French national government	7,174	6,933	4,186
Greek national government	4,430	5,484	4,190
Spanish national government	3,165	3,053	2,766
Portuguese national government	2,271	2,456	2,751
Austrian national government	1,582	1,869	2,176
Finnish national government	1,074	1,180	1,180
Other national governments and other government agencies	3,784	3,376	2,411
Total available for sale government debt securities	**64,449**	**69,839**	**63,951**
Banks and financial institutions	21,024	18,783	14,402
Other corporate debts	5,048	4,731	4,216
Mortgage-backed securities	9,797	13,220	8,733
Other asset backed securities	24,098	16,869	16,916
Total available for sale corporate debt securities	**59,967**	**53,603**	**44,267**
Total available for sale debt securities	**124,416**	**123,442**	**108,218**
Held to Maturity:			
Belgian national government	1,371	1,601	1,887
German national government	774	758	760
Italian national government	396	337	332
French national government	595	551	552

	At 31 December		
	2006	**2005**	**2004**
		(EUR million)	
Greek national government	167	168	169
Spanish national government	294	296	298
Portuguese national government	196	197	198
Austrian national government	20		
Other national governments and other government agencies	398	375	136
Total held to maturity government debt securities	**4,211**	**4,283**	**4,333**
Banks and financial institutions	**109**	**868**	**867**
Other corporate debts	185	219	222
Total held to maturity corporate debt securities	**294**	**1,087**	**1,089**
Total held to maturity debt securities	**4,505**	**5,369**	**5,421**
Held at fair value (through net income):			
Other corporate debts	62	16	21
Mortgage-backed securities	136	70	989
Other asset backed securities	2,309	1,521	21
Total held at fair value (through net income) corporate debt securities	**2,507**	**1,607**	**1,031**
Total held at fair value (through net income) debt securities	**2,507**	**1,607**	**1,031**
Equity securities and convertible debentures	30,962	21,890	18,952
Total investment securities	**184,843**	**173,291**	**155,715**

At 31 December 2006, banking operations held the following debt securities (investments) of the same issuer where the carrying amount exceeded 10% of Fortis combined net equity at that date:

	At 31 December	
	2006	**2005**
	Carrying Amount	**Carrying Amount**
	(EUR million)	
Belgian national government	14,019	13,531
Dutch national government	7,148	8,869
German national government	11,653	11,596
Italian national government	17,427	19,735
French national government	8,664	8,016

	At 31 December	
	2006	2005
	Carrying Amount	Carrying Amount
Greek national government	4,773	6,092
Spanish national government	3,931	3,773
Portuguese national government	2,538	2,781
Austrian national government	1,692	1,995
Finnish national government	1,141	1,189

5.4.6 Loan Portfolio

At 31 December 2006, Fortis banking total loans amounted to EUR 375 million, or 56% of Fortis banking assets. Receivables from customers, which principally includes receivables from governments and official institutions, residential mortgages, commercial loans and consumer loans, represented 76% of Fortis total banking loans at 31 December 2006 (2005: 78%, 2004: 78%). Receivables from credit institutions, which principally includes current accounts, interest bearing deposits, securities purchased under resale agreements and loans and advances, represented 24% of Fortis total banking loans at 31 December 2006 (2005: 22%, 2004: 22%). At 31 December 2006 2% of the receivables from customers were loans to the public sector (2005: 3%, 2004: 3%) and 98% were loans to the private sector (2005: 97%, 2004: 97%).

The following table sets forth details of receivables from customers based on the domicile of the customer at the date indicated.

	At 31 December		
	2006	2005	2004
		(EUR million)	
Total net receivables from customers:			
Total gross receivables from customers	288,078	280,233	228,127
Impairment	(2,201)	(2,371)	(2,620)
Total net receivables from customers	**285,877**	**277,862**	**225,507**
Breakdown by geography of borrower:			
Belgium			
Government and official institutions	4,028	5,974	4,449
Residential mortgages	23,561	21,706	19,573
Commercial loans	31,246	27,239	27,391
Consumer loans	2,798	2,652	2,552
Other loans	7,885	6,672	7,672
Total receivables Belgium	**69,518**	**64,242**	**61,637**

	At 31 December		
	2006	2005	2004
		(EUR million)	
The Netherlands			
Government and official institutions	1,471	1,411	1,101
Residential mortgages	60,038	54,891	49,347
Commercial loans	22,512	21,902	19,014
Consumer loans	4,594	4,214	3,865
Other loans	12,192	6,286	4,777
Total receivables The Netherlands	**100,808**	**88,704**	**78,103**
Great Britain			
Government and official institutions	16	0	0
Residential mortgages	254	206	177
Commercial loans	6,359	5,580	3,808
Consumer loans	38	45	35
Other loans	24,608	29,749	17,828
Total receivables Great Britain	**31,275**	**35,580**	**21,847**
United States			
Government and official institutions	28	0	0
Residential mortgages	33	26	23
Commercial loans	7,665	5,136	4,357
Consumer loans	19	75	75
Other loans	19,091	36,050	26,978
Total receivables United States	**26,837**	**41,288**	**31,432**
Rest of the World			
Government and official institutions	938	445	423
Residential mortgages	4,754	3,357	3,215
Commercial loans	41,331	33,001	21,449
Consumer loans	2,495	2,175	1,968
Other loans	7,924	9,071	5,432
Total receivables Rest of the World	**57,440**	**48,049**	**32,487**
Total net receivables from customers	**285,877**	**277,862**	**255,507**
Breakdown by type of loan:			
Government and official institutions	6,481	7,830	5,973
Residential mortgages	88,640	80,185	72,335
Commercial loans	109,112	92,858	76,019
Consumer loans	9,944	9,161	8,495
Other loans	71,701	87,828	62,686

	At 31 December		
	2006	**2005**	**2004**
		(EUR million)	
Total net receivables from customers	**285,877**	**277,862**	**225,507**

5.4.7 Loan Commitments

The following table provides loan commitments of the banking activities at 31 December 2006, 2005 and 2004:

	At 31 December		
	2006	**2005**	**2004**
		(EUR million)	
Guarantees and standby letters of credit	24,437	15,151	5,893
Commercial letters of credit	403	581	7,189
Documentary credits	9,154	7,049	4,168
Commitments to extend credit	231,954	157,033	84,727
Total commitments	265,948	179,814	101,977

5.4.8 Risk elements

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

On impaired loans interest continues to be accrued in the profit or loss account based on the original interest rates and the new carrying amount.

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 provisions for impairment in the income statement.

If Fortis forecloses on real estate or other collateral to satisfy defaulted obligations, some time may pass before it can dispose of such collateral at a reasonable price to satisfy its exposure. The following table shows the amount of foreclosed real estate held by Fortis banking activities at the dates shown:

	31 December		
	2006	**2005**	**2004**
		(EUR million)	
Foreclosed real estate	31	32	27

Fortis reviews its loan portfolios on a regular basis. The frequency of review depends on the loan classification, but internal monitoring tools available on a daily basis may trigger a change in classification at any time.

At 31 December 2006, Fortis Bank Group's total loans amounted to EUR 375 million (2005: EUR 358 million; 2004: EUR 289 million), or 56% (2005: 56%; 2004: 53%) of Fortis Bank Group's assets. Receivables from customers, which principally includes receivables from governments and official institutions, commercial loans and consumer loans, represented 76% of Fortis Bank Group's total loans at 31 December 2006 (2005: 78%; 2004: 78%). The following table gives an overview of the impaired loans and the impairments recorded relative to the total portfolio:

	At 31 December		
	2006	**2005**	**2004**
		(EUR million, except %)	
Due from banks:			
Outstanding gross	89,438	80,086	63,101
Impaired outstanding	26	43	47
Impairments			
— specific credit loss	(17)	(18)	(16)
— IBNR	(8)	(14)	(29)
Total impairments to bank	(25)	(32)	(45)
Total receivable due from banks	89,413	80,054	63,056
Impairments due from banks as a % of outstanding loans	0.03%	0.04%	0.07%
Due from customers			
Outstanding gross	288,078	280,233	228,127
Impaired outstanding	5,674	6,136	5,728
Impairments			
— specific credit loss	(1,876)	(2,065)	(2,327)
— IBNR	(325)	(307)	(293)

	At 31 December		
	2006	2005	2004
	(EUR million, except %)		
	(2,201)	(2,372)	(2,620)
Total net receivables from customers......	285,877	277,862	225,507
Impairments due from customers as a % of outstanding gross	0.76%	0.85%	1.15%
Credit commitments:			
Outstanding gross	165,047	119,446	83,701
Impaired outstanding	365	587	471
Provision for credit losses			
— specific credit loss	(150)	(143)	(152)
— IBNR	(80)	(88)	(41)
Total impairments on commitments.........	(230)	(231)	(193)
Average balance of impaired loans during the year..	6,055	6,657	5,260
Interest collected on impaired loans........	98	97	106

The table below shows Fortis Bank's consolidated credit receivables before impairments relating to the customer loan portfolio at 31 December 2006, 2005 and 2004, broken down by industry. These figures do not include any value adjustments.

	At 31 December		
	2006	2005	2004
	(EUR million)		
Agriculture, forestry and fishing	805	626	1,238
Energy and water	4,596	4,625	4,364
Metallurgic & non-metallic minerals...........	4,033	1,295	1,267
Chemicals and plastics.............................	4,328	2,014	2,264
Metal works	2,694	2,114	2,130
Other manufacturing.................................	15,248	13,696	69
Construction and engineering....................	5,545	2,818	3,304
Distribution, hotels and catering	10,004	8,513	10,808
Transport	5,489	4,335	3,622
Communication...	1,472	1,421	623
Real estate	12,652	7,405	8,226
Shipping..	3,994	2,269	1,938

	At 31 December		
	2006	2005	2004
	(EUR million)		
Trade and commodity finance	2,984	1,579	518
Other services	17,132	13,775	7,559
Public administrations	4,536	5,522	5,772
Government and official institutions	6,458	7,781	5,975
Financial institution & services to firms (incl. insurance)	81,679	104,840	83,826
Monetary intermediations	1,055	1,762	2,027
Private persons	98,942	89,277	81,237
Unclassified	4,432	4,567	1,362
Total due from customers	288,078	280,234	228,127

The table below shows the changes in the impairments due from banks and impairments due from customers over the last three years.

5.4.9 Roll forward of impairments due from banks

	2006		2005		2004	
	Specific Credit Risk	IBNR	Specific Credit Risk	IBNR	Specific Credit Risk	IBNR
	(EUR million)					
As at 1 January	18	14	16	29	17	62
Increase in impairments	4	4	1	9		1
Release of impairments	(1)	(10)	(2)	(11)		(34)
Write-offs of uncollectible loans			1		(1)	
Foreign currency translation effects and other adjustments	(4)		2	(13)		
As at 31 December	17	8	18	14	16	29

	2006	2005	2004
Impairments/Total due from banks ratio (at 31 December)	0.028%	0041%	0.072%
Average balance due from banks, gross (EUR million)	84,199	91,456	71,305

5.4.10 Roll forward of impairments due from customers

	2006		2005		2004	
	Specific Credit Risk	IBNR	Specific Credit Risk	IBNR	Specific Credit Risk	IBNR
	(EUR million)					
As at 1 January	2,064	307	2,327	293	2,681	339
Acquisitions/divestments of subsidiaries	23	6	46	22	(10)	(9)
Increase in impairments	665	91	883	60	872	82
Release of impairments	(511)	(73)	(683)	(82)	(684)	(77)
Write-offs of uncollectible loans	(309)		(505)	(1)	(534)	(2)
Foreign currency translation effects and other adjustments	(56)	(6)	(4)	15	2	(40)
As at 31 December	1,876	325	2,064	307	2,327	293

5.4.11 Deposits

The aggregate average balance of Fortis banking's interest-bearing deposits (from banks and customer accounts) increased from EUR 225.2 billion in 2004 to EUR 245.9 billion in 2005 to EUR 286.5 billion in 2006. Interest rates paid reflect market conditions. The effect on net interest income depends upon competitive pricing and the level of interest income that can be generated through the use of funds.

The following table presents the average balance of, and the amount of interest paid and the average rate paid on, deposits over the last three years.

	2006			2005			2004		
	Average(1) Balance	Interest	Average Rate	Average(1) Balance	Interest	Average Rate	Average(1) Balance	Interest	Average Rate
	(EUR million, except %)								
Deposits by Businesses:									
Deposits originated by Retail banking:									
Non-interest bearing demand deposits	21	0	0.0%	0	0		0	0	
Interest bearing demand deposits	21,773	(191)	0.9%	19,180	(126)	0.7%	18,571	(132)	0.7%
Deposits from central banks	0	0		0	0		0	0	
Saving deposits	56,515	(1,169)	2.1%	53,894	(1,129)	2.1%	49,422	(1,071)	2.2%
Time deposits	11,700	(545)	4.7%	9,894	(285)	2.9%	10,544	(313)	3.0%
Deposits Retail banking	**90,007**	**(1,905)**	**2.1%**	**82,968**	**(1,540)**	**1.9%**	**78,537**	**(1,516)**	**1.9%**

	2006			2005			2004		
	Average[1] Balance	Interest	Average Rate	Average[1] Balance	Interest	Average Rate	Average[1] Balance	Interest	Average Rate
				(EUR million, except %)					
Deposits originated by Merchant banking:									
Non-interest bearing demand deposits	88	0	0.0%	41	0	0.0%	12	0	0.0%
Interest bearing demand deposits	34,847	(2,082)	6.0%	29,276	(746)	2.5%	31,993	(587)	1.8%
Deposits from central banks	84	0	0.1%	3	0	0.3%	0	0	0.0%
Saving deposits	6	0	1.7%	17	(1)	5.3%	17	(2)	11.3%
Time deposits	104,650	(4,558)	4.4%	83,971	(2,985)	3.6%	69,522	(2,060)	3.0%
Deposits Merchant banking	**139,675**	**(6,640)**	**4.8%**	**113,308**	**(3,732)**	**3.3%**	**101,544**	**(2,649)**	**2.6%**
Deposits originated by Commercial and Private banking:									
Non-interest bearing demand deposits	4	0	0.0%	7	0	0.0%	0	0	0.0%
Interest bearing demand deposits	27,333	(484)	1.8%	24,074	(350)	1.5%	20,942	(250)	1.2%
Deposits from central banks	0	0	0.0%	0	0		0	0	
Saving deposits	1,938	(77)	4.0%	2,440	(93)	3.8%	2,113	(79)	3.8%
Time deposits	14,200	(509)	3.6%	11,552	(287)	2.5%	9,067	(180)	2.0%
Deposits Commercial and Private banking .	43,474	(1,070)	2.5%	38,074	(731)	1.9%	32,122	(510)	1.6%
Deposits originated by Other banking:									
Non-interest bearing demand deposits	39	0	0.0%	50	0	0.0%	2	0	0.0%
Interest bearing demand deposits	1,007	(100)	10.0%	1,197	(18)	1.5%	5,196	(9)	0.2%
Deposits from central banks	0	0		0	0		0	0	
Saving deposits	17	(2)	10.0%	1,024	(2)	0.1%	1,339	(47)	3.5%
Time deposits	12,286	(438)	3.6%	9,301	(501)	5.4%	6,441	(268)	4.2%
Deposits Other banking	**13,349**	**(540)**	**4.0%**	**11,573**	**(521)**	**4.5%**	**12,978**	**(324)**	**2.5%**
Total	**286,504**	**(10,156)**	**3.5**	**245,921**	**(6,524)**	**2.7%**	**225,180**	**(4,998)**	**2.2%**
Total Deposits by type of Deposit:.......									
Non-interest bearing demand deposits	150	0	0.0%	98	0	0.0%	14	0	0.0%
Interest bearing	84,959	(2,857)	3.4%	73,728	(1,240)	1.7%	76,702	(978)	1.3%

	2006			2005			2004		
	Average[1] Balance	Interest	Average Rate	Average[1] Balance	Interest	Average Rate	Average[1] Balance	Interest	Average Rate
	(EUR million, except %)								
demand deposits									
Deposits from central banks	84	0	0.1%	3	0	0.3%	0	0	0.0%
Saving deposits	58,475	(1,248)	2.1%	57,375	(1,225)	2.1%	52,890	(1,199)	2.3%
Time deposits	142,835	(6,050)	4.2%	114,719	(4,059)	3.5%	95,574	(2,821)	3.0%
Deposits banking ...	**286,504**	**(10,156)**	**3.5%**	**245,923**	**(6,524)**	**2.7%**	**225,180**	**(4,998)**	**2.2%**

Note:

(1) The average balances are calculated from quarterly data.

The following table shows the maturities of Fortis Bank Group's deposits at 31 December 2006 due to banks and deposits due to customers. The total deposits at 31 December 2006 in this table is the actual amount at the balance sheet date compared to the table above, which is based on average balances.

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	No maturity	Total
Deposits due to banks:								
On demand	524	8	0	0	0	0	6,772	7,304
Time deposits	73,644	145	58	13	27	243	1,160	75,290
Other deposits	92	4	1	2	0	0	46	145
Total	74,261	158	59	14	27	244	7,978	82,740
Deposits due to customers:								
Demand deposits.........	5,149	0	0	0	0	0	70,977	76,126
Savings deposits..........	126	14	4	4	8	292	55,271	55,720
Time deposits	61,531	1,332	2,479	961	553	7,847	68	74,770
Other deposits	43	17	0	0	0	0	169	229
Total	66,849	1,364	2,483	965	561	8,139	126,486	206,846
Total Deposits..............	141,110	1,522	2,542	979	588	8,383	134,463	289,585

5.4.12 Short-term Borrowings

Short-term borrowings are borrowings with an original maturity of one year or less. These are included in Fortis combined balance sheet under the items amounts owed to customers and amounts owed to credit institutions and debt certificates. An analysis of the balance and interest rates paid on such item is provided below.

The following table presents information about Fortis short-term borrowings from banking operations:

	At 31 December		
	2006	2005	2004
	(EUR million, except %)		
Securities sold under repurchase agreements:			
Year-end balance	109,917	140,663	94,546
Average balance outstanding during the year	130,533	129,380	105,052
Maximum quarter end balance	144,041	151,103	114,656
Weighted average interest during the year	3.7%	3.1%	2.6%
Commercial paper:			
Year-end balance	39,155	39,550	21,791
Average balance outstanding during the year	38,895	25,087	26,629
Maximum quarter end balance	40,672	39,550	35,329
Weighted average interest during the year	2.6%	2.5%	1.1%

5.4.13 Capital

The following table sets forth certain information relating to Fortis Bank's capital:

	At 31 December		
	2006	2005	2004
	(EUR million, except %)		
Breakdown of assets:			
Weighted Risks(1)	240,104	212,095	172,391
Total Capital(2)	26,664	22,210	19,969
Ratios – Tier 1 Capital(2)	7.1%	7.4%	8.3%
Total Capital (2)	11.1%	10.5%	11.6%

Note:

(1) Weighted risks also includes off-balance sheet items and market risks.

(2) The basis for calculating these capital adequacy ratios was Belgian GAAP. As of 1 January 2006, the basis for calculating the capital adequacy rations is IFRS. See Sections 5.1 above for discussion of the impact on the equity as a result of the transition to IFRS.

5.5 Risk management

5.5.1 General

In its daily activities, Fortis is exposed to a range of potential risks, the most significant of which include financial risk, insurance liability risk and operational risk. Financial risk includes credit risk, market risk (the potential loss resulting from unfavourable market movements) and liquidity risk (where any Fortis entity is unable meet its cash demands). Insurance liability risk refers to all underwriting risk in insurance activities and operational risk is composed of two elements: event risk and business risk.

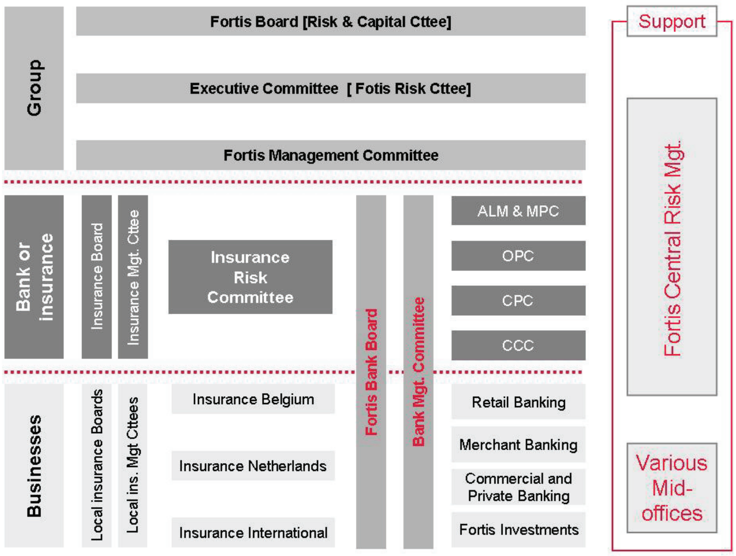
Due to the nature of its operations, Fortis' banking operations have market risk exposures in both its non-trading and trading portfolios. Because Fortis' insurance operations do not have trading portfolios, they do not incur market risk relating to such activities.

(i) Risk Management Philosophy

Fortis has developed a common global risk management framework supported by central committees. Within the global risk management framework, as described below, risk management and risk monitoring units are closely linked to each business (business risk management) and/or to specific geographical areas (local/country-level risk management). In conjunction with the Fortis Central Risk Management organisation, the Chief Executive Officer and/or Chief Financial Officer of each business have primary responsibility for the organisation and execution of risk management within that business. Such Chief Executive Officer and/or Chief Financial Officer will adhere to and implement policies developed and decisions taken by the central committees.

(ii) Risk Monitoring and Management

The Fortis risk organisation comprises a Board-level risk committee, executive risk committees at group, business and country levels, one central risk department and decentralised risk mid-offices in the businesses and at individual country levels. For additional information see Note 7.4 "Risk Management Organisation" of the Notes to the Fortis Financial Statements 2006.



Fortis has a centralised organisational structure for risk management. The Board of Directors monitors group solvency, identifies significant risk and determines the general risk/return requirement. At the level of the Executive Committee, a subcommittee chaired by the Chief Executive Officer and Chief Financial Officer is responsible for setting the strategic guidelines and producing consolidated reports on risk management at group level. The subcommittee monitors the warning system for the solvency position. The banking and insurance activities each have their own responsibilities within this overarching monitoring of the risk management activities.

At the Fortis level, several senior management committees participate in the management and monitoring of risk. Such committees include the Risk and Capital Committee and the Audit Committee, two Fortis board level committees as well as the Executive Committee, which itself has a Risk Committee tasked with ensuring the consistency of approach across the Fortis activities (Banking and Insurance) and that appropriate consideration has been given to group level issues at all levels.

In addition to the foregoing committees, Fortis has also established the Fortis Central Risk Management (FCRM) department, headed by the Chief Risk Officer. Its role is to:

- ensure that Fortis Group has in place consistently high standards of risk management;
- maintain the executive management's awareness and understanding of the risk being taken;
- encourage optimisation of risk/return;
- support the work of the various Risk Committees;
- co-ordinate the implementation of risk initiatives;
- support the businesses on risk issues;
- measure group-wide economic capital;
- validate risk models; and
- measure and monitor ALM, at Bank and Insurance level.

In the banking activities, the responsibilities for management and monitoring of risk lies with the Board of Directors and the Management Committee of Fortis Bank. They are assisted by a number of specific risk acceptance committees within Fortis Bank, including:

- the Central Asset and Liability Management & Market Risk Policy Committee (ALM & MPC), which sets out the guidelines for balance sheet management;
- the Central Credit Committee (CCC), which approves individual counterparty risks, including country limits and bank position limits;
- the Central Credit Policy Committee (CPC), which 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; and

- the Central Operational Policy Committee (OPC), which establishes norms, policies and measurement standards in relation to operational risk-linked exposure.

Risk management at Fortis Bank subsidiaries is strongly supported by the local risk managers, who report to the central Risk Acceptance Committees (and in functional terms, to Fortis Central Risk Management (**FCRM**)). Risk management reporting and control are separate from the commercial business units.

Responsibility for risk management in Fortis insurance activities lies with the individual companies, since they are closest to the source of the various risks, but is coordinated at the level of Fortis by the Insurance Risk Committee. The Insurance Risk Committee, which is comprised of the Chief Executive Officer’s and Chief Financial Officer’s of each insurance business as well as Fortis Group Chief Financial Officer and Corporate Risk Officer, monitors the overall risks and solvency of the insurance business, setting risk policy for the insurance companies and approving investment policies.

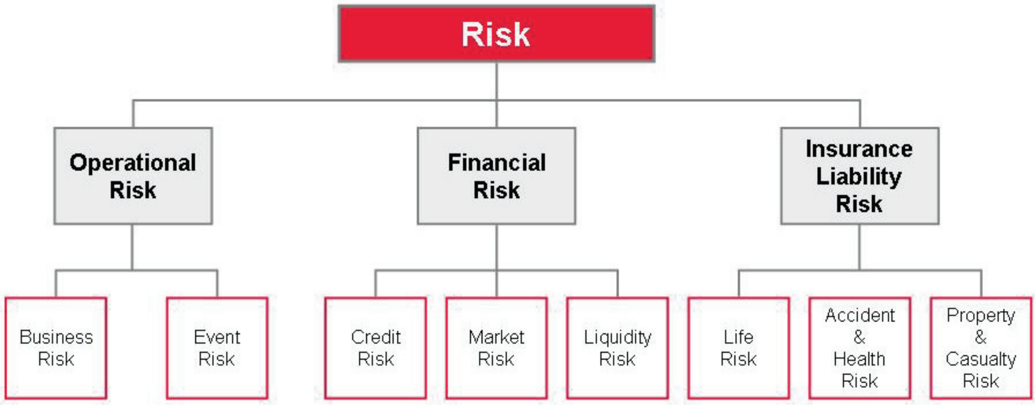
In addition to these Risk Committees, the Management Committee has charged the independent FCRM team with supporting, monitoring and evaluating the risks taken by the businesses. The aim is to ensure that risk management is properly in line with Fortis overall strategic objectives.

Integrated credit management, credit covering policy and credit reporting is organised within the Central Risk Management function and headed by the Chief Risk Officer. The operational aspects are integrated into the respective businesses. As a result, day-to-day management and support of the operational credit processes is the responsibility of the respective business’ Chief Executive Officer. Setting objectives for local Risk Managers is the joint responsibility of the Fortis Group Chief Risk Officer and the business Chief Executive Officer.

Fortis also issued a Compliance Charter setting forth the operating standards and rules applicable in the centralised risk management structure. Compliance has implemented its Compliance Risk Assessment methodology, which includes a comprehensive reporting scheme to monitor the development and implementation of the action plans.

In 2005, Fortis introduced a whistleblower procedure, and on 1 January 2006, Investigations joined the Legal and Compliance department to form a single Fortis-wide operating department. The mission of Investigations is to pursue Fortis zero tolerance to fraud policy and to ensure that the companies within the Fortis Group, their employees and intermediaries operate in an ethical manner by investigating fraudulent acts and other unacceptable behavior and by participating in the prevention, detection and monitoring of such acts in close collaboration with Compliance and Internal Audit.

(iii) Principal Risks



Operational Risk

All companies face operational risk due to the inherent uncertainty in their operating activities, due either to external factors or uncontrolled internal factors. Operational risk is divided into two components: event risk and business risk.

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 risk, but excludes strategic and reputation risk. Event risk is and can be limited through appropriate management processes and controls.

Business risk is the risk of loss due to changes in the competitive environment that damage the franchise or operating economics of a business. Typically, the impact is seen through the variation in volume, pricing or margins relative to a fixed cost base. Business risk is externally driven, but can be mitigated by effective management practices.

Financial Risk

Fortis risk management distinguishes between the financial risk categories of credit risk, market risk and liquidity risk. In the banking business, credit risk consists primarily of the risk of default on the part of borrowers or counterparties. This risk largely stems from three possible sources, namely counter party risk, transfer risk and settlement risk. In the insurance business, credit risk consists mainly of counterparty risk inherent in investment portfolios and mortgages.

The main market risks in the banking business can be broken down into risks affecting structural positions (ALM risks), risks arising from trading activities (trading risk) and liquidity risk. Trading risk relates to the trading positions taken to benefit from short-term volatility in the different risk factors of the financial markets. This trading risk is the risk of loss due to high volatility in financial markets of share prices, interest rates, currency rates and real estate prices. In the insurance business, market risk relates specifically to the impact of financial changes on structural positions (ALM risk).

ALM risk is measured and managed with consistent methods (e.g. including fair value calculations, stress tests and worst-case sensitivities) and within a unique risk management framework. 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 change in volatility is not taken into account in these figures.

Liquidity risk refers to the situation where any entity of Fortis is unable to meet the cash demands of its deposit, other contract and policyholders without suffering unacceptable losses in realising assets to fund its financial obligations as and when they fall due, both under normal and difficult circumstances. It is risk that Fortis does not have sufficient financial resources available to meet its obligations when they fall due, or is able to secure or sell its assets only at excessive cost.

Insurance Liability Risk

Insurance liability risk refers to all underwriting risks in insurance activities, exclusive of any components that are driven by financial market considerations (such as interest rates). Due to the different nature of Life, Accident & Health and Property & Casualty operations, the risks in these activities are treated separately. Life liability risks are also referred to as mortality and longevity risk.

Life risk. Life risk results mainly from discrepancies in the timing and amounts of the cash flows due to the incidence of death (mortality risk) or non-incidence of death (longevity risk) depending on whether the product written by the insurer is life cover or annuity/pension cover. Due to the long-term nature of life business, unexpected changes to lapse behavior and ongoing expenses are also considered within life risk.

Accident & Health risk. Accident & Health risk refers to the variation in claim levels and timing due to fluctuations in policyholder morbidity and accident claims.

Property & Casualty risk. Property & Casualty risk is defined as the variability in claims costs and includes the uncertainty regarding claims reserves (incurred claims on expired contracts) and unearned premiums (future claims on unexpired contracts).

5.5.2 Market risk in Banking

(i) Market Risk: Trading

The main trading risks to which Fortis banking operations are exposed are interest rate, currency, equity security, commodity and energy price risks. Trading risk is limited to the Merchant & Private Banking activities for which the daily outcome of transactions depends on developments in these risk factors.

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 and are centred in the dealing room in Brussels with local dealing rooms in New York, Houston, Hong Kong, Singapore, Taipei, Shanghai, London, Istanbul, Warsaw, Luxembourg and Amsterdam. All desks in these dealing rooms report to Brussels.

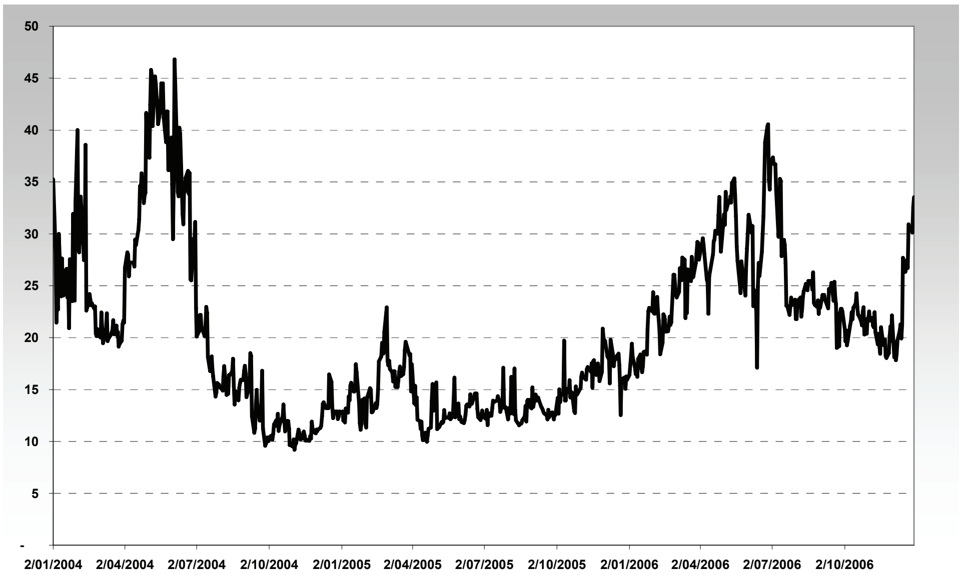
Risk taking is based on a three-pillar Merchant Banking risk structure: risk management organisation, risk policies and risk decision procedures. Independent risk management provides information about the Merchant Banking risk profile to the Merchant Banking management team, Merchant Banking Risk Committees and to FCRM. Integrated risk management systems are installed, to analyze 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 (VaR), 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. The progressive integration of all dealing rooms continues in conjunction with the implementation of centralised front office information technology systems

Fortis uses a linear VaR indicator to provide a report of a worldwide-consolidated risk picture that takes into account diversification and correlation between the different risk factors (interest rates, exchange rates, equities and commodities) and entities. This linear method is based on a holding period of one day and a confidence interval of 99%. The graph and table below is based on the linear VaR methodology.

Linear value-at-risk including all risk factors (in EUR million) is as follows:



	At 31 December		
	2006	**2005**	**2004**
		(EUR million)	
Highest VaR	40.6	22.9	46.8
Lowest VaR	16.2	10.0	9.2
Average VaR	24.8	14.4	21.7

The VaR of the recent acquisition of Cinergy Marketing and Trading is not included in the total VaR above. In 2006, Merchant Banking took, on average, additional risk exposure compared to 2005. The VaR increased progressively during the first half of the year, mainly driven by more aggressive positioning on interest rates and equities. During the second half of the year, the interest rate risk exposure was progressively downsized.

The effectiveness of VaR calculations is tested using back-testing, which compares the VaR forecast with the calculated market-to-market change using observed daily market data variation. The back-testing measures, on a one-year rolling window, the number of losses exceeding the VaR prediction. For a 99% confidence level, such losses should happen once per 100 days. Back-testing analysis revealed that Fortis achieved such target.

(ii) Market Risk: ALM risk

ALM Risk: Interest rate risk

Interest rate volatility is a dominant risk factor in the banking and insurance industries. Fortis banking and insurance activities are characterised by opposite interest rate profiles, thereby triggering natural risk mitigation.

The three main sources of interest rate risk actively monitored at Fortis 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 sloping shifts); and
- optionality, when certain financial instruments carry embedded options (hidden or explicit) that may be exercised depending on the evolution of interest rates on the market.

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

- cash flow gap analysis, which 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;

- duration of equity, used as a key indicator for the interest rate risk; it reflects the value sensitivity to a small parallel interest rate shift;
- interest rate sensitivity of the fair value of an instrument of portfolio by applying stress tests of +/- 100bp to the fair value;
- Value-at-Risk (VaR), which calculates the maximum potential structural loss on a fair value basis resulting from different possible market fluctuations, based on a timescale of one year and a reliability interval of 99.97%; and
- Earnings-at-Risk, which is an indicator that simulates the effect of changes in interest rates on future results.

Additional information on Fortis banking exposure to interest rate risk can be found in Note 7.6.2 “Market risk” of the Notes to the Fortis Financial Statements 2006.

ALM risk: Interest rate risk mitigating strategies

Within the banking activities, interest rate risk is mitigated using a range of different instruments. The most important 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, e.g. fixed rate mortgages and by long-term liabilities, e.g. subordinated liabilities. Options are used to reduce the non-linear risk, which is mainly caused by the embedded options sold to the client, e.g. caps and prepayment options.

ALM risk: Currency risk

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 must be hedged by a funding in the corresponding currency;
- participations in currencies other than the functional currency of Fortis 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 wherever possible and net-investment hedge accounting is applied; and
- the results of branches and subsidiaries in currencies other than the functional currency of Fortis activities are hedged on a regular basis (monthly or quarterly).

Exceptions to this general rule must be approved by the ALM & MPC Committee.

Additional information on Fortis banking exposure to interest rate risk can be found in Note 7.6.2 “Market risk” of the Notes to the Fortis Financial Statements 2006.

5.5.3 Market risk in Insurance

(i) Market Risk: ALM risk

In the insurance business, market risk refers specifically to the impact of financial changes on structural positions.

Fortis reduces the potential negative impact of market fluctuations by carefully considering forecast payments to policyholders when selecting investments. This means that for many life insurance products with a savings element, it is necessary to determine the influence of shifts in the financial markets on benefits paid to policyholders. Within Fortis the actuarial, investment and ALM departments work together to model the influence of market conditions on investments and insurance products, to allow the best possible investment strategy to be selected.

The tools that Fortis uses to monitor market risk include simulation models, scenario analyses and stress testing. The potential impact of shifts in interest rates, share prices and real estate prices on solvency, earnings and embedded value is calculated regularly. Fortis uses derivatives to limit its market risk.

(ii) ALM risk: Interest rate risk

Information on Fortis insurance exposure to interest rate risk can be found in Note 7.6.2 'Market risk' of the Notes to the Fortis Financial Statements 2006.

(iii) ALM risk: Currency risk

Fortis policy regarding currency exposure stemming from foreign participations states that all currency risk should be hedged except in certain circumstances. This policy is applied through implementation of the three following principles:

- the initial investment must be hedged if hedge accounting can be applied. The Fortis policy for Insurance activities is to hedge via loans when possible;
- the results must be hedged if the budget results exceed EUR 5 million. The underlying exposure should be increased linearly towards the year end results; and
- other (IFRS) equity will not be hedged.

Exceptions to the policy are accepted by the IRC and are generally accepted if:

- foreign exchange volatility is relatively small (<3% or <5 million); or
- there is a strong belief in an appreciation of foreign currency exceeding any Euro currency interest differential minus any additional hedging fees (such as with non-deliverable forwards); or
- an (effective) hedge is operationally not possible.

Within the Insurance activities ALM risk is mitigated using a range of different instruments described below.

The equity securities exposure of the Insurance activities is protected through a CPPI-structure (Constant Proportion Portfolio Insurance) and a portfolio of put options on the AEX index. CPPI is an automated mechanism for buying/selling equity securities in order to guarantee a minimum value of the equity securities portfolio, referred to as the floor.

The swaptions program provides protection against the downside interest rate risk. This structure has been allocated to insurance contracts yielding a guaranteed rate equal to the strike rate of the swaptions. This structure ensures payment of the guaranteed rate while retaining the upward potential on rates.

The insurance activities are negatively impacted in a low interest rate environment. This risk arises from the guaranteed rate on the insurance liabilities and the imperfect matching with assets. Fortis has set up a special reserve, the Low Interest Rate Reserve (LIRR) for all insurance contracts yielding a guaranteed rate of at least 4%.

5.5.4 Insurance Liability Risk

Insurance liability risk arises in connection with the adequacy of insurance premiums and reserves to meet the obligations incurred through the sale of insurance contracts. The key feature of the insurance business is a transfer of risk from the policyholder to the insurance company. Whilst for the policyholder this risk may be random and unpredictable, insurance companies are able to pool such individual risks into portfolios and analyze and model the average underwriting claims and their potential variation for such portfolios. Uncertainty surrounding future expenses and lapse rates is also included under insurance liability risk in view of their potential impact on overall claims and provisioning requirements.

Underwriting risk relates to the process in which applications submitted for insurance coverage are reviewed and it is determined whether the coverage being requested for a specified premium will be provided, as well as the pricing of such risk. The risk management departments within the operating units of Fortis are responsible for evaluating and managing these insurance risks, as well as sharing responsibility with other departments for investment policies (underwriting policies and product pricing). Fortis risk management departments (including its actuaries) regularly assess the adequacy of premium rates and technical provisions.

Fortis manages insurance liability risk through a combination of its underwriting policy, pricing, provisioning and reinsurance arrangements. Underwriting policies are set at the local level and involve review procedures with actuarial personnel, in which actual loss experience is examined. A range of indicators and statistical analysis tools are systematically employed to refine underwriting standards in order to improve loss experience and/or ensure pricing is adjusted appropriately.

Fortis seeks to set premiums at a level that will ensure that the premiums received plus the investment income earned on them exceed the total amount of claims and costs of handling those claims and managing the business. The premium setting on policies (pricing) is performed using statistical analysis based on internal and external historical data. The appropriateness of pricing is tested using techniques and key performance indicators appropriate for a particular portfolio, on both a priori basis (e.g. profit testing) and a postpriori basis (e.g. embedded value, combined ratios).

The factors taken into consideration in the pricing of insurance vary by product, according to the coverage and benefits offered, but in general include such items as:

- expected claims to be made by and expected benefits to be paid to policyholders and their timing
- the level and nature of uncertainty associated with the expected benefits (this includes analysis of claims statistics as well as consideration of the evolution of jurisprudence, the economic environment and demographic trends)
- other costs of producing the relevant product, such as distribution, marketing, policy administration, and claim administration costs
- financial conditions, reflecting the time value of money solvency capital requirements and target levels of profitability
- insurance market conditions, notably competitor pricing of similar products.

Fortis establishes liabilities for future claims on policies and sets aside assets to support those liabilities (provisioning).

Management believes that Fortis actuarial departments have consistently established conservative technical provisions. The appointed independent actuaries of each Fortis company have given unqualified opinions regarding the adequacy of technical provisions based on local regulatory requirements as of 31 December 2006.

Where appropriate, Fortis operating units also enter into reinsurance contracts to limit exposure to underwriting losses. In non-life lines, the predominant use of reinsurance is intended to manage exposure to weather related events, natural catastrophes, events involving multiple victims, catastrophic fires, nuclear accidents and general liability. The selection of reinsurance companies is based primarily on pricing and counterparty risk management considerations. To meet the diversification requirements at group level, reinsurance strategy is coordinated centrally and when appropriate, is channelled through Fortis Reinsurance, an internal reinsurance company. The role of this company is to bring retentions in defined lines of business up to a level which is sustainable for the consolidated Fortis Group. The reinsurance purchased may be on a policy by policy basis (per risk), or on a portfolio basis (per event) where individual policyholder exposures are within internal limits but where an unacceptable risk of accumulation of claims exists. See Note 7.7 “Insurance Liability Risk Management” of the Notes to the Fortis Financial Statements 2006.

(i) Non-Life Insurance Provisions; Establishment of Claims Provisions

In accordance with industry and accounting practices and applicable insurance laws and regulatory requirements, Fortis non-life companies establish provisions for payment of claims and claims expenses for claims that arise from their respective non-life insurance policies. In general, Fortis companies establish claims provisions by product, coverage and year.

Claim provisions (also referred to as loss provisions) fall into two categories: provisions for reported claims and claims expenses and for incurred but not yet reported claims and claims expenses.

Provisions for reported claims and claims expenses are based on estimates of future payments that will be made in respect of reported claims, including the expenses relating to the settlement of such claims. Such estimates are made on the basis of the facts available at the time the provision is established. These provisions are established on an undiscounted basis to recognise the estimated costs necessary to bring all pending reported claims to final settlement, taking into account inflation, as well as other factors which can influence the amount of provisions required, some of which are subjective and some of which are dependent upon future events. Consideration is given to historical trends of disposition patterns and loss payments, pending levels of unpaid claims and types of coverage. In addition, court decisions, economic conditions and public attitudes affect the estimation of provisions, as well as the ultimate costs of claims.

As time passes between when a claim is reported and final settlement of the claim, circumstances can change which may require established provisions to be adjusted either upward or downward. Items such as changes in law, results of litigation and changes in medical costs, costs of motor and home repair materials and labour rates can substantially impact claim costs. Accordingly, claims and provisions are reviewed and re-evaluated on a regular basis. Amounts ultimately paid in claims and claims expense can vary significantly from the level or provisions originally set.

Provisions for incurred but not yet reported claims and claims expenses are established on an undiscounted basis to recognise the estimated cost of losses that have occurred but about which Fortis has not yet been notified. The provision, like the provision for reported claims and claims expenses, is established to recognise the estimated costs, including expenses, necessary to bring claims arising out of losses to final settlement. Since nothing is known about the occurrence, Fortis must rely upon its historical information to estimate the incurred but not yet reported claims and claims expense liability.

Late reported claim trends, claim severity, exposure growth and other factors are used in projecting the provision requirements. These provisions are also revised as additional information becomes available and claims are made.

The time required to learn of and settle claims is an important consideration in establishing provisions. Short-tail claims, such as motor damage and property damage claims, generally are reported within a few days or weeks and are settled shortly thereafter. Resolution of long-tail claims, such as bodily injury or liability claims, can take years to complete. For long-tail claims, due to the nature of the loss, information concerning the event, such as required medical treatment, may not be readily obtainable. In addition, the analysis of long- tail losses is more difficult, requires more detailed work and is subject to greater uncertainties than short-tail losses. Analyses are made of, among other things, Fortis experience with similar cases and historical trends, such as reserving patterns, exposure growth, loss payments, pending levels of unpaid claims, as well as court decisions and economic conditions. Any adjustments resulting from changes in provision estimates are reflected in current results of operations. However, because the establishment of claims provisions is an inherently uncertain process, there can be no assurance that ultimate losses will not exceed existing claims provisions, and this risk is covered by the additional assets held as solvency capital.

Adequacy of Provisions. On the basis of Fortis internal procedures which analyze, among other things, Fortis experience with similar cases and historical trends, (such as reserving patterns, exposure growth, loss payments, pending levels of unpaid claims and product mix, as well as court decisions and economic conditions) management believes based on information currently available that Fortis non-life claims provisions are adequate. Claims provision estimates are regularly reviewed and updated, using the most current information.

Any adjustments resulting from changes in provision estimates are reflected in current results of operations. However, because the establishment of claims provisions is an inherently uncertain process, there can be no assurance that ultimate losses will not exceed existing claims provisions.

(ii) Life Insurance Provisions; Establishment of Provisions

In the life business, insurance liability risks arise due to uncertainty relating to mortality rates and is therefore also referred to as biometric risk. Claims in relation to term insurance and annuity products are sensitive to changes in mortality rates. An observed mortality rate decrease as compared to the mortality assumption used in the product pricing is referred to as longevity risk, while increases are referred to as mortality risk. Unexpected increases in mortality rates will lead to higher than expected claims for term products but lower claims for annuity products, while decreases in mortality rates (longevity risk) will have the opposite impact. Given the long-term nature of life business, unexpected changes in lapse rates and on-going expenses can also have a significant impact on the level of the required provisions.

Longevity risk. Longevity risk covers the uncertainty in ultimate claims due to policyholders living longer than expected and can arise, for example, in annuity portfolios within life insurance and workers' compensation portfolios within non-life insurance.

Longevity risk is managed through pricing, underwriting policy, by regularly reviewing the mortality tables used for pricing and establishing provisions, by limitation of the contract period and by repricing at renewal. Where longevity is found to be improving faster than assumed in the mortality tables, additional provisions are established and the tables are updated.

Mortality risk. Mortality risk covers uncertainty in ultimate claims due to policyholders not living as long as expected and can arise, for example, in term life insurance portfolios within life insurance. Given the continuing expected increase in life expectancy of the population the mortality risk in the existing business on a portfolio level is not material at this stage. However, mortality risk could become material if epidemic diseases were to manifest themselves and the risk that a large number of people are killed by a major event such as an industrial accident or terrorist attack.

Mortality risk is mitigated through underwriting policy, regular review of mortality tables, but also through several excess-of-loss and catastrophe reinsurance treaties.

Disability risk. Disability risk covers the uncertainty in claims due to disability rates and levels higher than expected and can arise, for example, within the portfolios of the disability and health business and workers' compensation.

The incidence of disability as well as the recovery from disability is influenced by the economic environment, governmental intervention, medical advances and costs as well as standards used for disability assessment.

This risk is managed through regular review of historical claims patterns, expected future trends and adjusting pricing, provisioning and underwriting policy appropriately. Fortis also mitigates disability risk through medical selection strategies and appropriate reinsurance coverage.

5.5.5 Credit Risks for Banking and Insurance Operations

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 fail in some other way to perform as agreed. Credit risk cannot be measured or monitored in isolation from other risks, in particular, market, country and legal risks. Credit risk arises in lending, investing, trading and hedging activities.

Credit risk is the risk that a counterparty will fail to repay all or part of the principal and interest owed to the creditor. This failure may be caused either by the counterparty's non-payment (counterparty risk), or by the imposition of transfer restrictions by the country in which the counterparty operates (transfer risk). Counterparty risk arises primarily from borrowers, re-insurers and bond issuers, but also includes trading counterparties and foreign countries that are unable or unwilling to meet their obligations.

All credit risk management within Fortis 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. 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 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 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 where the counterparty fails to meet its obligations by itself; and
- formulation of an independent and substantiated opinion.

Counterparty acceptance criteria are the conditions that Fortis applies for the acceptance of credit customers. These conditions reflect the general acceptable credit risk profile that Fortis has determined. Fortis operates in accordance with sound, well-defined credit-granting criteria in order to avoid reputational risk and to ensure its sustainability. Fortis 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.

Authorised persons or committees make a credit decision, based on this opinion. 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 obtain an appropriate balance (in terms of overall profitability) between two opposite drivers, namely the maximising of the decision-taking autonomy of the businesses on the one hand and the reduction of counterparty risk on the other.

Credit analysis and decision making apply to any change in credit risk, as well as to regular reviews of existing credit risk. The monitoring of credit risk is a permanent and automatic control performed on credit exposures and events with the primary purpose of an early detection and reporting of potential credit problems.

Risk surveillance consists of the 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 problem credits in order to ensure that they are subject to proper monitoring, possible corrective action and classification.

Impaired credits are transferred to 'intensive care' or 'recovery'. Intensive care develops strategies to rehabilitate an impaired credit or to increase the final repayment. Intensive care also provides valuable input and assistance to the businesses in dealing with non-impaired problem loans. The intensive care function is segregated from the area that originated the credit.

(i) Credit Risk exposure

Fortis overall credit risk exposure (before collateral held and other credit enhancements) for the periods indicated below can be summarised as follows:

	At 31 December	
	2006	**2005**
	(EUR million)	
Cash and cash equivalents	20,414	21,822
Assets held for trading		
Debt securities...	22,199	20,904
Derivative financial instruments......................	21,545	23,789
Total assets held for trading	43,744	44,693
Due from banks		
Interest-bearing deposits................................	5,054	4,390
Loans and advances	6,230	2,988
Reverse repurchase agreements...................	49,592	55,831
Securities lending transactions.......................	24,425	13,785
Other	4,855	4,040
Total due from banks	90,156	81,034

	At 31 December	
	2006	2005
	(EUR million)	
Due from customers		
Government and official institutions	5,776	8,355
Residential mortgages	93,550	84,561
Consumer loans	10,398	9,818
Commercial loans	111,479	94,266
Reverse repurchase agreements	35,797	59,657
Securities lending	18,355	15,108
Other	13,374	11,450
Total due from customers	288,729	283,215
Interest-bearing investments		
Treasury bills	895	504
Government bonds	95,901	99,167
Corporate debt securities	44,561	40,871
Mortgage backed securities	10,612	13,589
Other asset backed securities	29,356	20,860
Total Interest-bearing investments	181,325	174,991
Reinsurance and other receivables	9,275	9,653
Total on balance credit risk exposure	**633,643**	**615,408**
Off balance credit commitments exposure	165,047	119,446
Total credit risk exposure	**798,690**	**734,854**

A concentration of credit risk arises when the credit exposure of a group of counter parties is similarly impacted by economic trends, changes within a sector or geographical developments. Although the financial instruments in Fortis portfolio are spread widely across various sectors, products and geographical areas, there is a potential concentration risk due to significant transactions which Fortis Bank concludes with other financial institutions, particularly in the field of loans (including reverse repurchase agreements and securities lending transactions), settlement risk and derivative transactions. Additionally, debt securities issued by the Belgian, Dutch, German, Spanish, Italian, French and U.S. governments represent considerable credit exposure.

The table below shows Fortis industry concentration of the customer credit portfolio at 31 December 2006 and 2005.

	At 31 December			
	2006		2005	
	Due from customers	%	Due from customers	%
	(EUR million, except %)			
Agriculture, forestry and fishing	806	0.3%	626	0.2%
Energy and water	4,691	1.6%	4,669	1.6%
Metallurgic & non-metallic minerals	4,040	1.4%	1,295	0.5%
Chemicals and plastics	4,355	1.5%	2,014	0.7%
Metal works	2,694	0.9%	2,114	0.7%
Other manufacturing	15,413	5.3%	12,925	4.6%
Construction and engineering	5,552	1.9%	2,818	1.0%
Distribution, hotels and catering	10,034	3.5%	8,514	3.0%
Transport	5,466	1.9%	4,310	1.5%
Communication	1,529	0.5%	1,421	0.5%
Real estate	12,937	4.5%	7,517	2.7%
Shipping	3,993	1.4%	2,273	0.8%
Trade and commodity finance	2,984	1.0%	1,579	0.6%
Other services	17,182	6.0%	13,858	4.9%
Public administrations	4,668	1.6%	6,216	2.2%
Government and official institutions	5,776	2.0%	8,355	3.0%
Financial institution & services to firms (incl. insurance)	76,443	26.5%	100,118	35.4%
Monetary intermediations	1,094	0.4%	2,431	0.9%
Private persons	102,796	35.6%	94,132	33.2%
Unclassified	6,276	2.2%	6,030	2.0%
Total	**288,729**	**100.0%**	**283,215**	**100.0%**

Loans to private persons mainly represent residential mortgage loans (90%) and to a lesser extent consumer loans (10%). Financial institutions include holdings, investment companies and insurance companies but excludes banks.

The following table outlines the credit quality by investment grade of Fortis debt securities at 31 December 2006 and 2005, based on external ratings.

	At 31 December			
	2006		**2005**	
	Carrying value	**%**	**Carrying value**	**%**
	(EUR million, except %)			
Investment grade				
AAA	89,477	49.3%	81,070	46.3%
AA	54,756	30.2%	61,810	35.3%
A	31,770	17.5%	25,440	14.5%
BBB	2,304	1.3%	2,074	1.2%
Investment grade	178,307	98.3%	170,394	97.3%
Below investment grade	1,451	0.8%	1,387	0.8%
Unrated	1,555	0.9%	3,176	1.9%
Total net investments in interest bearing securities	181,313	100.0%	174,957	100.0%
Impairments	12		34	
Total gross investments in interest bearing securities	**181,325**		**174,991**	

(ii) Geographic Exposure

The table below sets out the concentration of credit risk at 31 December 2006 and 2005, by location of the customer.

	At 31 December			
	2006		**2005**	
	Credit risk exposure on balance	**%**	**Credit risk exposure on balance**	**%**
	(EUR million, except %)			
Location of customer				
Benelux	251,842	39.7%	240,066	39.1%
Other European countries	289,364	45.7%	270,445	43.9%
North America	70,778	11.2%	79,541	12.9%
Asia	11,343	1.8%	11,093	1.8%
Other	10,316	1.6%	14,263	2.3%
Total	**633,643**	**100.0%**	**615,408**	**100.0%**

The table below provides information at 31 December 2006 on the concentration of credit risk by location of customer and type of counterparty.

	At 31 December 2006					
	Government and official institutions	Credit institutions	Corporate customers	Retail customers	Other	Total
			(EUR million)			
On-balance						
Benelux	35,982	13,150	90,094	98,479	14,137	251,842
Other European countries	70,640	102,266	84,699	4,489	27,270	289,364
North America	1,182	14,474	47,970	61	7,091	70,778
Asia	290	4,976	4,706	271	1,100	11,343
Other	397	2,688	6,196	158	877	10,316
Total on-balance	**108,491**	**137,554**	**233,665**	**103,458**	**50,475**	**633,643**

In this table, Government and official institutions includes mandatory reserve deposits with central banks. Credit institutions comprises Due from banks and Debt securities issued by banks. Trading assets are reported in the column Other.

Additional information on credit risk exposure can be found in Note 7.6.1 “Credit Risk” to the Fortis Financial Statements 2006.

5.5.6 Operational and Legal Risk for Banking and Insurance Operations

(i) Operational Risk

Operational risk comprises all risks that are not directly related to the underlying economics of Fortis banking or insurance activities. Operational risk can be split into two categories for reporting and monitoring purposes. The first category represents the business risk: the risk of losses due to events that could damage a business’s franchise or its operating economics, such as shifts in the competitive environment, or legislative or tax changes. The second comprises the risk of losses due to non-recurring events such as system failure, error, fraud, crime, legal proceedings or damage to property. Operational risk can result from any of the following: failure to obtain proper internal authorisations, failure to properly document transactions, equipment failures, fraud, inadequate training or errors by employees. Operational losses include losses due to a failure of internal controls, personnel unavailability or injury and external events relating to natural disasters or the failure of external systems.

Central Risk Management has defined an Operational Risk & Management Control (ORMC) framework including policies for managing operational risk, the collection of loss events, risk self-assessments, scenario analyses, key risk indicators, use of scans, business continuity management, information security, risk transfer management and, where appropriate, the signing of management control statements.

The Operational Risk & Management control framework is implemented consistently throughout Fortis Bank. Each business and legal entity complies with the methodology and associated tooling, or integrates its business approach into that framework.

To identify and analyze where operational risk exposures manifest themselves, the businesses continuously collect loss data (events above the EUR 1,000 threshold, including causal information, in a central application called OPERA. In 2006 Fortis Bank did not experience any material operational losses.

(ii) Legal risk

Legal risk includes the possibility that transactions may not be enforceable under applicable law or regulation and the possibility that changes in law or regulation could adversely affect Fortis position. The risk is greater with respect to derivative financial instruments as applicable law is relatively recent and in some cases incomplete. Fortis manages legal risk by seeking to ensure that transactions are properly authorised and by submitting new or unusual transactions to its external legal advisers for review.

While grouped under a single centralised management, Fortis legal departments are dedicated to specific business lines and assess the contracts and monitor developments in the legislative and regulatory fields relevant to their respective business lines. Fortis has strict procedures in place to ensure that all routine transactions are approved correctly and that new or unusual transactions are submitted for assessment by its legal advisers. In order to control the risks related to compliance with the applicable laws and regulations, all Fortis business lines also have a separate compliance function. A centralised management heads Fortis Group's various compliance functions and each year draws up a consolidated report on compliance that is discussed with the Audit Committee.

5.5.7 Liquidity Risk

The primary goal of the Fortis liquidity policy is to ensure that sufficient cash and liquid assets are maintained to meet current and future financial obligations at all times, in both normal and stressed circumstances, for every currency in which there is an exposure, and for all its banking, insurance and holding companies, including special purpose vehicles.

(i) Banking

The deposits of customers (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, make a significant contribution to the long-term stability of the funding base. This stability depends on maintaining depositor confidence in Fortis 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 the unsecured position gaps. The monitoring of the issuance of short and long-term paper has been centralised and the access to the financial markets is coordinated by the Global Liquidity and Funding Team.

(ii) Insurance

The investment, actuarial and ALM departments of the insurance operating units jointly bear responsibility for managing liquidity risk. Liquidity risk is defined as the potential inability to fund illiquid assets. The illiquid investments of the insurance operations include real estate investments, private loans, and certain investments in non-listed equity and debt securities. Because of the importance of the capital markets as a potential source of finance, liquidity risk is closely linked to solvency and creditors' confidence in Fortis ability to meet its commitments. Fortis uses stress tests and other contingency analyses to monitor the solvency of the insurance sector. The funding sources are primarily insurance products, many of which have terms that penalise or prohibit early surrender, thus ensuring continued access to these funds.

6 MANAGEMENT

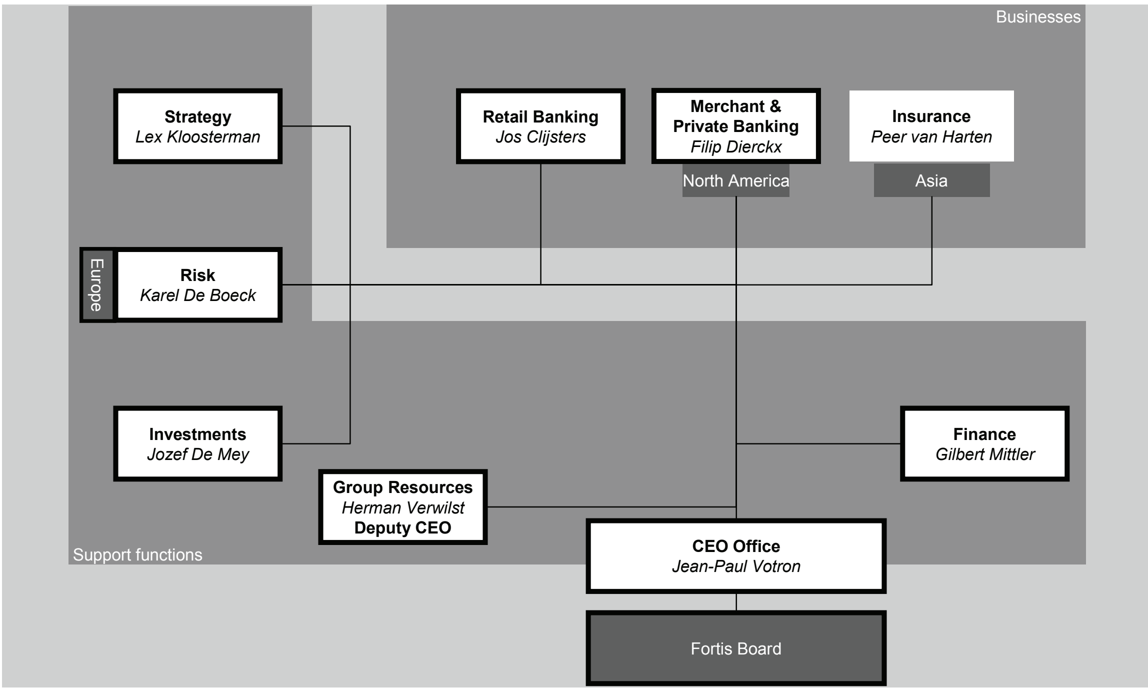
6.1 Administrative, management, supervisory bodies and senior management

6.1.1 Management structure

The management structure of Fortis provides unity of management within Fortis and contributes to management efficiency. This structure can be summarised as follows:

- one Board, with the Boards of Directors of Fortis SA/NV and Fortis N.V. composed of the same members with the Chief Executive Officer and the Deputy CEO as the only Board members holding an executive position;
- one Chief Executive Officer; and
- one Executive Committee, chaired by the Chief Executive Officer responsible for the day-to-day operations of Fortis, with Executive Committee members responsible for the businesses and support functions of Fortis.

The diagram below outlines Fortis' management structure as of the date of this Prospectus.



All managers shown in the table above are members of Fortis Executive Committee.

6.1.2 Board of Directors

The Boards of Directors of Fortis SA/NV and Fortis N.V. comprise the same members and function as a single Fortis Board of Directors. The Fortis Board of Directors consists of a maximum of 17 members. The Fortis Board of Directors has at least two executive members, being the Chief Executive Officer and one other person entrusted with executive management functions at Fortis. There are currently 14 Directors.

No member of the Fortis Board of Directors has any other significant relationship with Fortis or is affiliated with a party that does have such a relationship with Fortis.

Members of the Fortis Board of Directors are appointed by the shareholders. Non-executive Directors are appointed for a maximum term of three years. The upper age limit for non-executive Directors is 70, although exceptions can be made in special circumstances. The upper age limit for the Chief Executive Officer is 60, which can be raised to 65.

Individual members of the Fortis Board of Directors are not automatically reappointed. The Nomination and Remuneration Committee evaluates the performance of members who wish to be considered for reappointment based on the proposal of the Chairman and then make a recommendation to the Fortis Board of Directors, which in turn submits the candidate's reappointment to the General Meeting of Shareholders. Finally, shareholders vote on whether or not to reappoint the proposed individual to the Fortis Board of Directors.

The Fortis Board of Directors is responsible for providing strategic direction for Fortis and for monitoring all of Fortis' affairs. The Fortis Board of Directors' composition, meetings and decision-making process are specified in the Board Terms of Reference. In principle, the Board has eight scheduled meetings each year. Additional meetings may be called with appropriate notice at any time to address specific needs of the business. The matters to be dealt with are incorporated in an overall annual agenda. The matters to be dealt with at each meeting are prepared in consultation between the Chairman and the Chief Executive Officer. Members of the Fortis Board of Directors receive the meeting documents at least five days before the meeting to enable them to prepare. In principle, decisions of the Fortis Board of Directors are taken by qualified majority voting. In practice, however, all decisions are taken unanimously and on a consensus basis.

Requirements regarding independence, competences and qualifications are formulated and reviewed from time to time by the Board of Directors, based on a proposal by the Chairman and supported by the Nomination and Remuneration Committee. Non-executive Board members are allowed to serve on the boards of other companies, and to take up other engagements or commitments, provided that those commitments (i) are outside Fortis, (ii) do not create actual or potential material conflicts of interest, and (iii) do not interfere with the Board member's ability to fulfil their duties as a Fortis Board member. Executive Board members are prohibited from occupying a position as a board member, be it executive or non-executive, in any listed company other than Fortis SA/NV and Fortis N.V., unless explicitly approved by the Board of Directors.

The composition of the Fortis Board of Directors is currently as follows:

Name	Position	Director Since	Term Expires	Principal Activities Performed outside Fortis
Count Maurice Lippens	Director Fortis Chairman Independent	1981	2008	Director GBL (Groupe Bruxelles Lambert), Director Belgacom, Chairman Compagnie Het Zoute, Director Iscal Sugar, Director Finasucre, Director Groupe Sucrier, Member Trilateral Commission, Member INSEAD Belgium Council
Jean-Paul Votron	Director Fortis Chief Executive Officer	2004	2008	Member Management Committee Federation of Enterprises in Belgium

Name	Position	Director Since	Term Expires	Principal Activities Performed outside Fortis
Baron Piet Van Waeyenberge	Director Fortis Independent	1989	2008	Chairman De Eik N.V. Brussels, Chairman Indufin N.V. Brussels, Board member Suez Energy Services S.A, Board member Electrabel SA/NV
Klaas Westdijk	Director Fortis Independent	1996	2009	Chairman Supervisory Board ENECO Energie N.V. Member Supervisory Board VastNed Groep N.V., Chairman Supervisory Board Connexxion Holding N.V., Member Supervisory Board FD Media Groep B.V.
Jan-Michiel Hessels	Director Fortis Independent	2001	2010	Chairman NYSE Euronext, Member Supervisory Board Royal Philips Electronics N.V., Member Supervisory Board Heineken N.V.
Baron Philippe Bodson	Director Fortis Independent	2004	2010	Director Compagnie Immobilière de Belgique, Chairman Exmar, Chairman Floridienne, Member CSFB Advisory Board Europe, Director Hermes Asset Management Europe Ltd., Director Cobepa/Cobehold
Richard Delbridge	Director Fortis Independent	2004	2009	Non-executive Director Tate & Lyle PLC, Non-executive Director JP Morgan Cazenove Holdings
Jacques Manardo	Director Fortis Independent	2004	2008	CEO and Chairman of the Board of Directors of GEM Group
Ronald Sandler	Director Fortis Independent	2004	2010	Executive Chairman Computacenter PLC, Chairman Kyte Group, Chairman Oxygen Group PLC, Chairman Paternoster Ltd.
Rana Talwar	Director Fortis Independent	2004	2008	Chairman Sabre Capital Worldwide, Non-executive Director Pearson PLC, Non-executive Director Schlumberger Ltd.

Name	Position	Director Since	Term Expires	Principal Activities Performed outside Fortis
Clara Furse	Director Fortis Independent	2006	2009	Chief Executive London Stock Exchange, Board Member Euroclear PLC, Member Advisory Council of the Prince's Trust, Companion Chartered Management Institute, Member CBI President's Committee, Court Member Guild of International Bankers
Reinier Hagemann	Director Fortis Independent	2006	2009	Member of the Supervisory Board of EON Energie AG, Member of the Supervisory Board of Bayer Schering AG, Chairman German Advisory Board of Cerberus Capital Management
Aloïs Michielsen	Director Fortis Independent	2006	2009	Chairman Board of Directors Solvay Group, Board Member Miko N.V.
Herman Verwilst	Director Fortis Deputy Chief Executive Officer and Chief Operating Officer	2007	2010	Professor Extraordinary at the University of Ghent, "Censor" at the National Bank of Belgium, Director Flemish Economic Association, Director Belgian Finance Federation (Febelfin), Member Executive Committee and Board of Directors of the King Baudouin Foundation, Member Instituto de Empresa International Advisory Board, Madrid

The Boards of Directors of the sub-holding companies, Fortis Brussels SA/NV and Fortis Utrecht N.V., comprise the members of the Executive Committee of Fortis (see below) and are responsible for strategic and financial development and control, capital allocation and the representation of Fortis with external constituencies.

The business address of the members of the Fortis Board of Directors is Rue Royale/Koningsstraat 20, 1000 Brussels.

In relation to each of the members of the Fortis Board of Directors, the Issuers are not aware of (i) any convictions in relation to fraudulent offences in the last five years, (ii) any bankruptcies, receiverships or liquidations of any entities in which such members held any office, directorships, or partner or senior management positions in the last five years, or (iii) any official public incrimination and/or sanctions of such members by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

6.1.3 Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Executive Committee

Fortis Chief Executive Officer is responsible for the day-to-day management of Fortis, for formulating the strategic direction for the Group and for implementing these plans after the Fortis Board of Directors has approved them. The Chief Executive Officer is Chairman of the Executive Committee.

The office of the Chief Financial Officer is tasked with tracking and reporting on the financial performance of Fortis businesses. Its job is to continuously challenge the investment strategy of Fortis Group from a long-term perspective to ensure that Fortis achieves maximum value for its shareholders at all times.

The office of the Chief Operating Officer represents a new approach at Fortis, the wide-ranging scope of which has given it a critical role in the implementation of Fortis strategic planning. The office covers all the cross-business functions that fall under the responsibility of the Chief Operating Office, Information Services & Technology, Human Resources, Facility Management & Purchasing, Legal & Compliance and Risk Management and Operations. Its mission is to help the businesses grow in a controlled way by providing them with efficient and easy to roll out support platforms, combined with risk management and compliance functions. Examples of this Europe-wide infrastructure include the platforms for credit cards and international payments, and a single IT platform for all Fortis Business Centres.

Fortis Executive Committee is responsible for the daily management of Fortis and implements Fortis strategy, proposes options for further development of Fortis to the Fortis Board of Directors, including acquisitions and dispositions, stimulates the cross-transfer of best practices and implements synergies within Fortis and manages capital allocation and target setting. Fortis Executive Committee meets twice a month according to a fixed timetable and on as many other occasions as Fortis interests require. Except for the Chief Executive Officer and the Chief Operating Officer, none of the members of the Executive Committee are also members of the Board of Directors. With the exception of the Chief Executive Officer, the Board of Directors appoints the Executive Committee members based on a proposal made by the Chief Executive Officer in consultation with the Chairman, and supported by the Nomination and Remuneration Committee. As a member of the Fortis Board of Directors, the Chief Executive Officer is appointed by the General Meeting of Shareholders at the recommendation of the Fortis Board of Directors.

The Fortis Executive Committee consists of the following members who, with the exception of the Chief Executive Officer, Deputy Chief Executive Officer and the Chief Financial Officer are responsible for individual businesses and support functions.

6. Management

Name	Position	Principal Activities Performed outside Fortis
Jean-Paul Votron	Chief Executive Officer	Member Management Committee Federation of Enterprises in Belgium
Herman Verwilst	Deputy Chief Executive Officer and Chief Operating Officer	Professor Extraordinary at the University of Ghent, "Censor" at the National Bank of Belgium, Director Flemish Economic Association, Director Belgian Finance Federation (Febelfin), Member Executive Committee and Board of Directors of the King Baudouin Foundation, Member Instituto de Empresa International Advisory Board, Madrid
Gilbert Mittler	Chief Financial Officer	None
Karel De Boeck	Chief Risk Officer Regional Coordinator Europe	Chairman European Financial Management and Marketing Association (EFMA)
Lex Kloosterman	Chief Strategy Officer	None
Jozef De Mey	Chief Investments Officer	Member Royal Association of Belgian Actuaries, Chairman Compagnie Belge d'Assurances Aviation (Aviabel)
Filip Dierckx	CEO Merchant & Private Banking Regional Coordinator North America	Member Board of Directors of various companies of the Group SD Worx, Member General Assembly Employers Association (Voka), Board member of Flemish Economic Association
Jos Clijsters	CEO Retail Banking	National Chairman of Young Enterprises, Member Board of Directors Stichting Marketing, Director EHSAL Management School, Director Vlerick Management School
Peer van Harten	CEO Insurance Regional Coordinator Asia	None

The business address of the members of the Executive Committee is Rue Royale/Koningsstraat 20, 1000 Brussels.

In relation to each of the members of the Fortis Executive Committee, the Issuers are not aware of (i) any convictions in relation to fraudulent offences in the last five years, (ii) any bankruptcies, receiverships or liquidations of any entities in which such members held any office, directorships, or partner or senior management positions in the last five years, or (iii) any official public incrimination and/or sanctions of such members by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

6.1.4 Supervisory bodies

Fortis Audit Services reports to the Audit Committee regarding Fortis internal control systems four times a year. In addition to the regular audits, specific topics are also audited every year.

External auditing is done jointly by KPMG Accountants N.V., a member of the *Koninklijk Nederlands Instituut van Registeraccountants* and PricewaterhouseCoopers Reviseurs d'Entreprises S.C.C.R.L., a member of the *Instituut der Bedrijfsrevisoren/Institut des Reviseurs d'Entreprises*.

Once a year Fortis Compliance reports on legal compliance to the Audit Committee.

As a bi-national, integrated financial services provider, Fortis is subject to different forms of internal and external supervision. Fortis' banking activities and investment services are organised on cross-border business lines, whereby the commercial core is in Belgium, The Netherlands or Luxembourg, depending on the business line. To ensure proper supervision of these cross-border activities, the relevant regulators (the CBFA in Belgium, the DNB in The Netherlands and the CSSF in Luxembourg) signed a Memorandum of Understanding on 29 March 2001. Fortis' insurance businesses are not cross-border and are therefore subject to national insurance supervision; given the merger of the insurance and banking regulators in both Belgium and The Netherlands, the regulation is also exercised respectively by the CBFA and DNB.

The respective supervisors in Belgium and The Netherlands (CBFA, DNB) are of the opinion that integration of the activities within a financial services company (or a financial conglomerate) gives rise to specific risks which require the separate banking and insurance supervision to be supplemented with comprehensive supervision at the group level. In February 2002, the supervisors agreed on a renewed Protocol (entitled "Framework for the exercise of the supplementary supervision of the Fortis Group") to provide for adequate supervision of Fortis.

6.1.5 Administrative, management, supervisory bodies and senior management conflicts of interests

No potential conflicts exist between any duties to Fortis of the persons referred to in this Section 6.1 above and their private interests and/or other duties.

6.2 Remuneration and benefits

6.2.1 Board of Directors

Remuneration is determined with respect to the responsibilities of the non-executive Directors and international market practice. The remuneration of non-executive Directors comprises a fixed annual sum plus an attendance fee for each Board Committee meeting. They do not receive any variable or profit-related compensation, option rights, shares or fees of any other kind. For the financial year 2006, remuneration of the non-executive Directors came to EUR 1.8 million. One non-executive Director holds option rights arising from his previous executive position. Several members of the Board of Directors hold Fortis Shares.

Members of the Board of Directors have not been granted loans or credit other than those granted in the normal course of Fortis financial operations on the same commercial terms as would apply to Fortis customers.

For more details, see Note 11 (pp. 100 to 101) to the Fortis Financial Statements 2006.

6.2.2 Management

Fortis has entered into an employment agreement with Jean-Paul Votron which contains the terms of his remuneration. Jean-Paul Votron's remuneration as Chief Executive Officer consists of a fixed base salary, a variable annual incentive and a variable long-term incentive received in option rights, restricted shares and cash. The level of the variable remuneration depends on factors such as individual performance, the performance of Fortis relative to predefined targets and the performance of Fortis relative to several businesses in the same sector.

Jean-Paul Votron is also entitled to stock appreciation rights at the end of his mandate. For additional information on Jean-Paul Votron's remuneration see Note 11 (p.104) to the Fortis Financial Statements 2006.

The remuneration of the executive managers consists of a fixed basic salary, a variable annual incentive and a variable long-term incentive which in 2006 was received partly as option rights and partly as cash and restricted shares. The variable remuneration depends on such factors as individual performance, performance of the business relative to predefined targets and Fortis performance relative to several of its peers in the financial sector.

The executive managers also participate in a pension and insurance plan. The level of the variable remuneration depends on factors such as individual performance, the performance of the business compared to predefined targets and the performance of Fortis compared to several companies in the same sector. For 2006, total remuneration for the executives who were executive managers, during all or part of the year, was EUR 10.3 million. As part of the compensation for 2006, 233,760 options on Fortis Shares and 160,110 restricted shares were granted to the executive managers. For more details, see Note 11 (pp. 101 to 107) to the Fortis Financial Statements 2006.

For information regarding options on Fortis Shares granted to senior management, see Section 6.4.2 below and Note 11 to the Fortis Financial Statements 2006.

6.3 Board practices

6.3.1 Information about members of the administrative, management or supervisory bodies' service contracts

Service contracts are entered into with all the members of the Executive Committee of Fortis. No other service contracts are entered into than the ones with the members of the Executive Committee.

The service contracts provide for the main characteristics of the status: the description of the components of the reward package, the expiration date (between 60 and 65 years), the termination clauses and various other clauses such as confidentiality and exclusivity. As from 1 January 2005, the contracts provide for a termination indemnity, in the case of termination without cause at the initiative of Fortis, which equals twice the amount of the base salary, respecting however commitments taken by Fortis before the date of 1 January 2005.

Hereunder, an overview is provided of the remuneration package of the Fortis Executive Managers.

The remuneration of the Executive Managers is determined by the Board of Directors, upon proposals by the Nomination and Remuneration Committee, in compliance with the prerogatives of the General Meeting of Shareholders.

Both the levels and structure of remuneration for Fortis Executive Managers are analysed on an annual basis. At the initiative of the Nomination and Remuneration Committee, Fortis remuneration competitive positioning is regularly reviewed by and discussed with a leading international firm of compensation and benefits consultants, in light of the practices of other major Europe based international financial services groups and other organisations operating on a global basis.

The remuneration of Executive Managers is designed to:

- ensure the organisation's continued ability to attract, motivate and retain high calibre and high potential executive talent for which Fortis competes in an international market place;
- promote achievement of demanding performance targets in order to align the interests of executives and shareholders in the short, medium and long term; and
- stimulate, recognise and reward both strong individual contribution and solid team performance.

The reward package for the Executive Managers reflects a concept of integrated total direct compensation, combining the following three major components of pay: base salary, annual incentive (short-term performance related bonus) and long-term incentive.

In calibrating the various remuneration components, the objective is to position the overall remuneration levels in line with compensation practices of other leading multinational firms. The reference market is a combination of the financial industry on the one hand and all sectors taken together on the other hand, both at European level and at the level of Belgium and The Netherlands. For the remuneration review conducted in 2006, the primary reference market was composed of financial services organisations spread over seven European countries. The variable, performance related pay components are the dominant portion of the total compensation package of Executive Managers, i.e. total 'pay at-risk' in terms of targeted short and long-term incentives compensation levels represent at least 60% of the Executive Managers total compensation.

Base salary levels are intended to compensate the Executive Managers for their responsibilities and their particular set of competencies. These levels are set in line with general prevailing market rates for equivalent positions and are subject to regular annual reviews. There is, however, no mechanism for automatic adjustment.

The annual incentive is designed to stimulate, recognise and reward strong individual contribution by the Executive Managers as well as solid performance as head of or as team members within the Executive Committee. Payout under the annual incentive scheme is directly linked to the actual performance against a set of predetermined qualitative and quantitative performance objectives. The objectives are set on the basis of the overall Fortis and specific business strategy and annual objectives. The existing performance management system has three sets of objectives, each contributing a specific proportion to the Executive Manager's overall performance rating at the end of the year. These objectives cover the general and the leadership responsibility of the Executive Managers and the specific results to be achieved by each of them.

For each set of objectives, the performance is rated between one (does not meet expectations) and seven (exceptional). Based on these ratings and the overall outcome of the appraisal process, the actual individual annual incentive ranges in principle between one third (33%) and five thirds (167%) of the target incentive. Target annual incentive payouts are expressed as percentages of base salary and range between 70% and 100%, depending upon the position within the Executive Committee.

The long-term incentive plan is designed to:

- encourage and support the creation of shareholders' value and to ensure that the Executive Managers, like the shareholders, share in the company's successes and setbacks; and
- provide the opportunity for Executive Managers to receive, within their overall package, competitive rewards for performance as a result of sustained group performance over a longer period of time, to enable the organisation to outperform a group of Fortis peers in the international market, and also to take into account the growth potential of the Fortis share.

Key features of the current long-term incentive plan are as follows:

- The initial target long-term incentive level is set by the Nomination and Remuneration Committee. It is determined as a percentage of annual base salary and ranges between 70% and 100%.
- Actual long-term incentive is recommended by the Nomination and Remuneration Committee on the basis of Fortis actual share performance relative to a peer group of Europe's top 30 financial institutions (as determined by market capitalisation. The share performance of Fortis and the companies in the peer group is divided into quartiles. Based on this relative performance position at the end of December, the Nomination and Remuneration Committee establishes a multiplier which varies between zero and two and depends on the quartile in which the Fortis share performance falls. Actual long-term incentive level recommended by the Committee is equal to the initial target long-term incentive multiplied by the multiplier. Actual long-term incentives may not exceed 200% of the target long-term incentive.

The long-term incentive is delivered as a mix of options, cash and/or restricted shares:

- The grant of options stipulates a strike price of 100% of the Fortis share market value at the time they are granted and an option term of six years. Options can be exercised during predetermined 'open periods' falling within a time frame ranging from the first day of the year following the third anniversary of the grant until the end of the option term. Neither the strike price nor the other conditions regarding the granted options can be modified during the term of the options, except in certain exceptional circumstances in accordance with established market practice.
- The long-term incentive in the form of restricted shares consists of the commitment, taken by Fortis, to grant a number of Fortis Shares at the end of a three year period, provided the professional relationship with Fortis has not been terminated prematurely, unless the Board of Directors decides otherwise. At the date of grant, the Executive Manager will be allowed to sell a maximum of 50% of those shares within 10 days in order to finance the tax liabilities associated with the grant.

The unsold shares remain unsellable until six months after termination of the professional relationship between Fortis and the Executive Manager which emphasises the Executive Manager's long-term commitment.

The Executive Managers participate in Fortis pension schemes in either Belgium or The Netherlands. These schemes are in line with predominant market practices in the respective geographic environments. For the Chief Executive Officer it is a defined contribution plan. For the other Executive Managers it is a non contributory defined benefit plan. They provide retirement and pre and post retirement survivors' pensions or their lump sum equivalent. Target defined pensions, including state pensions, are set at percentages of base salary and may not exceed 80% of the latter salary. Other benefits, such as medical and other insurance coverage, are provided in line with competitive practices in the market where the Executive Manager is employed.

It is anticipated that, in normal business circumstances, the remuneration policy as described above will be pursued in the following years.

In accordance with the Dutch law, entered into force on 1 October 2004, the Remuneration Policy for Fortis Board members was approved by the General Shareholders Meeting of Fortis N.V. on 11 October 2004. This meeting also determined the maximum number of options and restricted shares that can be attributed to the Chief Executive Officer under the long-term incentive scheme. Any amendments to this policy that the Board might consider important to make will in the future be subject to the approval of the General Meeting of Shareholders of Fortis N.V.

With respect to the Executive Managers who are not members of the Board, the Board has decided to adopt the same Remuneration Policy as the one applicable for the executive Board members. The Board has the authority to amend the Remuneration Policy for these Executives as it sees fit, on the basis of recommendations made by the Nomination and Remuneration Committee. In the event of any such amendments, appropriate comments on them will be drawn up and included, at the latest in the first annual report published after the amendments were adopted.

Compensation of the Chief Executive Officer, who is also a Board member, is related exclusively to his position as Chief Executive Officer. This compensation has been set in conformity with the remuneration policy approved on 11 October 2004 by the shareholders meeting of Fortis N.V. This policy states, in particular, that the effective annual incentive can, in principle, not exceed the target incentive (100% of the base salary) by more than two thirds. Considering the outstanding achievements of Fortis under Mr Votron's leadership in 2006, the Board has decided to set the 2006 annual incentive of Mr Votron at EUR 2.0 million. Mr Votron's current contract will expire after the 2008 Annual General Meeting of Shareholders, but no later than 31 May 2008. Should Fortis terminate the contract prematurely, Mr Votron will receive a gross sum equal to no more than twice the amount of his base salary. Mr Votron will receive no payment if the contract is terminated prematurely due to gross negligence or an intentional act.

6.3.2 Information about the Fortis' committees

The Fortis Board of Directors may institute from among its members all committees that it considers useful. The Board rules govern the composition and responsibilities of these committees.

Currently, the Fortis Board of Directors has established three committees: the Nomination and Remuneration Committee, the Audit Committee and the Risk and Capital Committee. As a general principle, the Board Committees have an advisory function to the Board.

Each of Fortis SA/NV and Fortis N.V. comply with the corporate governance regime of Belgium and The Netherlands, respectively, except that Fortis N.V. deviates from the Tabaksblat Code in certain respects as set forth below in Section 6.3.3.

(i) Risk and Capital Committee

The members of the Risk and Capital Committee are Jan-Michiel Hessels (Chairman), Clara Furse, Aloïs Michielsen and Piet Van Waeyenberge. The role of this Committee is to assist the Board in understanding the risks run by Fortis, in overseeing the proper management of these risks and in ensuring the adequacy of Fortis capital.

(ii) Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee are Maurice Lippens (Chairman), Jacques Manardo and Rana Talwar. The role of this Committee is to assist the Board in all matters relating to the appointment and remuneration of Board members and Executive Managers, and in those matters regarding the governance of the group on which the Board or the Chairman wishes to receive the Committee's advice.

(iii) Audit Committee

The members of the Audit Committee are Klaas Westdijk (Chairman), Philippe Bodson, Richard Delbridge, Reiner Hagemann and Ron Sandler. The role of this Committee 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.

6.3.3 Corporate governance statement

The Fortis international structure, headed by two listed parent companies, one Dutch and one Belgian, means it has to comply with two corporate governance systems that refer to two separate codes. While the principles underlying these codes are largely similar, there are a number of differences too.

Because of the specific cross-border context in which Fortis operates, we have developed our own 'single tier' governance structure, while naturally observing all the relevant Belgian and Dutch legal requirements. The structure is described in detail in the Fortis Governance Statement to ensure optimum transparency and to demonstrate its internal coherence. What follows, therefore, is limited to those aspects of corporate governance at Fortis that require additional explanation in the light of the Belgian (Lippens) or Dutch (Tabaksblat) Codes.

(i) Fortis SA/NV and the Lippens Code

The Lippens Code came into force on 1 January 2005. It applies to all companies incorporated under Belgian law the shares of which are traded in a regulated market. The Code uses the 'comply or explain' concept, which means that if a company chooses to deviate from any of the Code's principles, it must explain its reasons for doing so in the 'Corporate Governance' section of its annual review.

Fortis SA/NV stated in the 2005 Fortis Annual Accounts and reported to shareholders in May 2006, that it applies all the Code's main principles. Two items require more detailed explanation:

Principle 2.3: Independence of directors

The Lippens Code states that: "To be considered independent, a director should be free from any business, close family or other relationship with the company, its controlling shareholders or the management of either that creates a conflict of interest such as to affect that director's independent judgment." The phrasing of this principle generally requires little comment. Questions may be raised, however, regarding its implementation and the way specific criteria in respect of a director's independence are formulated. The Lippens Code, the Tabaksblat Code, Article 524 of the Belgian Companies Code and the recommendation of the European Commission of 15 February 2005, for instance, all set out independence criteria which, if not actually contradictory, nevertheless differ from one another. For that reason, we have opted for our own criteria at Fortis SA/NV, as set out in our Governance Statement. These match those of the Lippens Code, with the exception that Fortis SA/NV considers it necessary to limit to listed companies the restrictions on cross-directorships.

Principle 7.18

The annual report should disclose the main contractual terms of hiring and termination arrangements with executive managers. The remuneration policy for Fortis SA/NV directors and Executive Committee members – described in detail in Note 11 of the Fortis Financial Statements 2006 – sets out the main terms included in our contracts with executive managers. This policy states that, in future, executive managers will receive compensation equal to twice their base salary in the event that a contract is dissolved on Fortis SA/NV's initiative. However, any existing contracts, concluded earlier and in specific circumstances, will be honoured.

(ii) Fortis N.V. and the Tabaksblat Code

Since 2004, listed companies incorporated under Dutch law have been legally required to declare in their annual financial statements that they have adhered to the Tabaksblat Code, or to explain any instances in which they have deviated from it. Accordingly, Fortis N.V. stated in its Annual Reports for 2004 and 2005 that the principles and best practice provisions of the Tabaksblat Code had been met in those financial years, with certain substantiated exceptions. Fortis N.V.'s respective statements were discussed at the Annual General Meetings of Shareholders in May 2005 and May 2006.

The Annual General Meetings of Shareholders of May 2006 endorsed the view of the Board of Directors that the re-election of Klaas Westdijk as non-executive Board Member for a period of three years (i.e. until the end of the Annual General Meetings of Shareholders of 2009) would be in Fortis N.V.'s interest and that this re-appointment, leading to a maximum term of appointment of more than 12 years, did not affect the independence of Mr Westdijk. The Annual General Meetings of Shareholders thus resolved not to abide by the maximum term of office (12 years) generally recommended by the Tabaksblat Code (Best Practice provision III.3.5).

The Meeting also approved the decision – contrary to Best Practice II.2.6 of the Tabaksblat Code – not to publish on the Fortis website the amended internal regulations related to insider trading, as these regulations are numerous and tailored to highly specific local and/or business requirements. In line with the objectives set by the Tabaksblat Code, the Fortis Governance Statement contains a Policy Statement summarising the principles and guidelines on the use of inside information and private investments to be adhered to by all Board members, other senior managers, officers and employees worldwide.

Bearing in mind the points expressed above, Fortis N.V. complied in 2006 with the principles and best practice provisions of the Tabaksblat Code – subject to the following qualifications and exceptions which have not changed since the financial year 2005.

Qualifications

The aim at Fortis N.V. is to comply with the Tabaksblat Code to the maximum possible extent. It should be pointed out that not all of the Code's provisions can be met. Some of them conflict with the internal coherence of Fortis governance structure, which has been carefully developed over the years to meet the challenges facing a bi-national group. What's more, our single-tier Board structure creates a specific framework that is not customary in The Netherlands and which did not function as the primary frame of reference for the drafting of the Tabaksblat Code.

When applying the Code, therefore, Fortis N.V. has been obliged to translate the various provisions to fit their single-tier structure. Provisions aimed at the Supervisory Board or the Management Board have thus been applied to Fortis N.V.'s Board of Directors, while provisions for individual members of the Supervisory Board have been applied to Fortis N.V.'s non-executive directors and provisions for individual members of the Management Board to Chief Executive Officer.

Some provisions could not, however, be translated into the Fortis context. These include the rules regarding a “delegated supervisory board member” and a “supervisory board member who temporarily takes on the management of the company” (III.6.6 and III.6.7, respectively, of the Tabaksblat Code). These provisions are geared specifically to supervisory board members and the supervisory tasks they perform, and so cannot be reconciled with the single-tier board model.

Similarly, the provision that the Chairman of the Board may not have held an executive position at the company (III.8.1) is an anomaly in the context of a single-tier board model, the essence of which is precisely to combine the expertise of executives and non-executives in one and the same decision-making body. Fortis N.V.'s Chairman and co-founder, Maurice Lippens, was Co-chairman of both the Board and Executive Committee until 2000. Since 2000, he has been a non-executive Board Member and Chairman of the Board.

The Annual General Meetings of Shareholders of May 2005 shared the view of the Board of Directors that the proposed re-election of Fortis N.V.'s Chairman, Maurice Lippens, for a period of three years (i.e. until the end of the 2008 Annual General Meetings of Shareholders) would be in Fortis' interest, notwithstanding the maximum term of appointment (12 years) generally recommended by the Tabaksblat Code (Best Practice provision III.3.5).

Several provisions of the Tabaksblat Code do not, moreover, apply to Fortis N.V. This is the case with the following sections: II.2.1 (share options as a conditional remuneration component for Management Board members – Fortis N.V. does not offer such options), III.2.1 (all Supervisory Board members, with the exception of not more than one person, shall be independent – III.8.4 sets out the rule as it applies to Fortis N.V.), IV.1.2 (voting right on financing preference shares – Fortis N.V. does not have this type of preference share) and IV.2–IV.2.8 (depositary receipts for shares – Fortis N.V. does not issue this type of depositary receipt). These provisions have not, therefore, been taken into consideration.

With regard to section III.3.5, the view has been taken that Fortis N.V.'s rule that nobody may serve as a director for more than 12 years, with no individual term exceeding four years, does not materially deviate from the Code's requirement of a maximum of three terms of four years each. Lastly, the provisions regarding the 'remuneration committee' and the 'selection and appointment committee' have been interpreted as applying to our Nomination and Remuneration Committee, since this body combines the strongly interrelated selection, appointment and remuneration functions at Fortis N.V.

Exceptions

("**BP**" refers to the 'Best Practice' sections of the Tabaksblat Code.)

- BP II.1.6: The Management Board shall ensure that employees have the possibility of reporting alleged irregularities of a general, operational and financial nature in the company to the chairman of the Management Board or to an official designated by him, without jeopardising their legal position. Alleged irregularities concerning the functioning of Management Board members shall be reported to the chairman of the Supervisory Board.

  Fortis N.V. has introduced a whistleblower procedure (Fortis Internal Alert System), but this has not been published on the website. The procedure is intended solely for Fortis employees; external publication would not enhance its effectiveness, but could have undesirable repercussions in countries where procedures of this nature run up against legal and/or cultural objections.

- BP II.2.3: Shares granted to Management Board members without financial consideration shall be retained for a period of at least five years or until at least the end of the employment, if this period is shorter.

  Under the long-term incentive plan, shares can be awarded only to the Chief Executive Officer. He may sell up to 50% of the shares in order to pay the tax incurred on them. The remaining shares may not be sold until six months after his relationship with Fortis N.V. has ended.

- BP III.1.7: The Supervisory Board shall discuss at least once a year on its own, i.e. without the Management Board being present, both its own functioning and that of its individual members.

  Fortis Board of Directors regularly reviews its own performance in an appropriate manner, but not necessarily on an annual basis. The Nomination and Remuneration Committee evaluates the individual Board members.

- BP III.5.11: The remuneration committee shall not be chaired by the chairman of the Supervisory Board or by a former member of the Management Board of the company, or by a Supervisory Board member who is a member of the management Board of another listed company.

  The Chairman of the Board of Directors at Fortis is responsible for the proper functioning of the Board of Directors and for initiating all processes relating to this. These include ensuring a Board of Directors line-up that is geared to the needs of the organisation and also entail his playing a leading role in the Nomination and Remuneration Committee.

6.4 Employees

6.4.1 Number of employees and breakdown of persons employed by main category of activity and geographic location

This Section provides an overview of the number of persons employed by the Fortis Group. The tables set forth below provide a break down by geographic location and by business:

Breakdown of full-time equivalents ("FTEs") by geographic location (at 31 December)	**2004**	**2005**	**2006**
Belgium	23,975	22,778	23,056
The Netherlands	12,690	12,434	12,382
Turkey	7	4,654	4,775
UK	2,812	3,497	3,386
France	2,605	2,820	2,811
Luxembourg	2,580	2,602	2,731
Poland	887	1,016	1,424
Germany	232	657	1,274
Other countries	2,471	3,787	5,047
Total	**48,259**	**54,245**	**56,886**

Breakdown of FTEs by category of activity (at 31 December)

Business Line	**2004**	**2005**	**2006**
Retail Banking	14,249	14,186	17,031
COO	10,416	10,145	11,733
Insurance Belgium	3,436	5,003	5,182
Commercial and Private Banking	5,535	6,119	8,024
Merchant Banking	3,908	4,159	4,995
Insurance Netherlands	4,809	4,652	4,210

Breakdown of FTEs by category of activity (at 31 December)

Business Line	**2004**	**2005**	**2006**
Insurance International	4,006	3,428	3,714
CEO	1,078	5,690	1,033
CFO	790	823	872
Asset and Liability Management	32	40	60
CIR	-	-	31
Total	**48,259**	**54,245**	**56,886**

6.4.2 Shareholdings, stock options and arrangements for involving the employees in the capital of Fortis

Over the last few years, Fortis has offered share-related instruments to (certain categories of) its employees and directors. These benefits take the form of:

- Employee share options;
- Shares offered at a discount;
- Restricted shares

(i) Employee share options

Fortis decides each year whether or not to offer options to its employees. In recent years Fortis offered options on Fortis Shares to senior managers in order to strengthen their commitment to Fortis and to align their interests. The features of the option plans may vary from country to country depending on local tax regulations or local regulatory concerns.

The following option plans, including options granted to directors and members of the Executive Committee, were outstanding at 31 December 2006. The exercise prices in the tables below are expressed in EUR.

				31 December 2006
	Outstanding options (in '000)	**Weighted average exercise price**	**Highest exercise price**	**Lowest exercise price**
			(EUR)	
Lapsing year				
2007	1,983	33.99	37.57	18.60
2008	1,369	32.59	34.70	25.18
2009	11,264	29.12	38.40	14.86
2010	4,956	34.19	34.70	18.29

	Outstanding options (in '000)	Weighted average exercise price	Highest exercise price	31 December 2006 Lowest exercise price
			(EUR)	
2011	680	22.84	25.18	22.28
2012	1,433	27.17	31.75	25.18
2013	2,779	14.73	14.86	14.54
2014	2,793	18.03	18.29	17.66
2015	2,821	22.16	22.28	21.99
2016	3,687	29.39	29.48	29.25
Total..................	**33,765**	**27.43**		

	Outstanding options (in '000)	Weighted average exercise price	Highest exercise price	31 December 2005 Lowest exercise price
			(EUR)	
Lapsing year				
2006	802	31.93	38.40	29.81
2007	2,029	33.67	37.57	18.60
2008	1,394	32.60	34.70	25.18
2009	12,856	29.08	38.40	14.86
2010	4,957	34.19	34.70	18.29
2011	680	22.84	25.18	22.28
2012	1,311	26.12	31.75	25.18
2013	2,779	14.73	14.86	14.54
2014	2,793	18.03	18.29	17.66
2015	2,821	22.16	22.28	21.99
Total.................	**32,422**	**27.34**		

The changes in outstanding options were as follows:

	2006		2005		2004	
	Number of options *(in '000)*	**Weighted average exercise price**	**Number of options** *(in '000)*	**Weighted average exercise price**	**Number of options** *(in '000)*	**Weighted average exercise price**
Balance at 1 January	**32,422**	**27.34**	**32,018**	**28.65**	**35,253**	**28.24**
Options granted to Executive Committee members	234	29.48	272	22.28	59	18.29
Options granted to other employees	3,830	29.39	3,097	22.16	2,888	18.02
Exercised options	(2,223)		(36)			
Lapsed	(498)		(2,929)		(6,182)	
Balance at 31 December	**33,765**	**27.43**	**32,422**	**27.34**	**32,018**	**28.65**
On existing Fortis shares	2,765		2,483		1,920	
On new Fortis shares	31,000		29,939		30,098	
Of which are conditional	11,179		4,903		5,042	
Of which are unconditional	22,586		27,519		26,976	
Exercisable in the money	12,687	29.10	290	17.67	227	18.60
Exercisable out of the money	7,424	34.89	19,478	31.89	21,139	32.28

In 2006 Fortis recorded EUR 16 million as staff expenses with respect to the option plans (2005: EUR 7 million; 2004: EUR 5 million). As long as they are not exercised, the options do not have an impact on shareholders' equity, as the expenses recorded in the income statement are offset by an increase in shareholders' equity. When the options are exercised, shareholders' equity is increased by the exercise price.

The options granted by Fortis are 7-year American at-the-money call options which value is based on the Simple Cox model. For Executive Committee members, the exercise price may be above market value.

The parameters below were used to calculate the fair value of the options granted.

	2006	**2005**	**2004**
Date of grant of options	31 March 2006	11 April 2005	12 April 2004
First exercise date	3 April 2011	11 April 2010	13 April 2009
Final maturity	3 April 2016	10 April 2015	12 April 2014
Dividend yield	5.13%	5.00%	5.06%
10-year interest rate	3.74%	3.80%	4.02%

	2006	2005	2004
Share price on date of grant (in EUR)	29.48	21.84	18.29
Volatility.............................	24.80%	23.27%	25.60%
Fair value of options as % of exercise price	16.01%	15.36%	17.02%

All option plans and restricted share plans (see Section 6.4.2 (iii) below) are settled by the delivery of Fortis Shares rather than in cash. Some option plans and restricted share plans specifically state that existing Fortis Shares must be delivered upon exercise. New Fortis Shares may be issued in other cases.

Fortis Shares are repurchased in anticipation of options being exercised in order to meet the obligation to deliver existing Fortis Shares. Fortis had 1,072,126 shares in portfolio for this purpose at year end 2006 (31 December 2005: 1,388,868 shares). It is assumed that this will be sufficient to meet delivery requirements. The Fortis Shares in question have been deducted from shareholders' equity.

(ii) Fortis Shares offered to staff

Fortis offered its staff the opportunity to buy Fortis Shares at a discount in 2002, 2003 and 2004. The terms of the offer varied from country to country, depending on local tax regulations and regulatory concerns. As a rule, the shares cannot be sold until five years after purchase. No Fortis Shares were offered to staff in 2005 and 2006.

The following table provides an overview of the Fortis Shares allocated to staff at a discount.

	2004	2003	2002
	(number of Fortis Shares in '000)		
Number of Fortis Shares subscribed	2,904	2,821	1,752
Fortis Share price (in EUR)................................	15.64	12.23 (95 shares)	22.03 (237 shares)
		12.04 (2,726 shares)	20.14 (1,515 shares)
End of holding period	2 November 2009	3 November 2008	8 June 2007

In 2004, EUR 9 million of total staff expenses for Fortis was related to this scheme.

(iii) Restricted Fortis Shares

In 2006, as in previous years, Fortis committed itself to granting restricted existing Fortis Shares to the members of the Executive Committee and management committees of several Fortis companies. The conditions for the commitments for granting and selling these restricted Fortis Shares are described in Note 11 of the Fortis Financial Statements 2006.

At year end, the following initial commitments for the grant of restricted existing Fortis Shares were taken:

	Total	**2006**	**2005**	**2004**
		(number of Fortis Shares in '000)		
Number of commitments to grant restricted Fortis Shares	1,005[1]	253	406	101
End of holding period		2 April 2009	11 April 2008	12 April 2007

Note:

(1) Total includes restricted shares granted before 2004.

The total value of commitments for restricted Fortis Shares granted during the year 2006 represents EUR 7 million which are included in staff expenses (2005: EUR 4 million; 2004: EUR 2 million).

The table below shows the changes in commitments for restricted shares during the year.

	2006	**2005**
	(number of shares in '000)	
Number of restricted Fortis Shares committed to grant at 1 January..	**752**	**346**
Restricted shares committed to grant.................................	253	406
Restricted shares sold	(66)	
Commitments to restricted Fortis Shares lapsed.................	(179)	
Number of restricted Fortis Shares committed to grant at 31 December	**760**	**752**

6.4.3 Pension, retirement or similar benefits

The total amounts set aside or incurred by Fortis or its subsidiaries to provide pension, retirement or similar benefits, are included in Note 9 of the Fortis Financial Statements 2006.

6.5 Related party transactions

Parties related to Fortis include associates, pension funds, joint ventures, Board members (non-executive and executive members of the Fortis Board of Directors), Executive Managers (the Chief Executive Officer and the members of the Executive Committee), close family members of any individual referred to above, entities controlled or significantly influenced by any individual referred to above and other related entities.

As part of its business operations Fortis frequently enters into transactions with related parties. Such transactions mainly relate to loans, deposits and reinsurance contracts and are entered into on the basis of the same commercial and market terms that apply to non-related parties.

The remuneration and combined shareholdings of Board members and Executive Managers are described in Section 6.2 above. At 31 December 2006, there were no outstanding loans made by Fortis to Board members. Credits, loans or bank guarantees in the normal course of business may be granted by Fortis companies to Executive Managers or to close family members of the Board members and close family members of Executive Managers.

The total outstanding amount at 31 December 2006 relating to loans, credits and guarantees granted to Executive Managers or to close family members of the Board members and close family members of Executive Managers, was EUR 9 million. The terms and conditions of these transactions are entered into on the basis of the same commercial and market terms that apply to non-related-parties, including employees of the company.

The tables below provide an overview of the transactions entered into and the amounts outstanding with the following related parties for the year ended 31 December 2006:

- Associates and joint ventures;
- Other related parties such as pension funds and significant minority shareholders in associates.

	2006			2005		
	Associates and Joint ventures	Other	Total	Associates and Joint ventures	Other	Total
	(in EUR million)					
Income and expenses - Related parties						
Interest income	34	4	38	34	4	38
Interest expense	(26)	(10)	(36)	(23)	(1)	(24)
Fee and commission income	12		12	19		19
Realised gains	3		3			
Other income	30	5	35	20	4	24
Fee and commission expense	(24)	(4)	(28)	(21)	(3)	(24)
Operating, administrative and other expenses	(3)	(81)	(84)	(2)	(111)	(113)

	2006			2005		
	Associates and Joint ventures	Other	Total	Associates and Joint ventures	Other	Total
	(in EUR million)					
Balance sheet - Related parties						
Investments in associates......	162	965	1,127	167	786	953
Due from customers	477		477	426	3	429
Due from banks	15	104	119	17	108	125
Other assets	16	31	47	20	29	49
Due to customers..................	75	4	79	100	2	102
Due to banks.........................	388	6	394	478	115	593
Debt certificates, subordinated liabilities and other borrowings	139		139	139		139
Other liabilities	13	267	280	9	276	285

With respect to related parties, Fortis granted the following guarantees and irrevocable and conditional commitments:

- EUR 137 million with respect to guarantees given to related parties;
- EUR 71 million with respect to guarantees obtained from related parties;
- EUR 114 million with respect to unconditional and conditional commitments to related parties.

The changes in related party loans, receivables and advances during the year ended 31 December are as follows:

	Due from banks		Due from customers	
	2006	2005	2006	2005
Related party loans, receivables or advances at 1 January	126	108	447	647
Acquisitions/divestments of subsidiaries...			(18)	
Additions or advances	18	18	113	80
Repayments	(24)		(48)	(280)
Related party loans, receivables or advances at 31 December	120	126	494	447
Impairments at 1 January.........................	1	1	18	16
Change in impairments............................			(1)	4
Recoveries..				(2)

	Due from banks		Due from customers	
	2006	2005	2006	2005
Impairments at 31 December	1	1	17	18
Related party loans, receivables or advances at 31 December	119	125	477	429

	Due to banks		Due to customers	
	2006	2005	2006	2005
Related party loans, receivables or advances at 1 January	593	1,088	102	30
Acquisitions/divestments of subsidiaries			(2)	
Additions or advances	54	58	466	462
Repayments	(253)	(553)	(487)	(390)
Related party loans, receivables or advances at 31 December	394	593	79	102

7 ADDITIONAL INFORMATION

7.1 Financial information concerning the Issuers' assets and liabilities, financial position and profits and losses

7.1.1 Statutory auditors' reports on the Fortis consolidated financial statements

The statutory auditors' reports on the Fortis consolidated financial statements for the years 2004, 2005 and 2006 are incorporated by reference in this Prospectus and may be found in the Fortis Annual Accounts 2004 (page 7), the Fortis Financial Statements 2005 (page 7) and the Fortis Financial Statements 2006 (pages 242 and 243), respectively.

7.1.2 Interim financial information

For more information, see the Fortis Consolidated Interim Financial Statements for the first half year of 2007 (which include comparative figures for the first half year 2006) and the statutory auditors' review report included therein (page 71), incorporated by reference in this Prospectus.

7.1.3 Dividend policy

As part of its long-term financial targets set out in 2005, Fortis aims to pay, on an annual basis, a dividend that is growing or at least stable compared to the previous year; taking into account not only the current profitability and solvency but also the prospects of Fortis. The dividend is paid in cash. This policy confirms the importance that Fortis attaches to creating value for its shareholders. The Board will propose the amount of the final dividend at the time of the announcement of the full year results and it will be subject to the approval by the General Meetings of Shareholders.

Moreover an interim dividend is in principle paid in September. The interim dividend will in normal circumstances amount to 50% of the annual dividend over the preceding financial year. The interim dividend will be announced together with the publication of the half year results.

The table summarises the dividend paid these last years by Fortis:

Coupon No.	Gross amount	Payment date	Type
39	0.70	6 September 2007	Interim dividend 2007
38	0.82	14 June 2007	Final dividend 2006
37	0.58	7 September 2006	Interim dividend 2006
36	0.64	22 June 2006	Final dividend 2005
35	0.52	15 September 2005	Interim dividend 2005
34	1.04	16 June 2005	Dividend 2004
33	0.92	17 June 2004	Dividend 2003
32	0.88	18 June 2003	Dividend 2002
31	0.88	20 June 2002	Dividend 2001
3	0.88	8 June 2001	Dividend 2000
2	0.76	26 May 2000	Dividend 1999

Each Fortis Share represents one share in each of the two Issuers, i.e. Fortis SA/NV and Fortis N.V. Shareholders can decide from which Issuer they wish to receive dividend. They can choose Fortis N.V. and receive dividend from the Dutch source, or Fortis SA/NV and receive dividend from the Belgian source. Shareholders must make their choice known during the dividend election period.

7.1.4 Legal and arbitration proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which Fortis SA/NV or Fortis N.V. is aware) that may have, or have had in the recent past, significant effects on Fortis SA/NV, Fortis N.V. and/or the Fortis Group's financial position or profitability.

7.1.5 Significant change in the Issuers' financial or trading position

See Section 3 above regarding information about the ABN AMRO Offer.

7.2 Share capital and articles of association

The description set forth below is a summary of the material information relating to Fortis N.V.'s and Fortis SA/NV's share capital, including summaries of certain provisions of the articles of association and applicable Dutch and Belgian law in effect at the date hereof. This summary does not purport to be complete and is qualified in its entirety by reference to the full articles of association.

7.2.1 Share capital

On 14 December 2001, Fortis unified the separately listed securities of the Issuers through the creation of a new single listed security, the Fortis Share, comprising one Fortis SA/NV Share twinned with one Fortis N.V. Share.

According to the articles of association of each of Fortis SA/NV and Fortis N.V., the number of Fortis SA/NV Shares and Fortis N.V. Shares shall remain identical at all times. Any issue of a Fortis Share will require the issue of one share in each of the parent companies. The Fortis SA/NV Shares and Fortis N.V. Shares cannot be transferred separately, and any holder of a Fortis Share holds an interest in each of the Issuers and will be treated as a shareholder for voting and other purposes of each Issuer. All holders of a Fortis Share will have the right to choose whether they receive a Fortis SA/NV dividend or a Fortis N.V. dividend.

On 30 June 2007, the issued share capital of Fortis SA/NV amounted to EUR 5,760,379,858.36 and was represented by 1,344,672,795 Fortis SA/NV Shares, without indication of nominal value. All outstanding Fortis SA/NV Shares are fully paid up.

On 30 June 2007, the issued share capital of Fortis N.V. amounted to EUR 1,948,800,000 and was divided into (i) 2,820 million Fortis N.V. Shares, each with a nominal value of EUR 0.42 and (ii) 1,820 million cumulative preference shares, each with a nominal value of EUR 0.42 and fully paid up. On 30 June 2007, 1,344,672,795 Fortis N.V. Shares were issued and outstanding. None of Fortis N.V. 1,820 million authorised cumulative preference shares were issued or outstanding.

In addition to the Fortis Shares already outstanding, Fortis granted stock options (see Section 6.4.2) and issued instruments containing option features (see Section 5.2.9), which can upon exercise lead to an increase in the number of outstanding Fortis Shares.

7.2.2 Articles of association

(i) Corporate profile

Company name:	Fortis SA/NV
Form:	Public limited liability incorporated in the form of a *société anonyme/naamloze vennootschap* under Belgian law
Registered office:	Rue Royale/Koningsstraat 20 1000 Brussels Belgium
Register of legal persons:	No. 0451.406.524
Date of incorporation:	16 November 1993
Financial year:	From 1 January to 31 December

Company name:	Fortis N.V.
Form:	Public limited liability company incorporated in the form of a *naamloze vennootschap* under Dutch law
Corporate seat:	Archimedeslaan 6 3584 BA Utrecht The Netherlands
Trade Register at the Chamber of Commerce:	Utrecht - No. 30072145
Date of incorporation:	19 April 1984
Financial year:	From 1 January to 31 December

(ii) Corporate purpose

According to Article 4 of the articles of association of Fortis SA/NV and Fortis N.V., Fortis corporate purpose, in Belgium, in The Netherlands and abroad, can be summarised as follows:

- the acquisition and transfer of any participating interest in any business carrying out financing, banking, insurance, re-insurance, industrial, commercial or civil, administrative or technical activities;
- the purchase, subscription, exchange, assignment and sale of, and all other similar operations relating to, every kind of transferable financial instrument, and, in a general way, all rights on movable and immovable property, as well as all forms of intellectual rights;
- performing administrative, commercial and financial management support and assistance on behalf of the businesses and companies in which it has a participating interest;

- carrying out all financial, manufacturing, commercial and civil operations and operations relating to movable and immovable assets, including the acquisition, management, leasing out and disposal of all movable and immovable assets useful to achieve its purpose.

(iii) Fortis SA/NV

General

Fortis SA/NV is a public limited liability incorporated in the form of a *société anonyme/naamloze vennootschap* under Belgian law. Fortis SA/NV was incorporated on 16 November 1993 and has its registered office at Rue Royale/Koningsstraat 20, 1000 Brussels, Belgium. Fortis SA/NV is registered in the register of legal entities (*registre des personnes morales/rechtspersonenregister*) under enterprise number 0451.406.524. The telephone number of Fortis SA/NV Corporate Administration is +32 2 565 54 18 or +32 2 565 54 23.

Authorised capital

At the Extraordinary General Meeting held on 4 October 2006, the shareholders authorised the Board of Directors, for a period of three years, to increase the capital of Fortis SA/NV, in one or more transactions, with a maximum amount of EUR 1,071,000,000, enabling the issue of up to 250,000,000 new Fortis SA/NV Shares. The Board of Directors used this authorisation to issue 4,600,000 subscription rights in April 2007 as part of a stock option plan in favour of staff members of the Fortis Group. As described in Section 5.2.9 above, the Board of Directors also used the same authorisation in July 2007 to issue conditionally up to 115,000,000 shares in the context of the issue of a financial instrument that, under certain conditions relating to this Offering, is convertible into new Fortis SA/NV and Fortis N.V. shares.

The Extraordinary General Meeting held on 6 August 2007 renewed the authorisation to the Board of Directors to increase the share capital of Fortis SA/NV, in one or more transactions, with a maximum amount of EUR 1,148,112,000. This authorisation is granted for three years, with effect as from the date of publication in the Belgian State Gazette of the resolutions of the Extraordinary General Meeting.

In addition, the same Extraordinary General Meeting of 6 August 2007 authorised the Board of Directors to increase the share capital of Fortis SA/NV with a maximum amount of EUR 4,609,584,000, with effect as from the date of publication in the Belgian State Gazette of the resolutions of the Extraordinary General Meeting. This authorisation has exclusively been granted to partly finance Fortis SA/NV's participation in the ABN AMRO Offer and is valid until 31 March 2008 (see Section 8.1.6 below). This Offering is made pursuant to this authorisation.

Issuance of Fortis SA/NV Shares

Fortis SA/NV Shares are issued by way of resolution of either the General Meeting of Shareholders or the Board of Directors in the case of capital increase through authorised capital. Any resolution to issue Fortis SA/NV Shares or to grant any right to subscribe or acquire Fortis SA/NV Shares (including, but not limited to, subscription rights and convertible bonds) is only effective once and to the extent that there is a corresponding resolution of the appropriate corporate body of Fortis N.V., both resolutions taking effect at the same time, to issue the same number of Fortis N.V. Shares or, as the case may be, the same number of rights to subscribe or acquire Fortis N.V. Shares. See Section 8.1.3 below regarding the form of Fortis SA/NV Shares.

Dividends

The Belgian Companies Code provides that dividends can only be paid up to an amount equal to the excess of a company's shareholders' equity over the sum of (i) paid up or called up capital and (ii) reserves not available for distribution pursuant to law or the articles of association. Fortis SA/NV will follow the same dividend policy as Fortis N.V. The gross amount of dividends paid out of Fortis SA/NV depends on the outcome of the dividend election procedure. In this procedure, the shareholders may elect to receive dividends from either Fortis SA/NV or Fortis N.V., but not from both, in such a way that the source of the dividends distributed on the Fortis Shares will be either Belgium or The Netherlands.

According to the law, the right to receive dividends on registered shares lapses five years after the payment date of these dividends. The right to claim dividends on bearer shares does not lapse except if the company lodges the dividends with the Bank for Official Deposits (*Caisse des Dépôts et Consignations/ Deposito- en Consignatiekas*), in which case the right to claim dividends lapses 30 years after the date on which these dividends were lodged. The Belgian State then becomes the beneficiary of all unclaimed dividends on bearer shares.

Voting rights

The Ordinary General Meeting of Shareholders shall be held on the last Wednesday of May of each year at the registered office, at 10:30 a.m., or at any other time, date or place in Belgium mentioned in the convocation. Extraordinary General Meetings of Shareholders are held as often as decided by the Board of Directors or at the written request of shareholders representing at least one-tenth of the capital, which request shall include the exact items to be discussed.

Notice for the General Meeting of Shareholders shall be given in the form of announcements placed in (a) a nationally distributed newspaper in the French language in Belgium, (b) a nationally distributed newspaper in the Dutch language in Belgium, (c) a regional newspaper in the region where the registered office is located, (d) the Belgian State Gazette (*Moniteur belge/Belgisch Staatsblad*), (e) a nationally distributed newspaper in The Netherlands, and (f) nationally distributed newspapers in every country where the Fortis Share is admitted to the official listing of a stock exchange.

All holders of Fortis SA/NV Shares are entitled to attend the General Meetings of Shareholders, take part in the deliberations and, within the limits prescribed by the Belgian Companies Code, to vote. The Board of Directors may determine that 00.00 hrs on the seventh business day preceding the date of any General Meeting shall be the registration date for that meeting, which will be included in the convocation for the relevant General Meeting. In that case, only persons who, on the registration date, are registered in the register designated for the purpose by the Board of Directors as a person holding Fortis SA/NV Shares, may participate in the General Meeting as a shareholder and vote for the number of Fortis SA/NV Shares registered in their name on the registration date (irrespective of whether they continue to be the holder of the relevant Fortis Shares on the date of the General Meeting). If the Board of Directors does not determine a registration date, a shareholder must (i) have lodged these at the registered office or any other place indicated in the convocation at least five working days before the date set for the meeting and within the same period have informed Fortis SA/NV of his/her/its intention to take part in the meeting or (ii) lodge, at the registered office or any other place indicated in the convocation and at least five working days before the date set for the meeting, a notice of a banking institution stating the non-transferability of the securities until the date of the meeting.

Resolutions are adopted at General Meetings of Shareholders by a majority of the votes cast (except where a different proportion of votes is required by Fortis SA/NV's articles of association or by Belgian law), and there are generally no quorum requirements applicable to such meetings, except as set forth in the following paragraphs.

Each share in the capital of Fortis SA/NV is entitled to one vote except for shares owned by Fortis SA/NV, or by any of its direct subsidiaries, the voting rights of which are suspended.

Right to share in the result

The shareholders have the right to share in the result of Fortis under the conditions laid down by the Belgian Companies Code and by the articles of association.

Amendment of articles of association and dissolution of Fortis SA/NV

A resolution to amend the provisions of the articles of association or to dissolve Fortis SA/NV must be passed in a General Meeting of Shareholders in which at least half of the issued share capital is represented and by at least three-quarters of the votes cast (or four-fifths of the votes cast in the event of an amendment to the provisions of the articles of association dealing with the corporate purpose). Should the required proportion of the capital not be represented in a meeting called for this purpose, a new meeting shall be convened, which meeting may pass the resolution to amend the provisions of the articles of association or dissolve Fortis SA/NV irrespective of the proportion of the issued share capital represented, but with at least three-quarters of the votes cast (or four-fifths for amendments to the provisions of the articles of association dealing with the corporate purpose).

Appointment of the Board of Directors

The Board of Directors is composed of a maximum of 17 members. Board members without management functions within Fortis SA/NV, or in general within the Fortis Group, are considered as non-executive Board members. Board members with management functions within Fortis SA/NV, or in general within the Fortis Group, are considered as executive Board members. The members of the Board of Directors are appointed by the General Meeting of Shareholders upon proposal of the Board of Directors, for a maximum period of four years, subject to renewal for maximum periods of four years each. The Board of Directors appoints from amongst its members a Chairman and a Vice Chairman.

Approval of financial statements

The financial year of Fortis SA/NV coincides with the calendar year. Within six months after the end of the financial year, the Board of Directors submits Fortis SA/NV's financial statements, together with an opinion of the statutory auditor in respect thereof, to the General Meeting of Shareholders for adoption. Following adoption of Fortis SA/NV's financial statements by the General Meeting of Shareholders, the shareholders will be requested to discharge the members of the Board of Directors from liability for the performance of their respective duties for the past financial year. Under Belgian law this discharge is not absolute and is not effective as to matters not disclosed to the shareholders.

Liquidation rights

In the event of the dissolution and liquidation of Fortis SA/NV, the assets remaining after payment of all debts and liquidation expenses shall be distributed to the holders of the Fortis SA/NV Shares, each receiving a sum proportional to the number of Fortis SA/NV Shares held by them.

Shareholders' preference rights

Pursuant to Belgian law, existing shareholders must be offered a preference right in the event of a capital increase to be subscribed in cash. However, the General Meeting of Shareholders may decide, in the interest of the company and in accordance with the conditions required for amending the articles of association, that all or part of the new Fortis SA/NV Shares to be subscribed will not be offered to existing shareholders on a preferential basis, subject to a similar decision to be made by the appropriate corporate body of Fortis N.V. The Board of Directors may equally, in connection with a capital increase by way of authorised capital, in the interest of the company, decide that the preference rights of existing shareholders are to be limited or cancelled, even if this limitation or cancellation is undertaken in favour of one or more specific persons other than employees of Fortis SA/NV or one or more of its subsidiaries. The decision of the Board of Directors is subject to a similar decision to be made by the appropriate corporate body of Fortis N.V.

Acquisition by Fortis SA/NV of its own Fortis Shares

Fortis SA/NV may only acquire its own shares pursuant to a decision by the General Meeting of Shareholders taken under the conditions of quorum and majority provided for in the Belgian Companies Code. The General Meeting of Shareholders of 23 May 2007 delegated authority to the Board of Directors, for a period of 18 months from such a date, to acquire Fortis Shares up to the maximum number allowed under Article 620, §1, 2° of the Belgian Companies Code and for a consideration equal to the average of the closing prices of the Fortis Share on Euronext Brussels and Euronext Amsterdam on the day immediately preceding such a repurchase, increased or decreased by a maximum of 15%.

Limitation on right to hold or vote shares

There are no limitations imposed by Belgian law or the articles of association on the right of non-resident owners to hold or vote the shares solely by reason of such non-residence.

Option Rights

See Section 6.4 above.

Obligation of shareholders to disclose major holdings

All natural or legal persons who possess or acquire rights or other securities in the meaning of the Belgian Law of 2 March 1989 concerning the notification of major shareholdings in companies listed on the stock market and regulating public take-over bids, must declare to the Board of Directors and the CBFA the number of rights or securities directly or indirectly owned or owned in concert with one or more other persons, when these rights or securities confer voting rights amounting to 3% or more of the total voting rights in the company at the time when the situation giving rise to the declaration occurs.

All additional rights or securities acquired or transferred under the same conditions as those described above must also be declared to the Board of Directors and to the CBFA if, as a result of this operation, the voting rights in the company attached to the rights or securities attain 6%, 9%, 12% etc., in each case per bracket of 3%, of the aggregate voting rights at the time when the operation giving rise to the declaration is implemented. This declaration is also required in the case of transferring rights or securities if, as a result thereof, the voting rights drop below one of the thresholds mentioned in this and the previous paragraph.

Such declarations relating to the acquisition or transfer of rights or securities must be sent to the CBFA and, by registered letter, to the Board of Directors, no later than the second working day following the day on which the acquisition or transfer took place. Rights or securities acquired by means of an inheritance do not have to be declared until 30 days following the acceptance of the inheritance, subject to the benefit of an estate inventory, as the case may be.

Fortis SA/NV shall take the necessary steps to publish any declarations it has received by posting these on public notice boards and including them in the official listings of all stock exchanges on which Fortis Shares are officially listed, no later than the working day following the receipt of the declaration.

No one may cast a greater number of votes at the General Meeting than those attached to the rights or securities it has declared to be in its possession according to the provisions described above at least 20 days before the date of the General Meeting of Shareholders, subject to certain exceptions.

The Belgian Law of 2 May 2007 on the disclosure of significant shareholdings in issuers whose securities are admitted to trading on a regulated market and containing various provisions (the "**New Transparency Law**"), implementing the European Directive 2004/109/EC of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC, will modify the regime on the notification of significant shareholdings as soon as it enters into force. The date of entry into force of the new regime will be determined by a Royal Decree, which will contain additional implementing measures. This Royal Decree has not yet been adopted on the date of this prospectus. The provisions of the Belgian Law of 2 March 1989 described above will be abrogated as of the date of entry into force of the New Transparency Law.

The main changes contained in this legislation are the following:

- The New Transparency Law reduces the thresholds for the first notification that issuers may introduce in their articles of association. According to Article 18 of the New Transparency Law, thresholds of 1%, 2%, 3%, 4% and 7.5% may be introduced in the articles of association. An issuer may choose to apply any or all of these lower and intermediary thresholds. Since the introduction of these thresholds may not impair the obligatory compliance with the legal thresholds (5% and multiples of 5%), a notification will be required when either of the legal thresholds or the thresholds laid down by the articles of association are reached.
- The events triggering a mandatory notification are extended. While the principle under the Law of 2 March 1989 is that the possession, acquisition and transfer of securities are essentially the only events that trigger the obligation to notify, the New Transparency Law extends the notification obligation to events where there is no acquisition or transfer of securities:
  - Under the New Transparency Law, a notification is required where, as a result of events changing the breakdown of voting rights, the percentage of voting rights attached to securities with voting rights reaches, exceeds or falls below the thresholds provided for in the above paragraph, even where no acquisition or disposal of securities has occurred (e.g., share capital increase or cancellation of treasury shares);
  - A notification is also required when physical persons or legal entities enter into an agreement of action in concert, where as a result of such event, the percentage of voting rights subject to the action in concert or the percentage of voting rights of one of the parties acting in concert, reaches, exceeds or falls below the thresholds mentioned in the first paragraph.

(iv) Fortis N.V.

General

Fortis N.V. is a public limited liability company incorporated in the form of a *naamloze vennootschap* under Dutch law. Fortis N.V. was incorporated on 19 April 1984 as a public limited liability company. Fortis N.V. has its corporate seat in Utrecht, The Netherlands, with its head office at Archimedeslaan 6, 3584 BA Utrecht, The Netherlands, and is registered with the Trade Register at the Chamber of Commerce of Utrecht under number 30072145. The telephone number of the Secretariat of the Board of Directors of Fortis N.V. is +31 30 226 3655.

Share capital

Authorised capital

The authorised share capital of Fortis N.V. amounts to EUR 1,948,800,000, and is currently divided into (i) 2,820 million Fortis N.V. Shares, each with a nominal value of EUR 0.42; and (ii) 1,820 million (cumulative) preference shares, each with a nominal value of EUR 0.42. The cumulative preference shares will only be in registered form. Until 1 January 2008, Fortis N.V. Shares may be held, at the option of the shareholder, in bearer or registered form. As of 1 January 2008, Fortis N.V. Shares will only be issued in bearer form for inclusion in the giro system under the Dutch Securities Giro Transfer Act (*Wet giraal effectenverkeer*), the giro system under the Belgian Royal Decree No. 52 of 10 November 1967 or another giro system designated by the Board of Directors. Holders of bearer Fortis N.V. Shares which are not included in such a giro system must either register their shareholding or include it in such a giro system no later than on 31 December 2013.

In accordance with Dutch law, transfer of a registered share in Fortis N.V. requires, among other things, a deed of transfer and, if Fortis N.V. is not a party to the transfer, a written acknowledgment by Fortis N.V. or service of the deed of transfer on Fortis N.V. The acknowledgment must be made in the deed of transfer, or by a dated statement on the deed of transfer or on a copy or extract thereof certified by a civil law notary or the transferor to be a true copy or extract of the deed of transfer. Official service by a public bailiff of the deed of transfer or of such copy or extract on Fortis N.V. has the same effect as an acknowledgment by Fortis N.V. of the transfer.

Holders of registered shares are entered in a shareholder register, which is maintained by Fortis N.V. for each class of shares. On request of the holder of registered shares, Fortis N.V. is required to provide an extract from the register of shareholders in the name of the holder.

The Fortis N.V. Shares will be issued in the form of unit certificates which bear a dividend coupon sheet consisting of separate dividend coupons and talons. These unit certificates indicate that the holder of a bearer Fortis N.V. Share is also holder of a Fortis SA/NV Share.

Preference shares

None of Fortis N.V.'s 1,820 million, EUR 0.42 par value, authorised cumulative preference shares (as provided for in Fortis N.V.'s articles of association as part of its authorised share capital) are issued or outstanding. However, Fortis N.V. has granted an option to the Stichting Continuïteit Fortis (the "**Foundation**") to acquire a maximum number of cumulative preference shares of Fortis N.V. (which have the same voting rights as the Fortis N.V. Shares). Once the option has been exercised, the number of cumulative preference shares issued shall not exceed the number of ordinary shares issued.

Under Dutch law, the Foundation is an independent legal entity and is not owned or controlled by any person or entity. Its purpose is ensure continuity, so that the interests of Fortis N.V. and its stakeholders are safeguarded as fully as possible. The Foundation will only exercise its option rights in accordance with this purpose. The exercise price of each of the options is EUR 0.42 per cumulative preference share, although upon exercise of the option only 25% of the nominal value is required to be paid. The additional 75% of the nominal value per cumulative preference share will not be required to be paid by the Foundation until a call for payment is made by Fortis N.V. by resolution of the Fortis N.V. Board of Directors.

The Board of the Foundation consists of six members: four members are independent with respect to Fortis while two members may be related to Fortis. Additionally, the four independent members have two votes per member while the other two related members have one vote per member. This composition of the Board has been approved by Euronext Amsterdam.

Each transfer of cumulative preference shares requires the approval of the Fortis N.V. Board of Directors. If any cumulative preference shares are issued, a General Meeting of shareholders shall be convened which shall be held no later than two years after the date on which cumulative preference shares were first issued. A resolution concerning repurchase/acquisition by Fortis N.V. or cancellation, as the case may be, of the cumulative preference shares shall be put on the agenda of such a meeting.

If the resolution to be taken on this agenda item is not a resolution for the repurchase/acquisition by Fortis N.V. or cancellation, as the case may be, of the cumulative preference shares, a General Meeting of Shareholders will be convened and held, in each case within two years of the previous Meeting, for which Meeting a resolution concerning the repurchase/acquisition by Fortis N.V. or cancellation, as the case may be, of the cumulative preference shares will be put on the agenda, until there are no cumulative preference shares outstanding.

Issuance of Fortis N.V. shares

The Board of Directors may be authorised by resolution of the General Meeting of Shareholders to issue from time to time Fortis N.V. Shares and cumulative preference shares. If the Board of Directors has been so authorised, the General Meeting of Shareholders may not resolve to issue new shares for the duration of the authorisation. The Board of Directors of Fortis N.V. was authorised to this effect on 31 May 2006.

The authority of the Board of Directors to issue shares of capital stock will terminate on 31 May 2009 unless renewed by the General Meeting of Shareholders of Fortis N.V. in accordance with Dutch law and the articles of association, in each instance for a period not exceeding five years. In the event that the authority of the Board of Directors to issue shares of capital stock terminates, the issuance of capital stock would require a resolution of the General Meeting of Shareholders. For purposes of the foregoing granted authority, issuance of shares of capital stock includes the granting of rights to subscribe to shares of capital stock, such as options and subscription rights, but does not apply to the issue of shares to a person exercising prior rights to take shares. Ordinary shares shall only be issued against payment of at least the nominal value. Cumulative preference shares may be issued against partial payment; provided that upon the taking of such shares at least one-quarter of the nominal value is paid.

With the exception of shares issued for the purpose of distributing a stock dividend (provided, in such case, that they are only issued to Fortis SA/NV against contribution in cash by the latter), Fortis N.V. Shares can only be issued, subscribed, cancelled, transferred by persons/companies others than Fortis N.V. and encumbered with a right of pledge or usufruct or any other limited right *in rem* (*beperkt zakelijk recht*), together with a Fortis SA/NV Share in the form of a Fortis Share, so that shareholders are in the same position as if they held shares in a single company.

Dividends

Subject to certain exceptions, dividends may only be paid out of annual profits as shown in the annual accounts of Fortis N.V. Distributions may not be made if the distribution would reduce shareholders' equity below the sum of the paid-up capital and any reserves required by Dutch law or the articles of association. Prior to paying dividends on ordinary shares, Fortis N.V. has an obligation to pay dividends on outstanding cumulative preference shares, if any. Subject to the foregoing, the General Meeting of Shareholders shall decide on the appropriation of the profits upon proposal of the Board of Directors.

The Board of Directors may pay interim dividends on one or more classes of shares, subject to the condition that the distribution of interim dividends shall only be possible if an interim statement of capital, drawn up in accordance with the statutory requirements, shows that the shareholders' equity exceeds the sum of the issued and paid-up share capital plus the reserves to be maintained pursuant to the law and Fortis N.V. articles of association.

Fortis N.V. will follow the same dividend policy as Fortis SA/NV. The gross amount of dividends paid out of Fortis N.V. depends on the outcome of the dividend election procedure. In this procedure, the shareholders may elect to receive dividends from either Fortis SA/NV or Fortis N.V., but not from both, in such a way that the source of the dividends distributed on the Fortis Shares will be either Belgium or The Netherlands.

Distributions shall be due and payable with effect from a day to be determined by the Board of Directors. The days for distributions on ordinary shares and on cumulative preference shares may differ. A shareholder's claim to a particular dividend shall lapse five years after commencement of the day following the day on which the claim became payable.

Voting rights

The Annual General Meeting of Shareholders shall be held on the last Wednesday of April of each year in Utrecht or Amsterdam, at 2:30 p.m., or at any other time, date or place in The Netherlands mentioned in the convocation. Extraordinary General Meetings of Shareholders shall be held as often as the Board of Directors convenes the same and must be held if one or more shareholders representing at least one-tenth of the issued share capital make a written request to that effect to the Board of Directors specifying in detail the exact items to be discussed. All notices of those meetings shall be given by means of an advertisement in (a) a nationally distributed newspaper in The Netherlands, (b) the Official Price list of Euronext Amsterdam N.V. in Amsterdam, (c) a nationally distributed newspaper in the French language distributed in Belgium, (d) a nationally distributed newspaper in the Dutch language distributed in Belgium, and (e) nationally distributed newspapers in every country where the Fortis Share is admitted to the official listing of a stock exchange. The Board of Directors may determine that 00.00 hrs on the seventh business day preceding the date of any General Meeting shall be the registration date for that meeting, which will be included in the convocation for the relevant General Meeting. In that case, only persons who, on the registration date, are registered in the register designated for the purpose by the Board of Directors as a person holding Fortis N.V.

Shares, may participate in the General Meeting as a shareholder and vote for the number of Fortis N.V. Shares registered in their name on the registration date (irrespective of whether they continue to be the holder of the relevant Fortis Shares on the date of the General Meeting. If the Board of Directors does not determine a registration date, a shareholder is entitled to attend the General Meetings of Fortis N.V. and to vote there; provided that, at least at the date mentioned in the convocation, (a) the owner of registered twinned shares has informed Fortis N.V. of his intention to take part in the meeting, (b) the owner of physical bearer Fortis N.V. Shares has lodged his securities at the registered office or any other place indicated in the convocation and (c) the owner of bearer Fortis N.V. Shares through the book-entry system has lodged at the registered office or any other place indicated in the convocation, a notice of a banking institution stating the non-transferability of the securities until the date of the meeting.

Resolutions are adopted at General Meetings of Shareholders by a majority of the votes cast (except where a different proportion of votes is required by the articles of association or Dutch law), and there are generally no quorum requirements applicable to such meetings, except as set forth in the following paragraphs. Each share in the capital of Fortis N.V. is entitled to one vote except for shares owned by Fortis N.V., Fortis SA/NV, or any of their subsidiaries, which do not have voting rights.

Amendment of articles of association and dissolution of Fortis N.V.

A resolution to amend the articles of association of Fortis N.V. or to dissolve Fortis N.V. may only be passed upon proposal of the Board of Directors. The resolution to amend the articles of association or to dissolve Fortis N.V. may only be passed at a General Meeting of Shareholders at which more than half of the issued capital is represented and by at least three-quarters of the votes cast; if the required capital is not represented at a meeting convened for this purpose, then a new meeting shall be convened and held within four weeks, which meeting may pass the resolution to amend the articles of association or to dissolve Fortis N.V. regardless of the represented capital, but by at least three-quarters of the votes cast.

Appointment of the Board of Directors

The Board of Directors of Fortis N.V. is composed of a maximum of 17 members. Board members without management functions within Fortis N.V., or in general within the Fortis Group, are considered as non-executive Board members. Board members with management functions within Fortis N.V., or in general within the Fortis Group, are considered as executive Board members. The members of the Board of Directors are appointed by the General Meeting of Shareholders upon proposal of the Board of Directors for a maximum period of four years, subject to renewal for maximum periods of four years each. The Board of Directors appoints from amongst its members a Chairman and a Vice Chairman.

Approval of financial statements

The financial year of Fortis N.V. coincides with the calendar year. Within five months after the end of the financial year, the Board of Directors submits Fortis N.V.'s financial statements ("*jaarrekening*"), together with an opinion of the statutory auditor in respect thereof, to the General Meeting of Shareholders for adoption. Following adoption of Fortis N.V.'s financial statements by the General Meeting of Shareholders, the shareholders will be requested to discharge the members of the Board of Directors from liability for the performance of their respective duties for the past financial year. Under Dutch law this discharge is not absolute and is not effective as to matters not disclosed to the shareholders.

Liquidation rights

In the event of the dissolution and liquidation of Fortis N.V., the assets remaining after payment of all debts and liquidation expenses shall be distributed to the holders of Fortis N.V. Shares, each receiving a sum proportional to the number of Fortis N.V. Shares held by them, after payment of any sums due to the holders of the then outstanding cumulative preference shares, if any.

Shareholders' pre-emptive rights

Each holder of Fortis Shares and cumulative preference shares has upon issue of their respective class of shares a pre-emptive right to take new Fortis N.V. Shares or cumulative preference shares, as the case may be, proportional to the amount of existing shares held. Notwithstanding the foregoing, holders of shares will not have pre-emptive rights in respect of (i) issuances of shares to employees of Fortis N.V. or group companies and (ii) issuances of shares for non-cash consideration.

Holders of shares also do not have pre-emptive rights in connection with the issuance of shares that are issued pursuant to the exercise of a right to subscribe to such shares, such as options and subscription rights, although the holders of shares have pre-emptive rights in respect of the issuance of such options and subscription rights.

The Board of Directors may be authorised by resolution of the General Meeting of Shareholders to restrict or exclude pre-emptive rights with respect to the shares if the shareholders have delegated the authority to issue these shares to the Board of Directors, subject to a similar decision to be made by the appropriate corporate body of Fortis SA/NV. The shareholders delegated that authority by resolution dated 31 May 2006. The authority of the Board of Directors to restrict or exclude pre-emption rights is unlimited and will terminate on 31 May 2009 unless renewed by the General Meeting of Shareholders of Fortis N.V. in accordance with Dutch law and the articles of association, in each instance for a period not exceeding five years. In the absence of such authorisation or extension of such authorisation the General Meeting of Shareholders has the power to limit or eliminate such rights, subject to a similar decision to be made by the appropriate corporate body of Fortis SA/NV. Such a resolution requires a two-thirds majority of the votes cast, if less than half of the issued share capital is represented at the Meeting.

Acquisition by Fortis N.V. of its own Fortis Shares

Fortis N.V. or any subsidiary of Fortis N.V. may acquire shares of any class of its capital, subject to certain provisions of Dutch law and the articles of association, if (i) shareholders' equity less the payment required to make the acquisition does not fall below the sum of paid-up capital and any reserves required by Dutch law or the articles of association and (ii) Fortis N.V. and its subsidiaries would thereafter not hold or retain by way of pledge shares with an aggregate nominal value exceeding one-tenth of Fortis N.V.'s issued share capital. No right to any distributions shall accrue to Fortis N.V. in respect of shares in its own capital. At a General Meeting of Shareholders, no votes may be cast in respect of a share held by Fortis N.V. or a subsidiary. An acquisition by Fortis N.V. of shares of any class of its capital may be effected by the Board of Directors; provided that the General Meeting of Shareholders of Fortis N.V. has granted to the Board of Directors the authority to do so. Such grant of authority may apply for a maximum period of 18 months and must specify the number of shares that may be acquired, the manner in which the shares may be acquired and the price limits within which shares may be acquired.

On 23 May 2007, the Annual General Meeting of Shareholders of Fortis N.V. authorised the Board of Directors to repurchase paid-up shares in its own capital up to the maximum number of shares permitted by law. Such a repurchase may be carried out privately or on a stock exchange, for a consideration equal to the average of the closing prices of the Fortis Share on Euronext Brussels and Euronext Amsterdam on the day immediately preceding the repurchase, increased or decreased by a maximum of 15%, or through stock-lending transactions on market-conforming terms. This authorisation shall expire on 30 November 2008. No such authority is required for the acquisition by Fortis N.V. of shares in its own capital for the purpose of transferring such shares to employees of Fortis N.V. or any subsidiary thereof pursuant to any arrangements applicable to such employees; provided that such shares are included in the price list of a stock exchange.

Limitation on right to hold or vote shares

There are no limitations imposed by Dutch law or the articles of association on the right of non-resident owners to hold or vote the shares solely by reason of such non-residence.

Obligation of shareholders to disclose major holdings

Under the Dutch Financial Markets Supervision Act, any person whose capital interest or voting rights in Fortis N.V. (whether direct or indirect) reaches, exceeds or falls below any of the following thresholds: 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%, must promptly notify the AFM by means of a standard form. In addition, any person holding (whether directly or indirectly) a capital interest or voting right in Fortis N.V. of 5% or more, must notify the AFM by means of a standard form within four weeks after 31 December of each year, if on 31 December the composition of that holding differs from the composition of the holding most recently notified to the AFM as a result of certain acts including (without limitation) the exchange of shares for depositary receipts or vice versa and the exercise of a right to acquire shares. The AFM will include all notifications in a public register.

For the purpose of calculating a person's capital interest or voting rights in Fortis N.V., among others the following interests must be taken into account: (i) shares and voting rights held by that person, (ii) shares and voting rights held by a subsidiary of that person or by a third party for that person's account or by a third party with whom that person has concluded an oral or written voting agreement (including a discretionary power of attorney), and (iii) shares and voting rights which that person, or any subsidiary of that person or third party referred to above, may acquire pursuant to any option or other right held by that person. Specific rules apply to the attribution of shares and voting rights which are part of the property of a partnership or other community of property. If shares are pledged or subject to a right of usufruct, the holder of the pledge or right of usufruct may be subject to the notification requirements set out above if that holder has or may acquire the voting rights attaching to the shares. If a pledgee or usufructuary acquires voting rights on shares which have been pledged or are subject to a right of usufruct, the shareholder may be required to notify the reduction in his voting rights. For the purpose of the disclosure requirement, shares include depositary receipts for shares.

Non-compliance with the obligations of the Dutch Financial Markets Supervision Act constitutes a criminal offence. In addition, the AFM may impose administrative fines. Furthermore, the District Court (*Arrondissementsrechtbank*) competent for the jurisdiction within which Fortis N.V. has its corporate seat can impose measures at the request of one or more holders of shares who alone or together with others represent at least one-twentieth of the issued share capital of Fortis SA/NV, and by Fortis N.V.

The measures which the District Court may impose include (i) condemnation of the person who is obliged to notify to do so in accordance with the Dutch Financial Markets Supervision Act; (ii) suspension of voting rights in respect of such person's shares for a period to be determined by the court with a maximum of three years; (iii) suspension of a resolution of Fortis N.V.'s General Meeting of Shareholders until an irrevocable decision has been taken on an order as referred to in subsection (iv); (iv) nullification of a resolution by Fortis N.V.'s General Meeting of Shareholders, insofar as it is reasonable to assume that such resolution would not have been adopted if the voting rights on the shares in Fortis N.V.'s capital held by the person who is obliged to notify had not been exercised; and (v) an order to the person who is obliged to notify to refrain, during a period to be determined by the court with a maximum of five years, from acquiring shares in the capital of Fortis N.V. and/or voting rights.

7.2.3 Exchange Rate information

For your convenience, this Prospectus contains translations of Euro amounts into U.S. dollars at specified exchange rates. These translations have been made at the indicated noon buying rate in New York City for cable transfers in Euro as certified for customs purposes by the Federal Reserve Bank of New York (the "**Noon Buying Rate**"). These translations are not representations that the Euro amounts actually represent these U.S. dollar amounts or could be converted to U.S. dollars at the rates indicated.

Euro

The noon buying rate for Euro on 19 September 2007 was USD 1.3971 per Euro.

The following tables set forth, for the periods indicated, information concerning the noon buying rate, expressed in dollars per Euro. Such rates are provided solely for your convenience. They are not necessarily the rates used by Fortis in the preparation of its financial statements. No representation is made that the Euro could have been, or could be, converted into U.S. dollars at the rates indicated below:

	2007							2006		
	July	June	May	April	March	February	January	December	November	October
	(U.S. dollars per EUR)									
Noon Buying Rate…	1.3711	1.3520	1.3543	1.3660	1.3374	1.3330	1.2998	1.3197	1.3261	1.2773
High………………….	1.3891	1.3526	1.3616	1.3660	1.3374	1.3246	1.3286	1.3327	1.3261	1.2773
Low………………….	1.3592	1.3295	1.3419	1.3363	1.3094	1.2933	1.2904	1.3073	1.2705	1.2502

	2006	2005	2004	2003	2002
	(U.S. dollars per EUR)				
Period end rate	1.3197	1.1842	1.3538	1.2597	1.0485
Average rate for the period (1)	1.2563	1.2400	1.2478	1.1411	0.9454
Period end rate (2)	1.32	1.18	1.36	1.26	1.05
Average rate for the period (3)	1.26	1.24	1.24	1.13	0.94

Notes:

Source: Federal Reserve Bank of New York

(1) The average of the Noon Buying Rates on the last business day of each month during the period.

(2) The rates used by Fortis for translating USD into EUR in the preparation of its balance sheet.

(3) The rates used by Fortis for translating USD into EUR in the preparation of its income statement.

7.3 Major shareholders

7.3.1 List of major shareholders

The table below shows the principal shareholders (with a participation exceeding 4.99%) of Fortis as of 30 June 2007:

	At 30 June 2007
Stichting VSB Fonds Utrecht	4.99%

The geographical distribution of the shareholders at 30 June 2007 is as follows:

	At 30 June 2007
Shareholders in:	
Belgium/Luxembourg	26%
Netherlands	15%
United Kingdom	26%
Germany	9%
Rest of the World	24%

7.3.2 Voting rights of the major shareholders

No major shareholders have specific voting rights.

7.4 Material contracts

On 26 January 2005, Fortis Insurance N.V. issued USD 774,149,000 aggregate principal amount of 7.75% Bonds due 2008, mandatorily exchangeable at maturity into up to 22,999,116 shares of Assurant, Inc. (formerly Fortis, Inc.) or the cash value thereof. The Bonds benefit from the joint and several guarantee of Fortis SA/NV and Fortis N.V. On the same date, Fortis also closed its Secondary Public Offering of 27.2 million common shares in Assurant, Inc.

On 28 January 2005, Fortis and BCP announced that they had finalised a deal by which Fortis takes a 51% holding in, and management control of, the bancassurance activities of BCP in Portugal through a 51% stake in a new joint venture company called “Millennium bcp Fortis Grupo Segurador”, for a total consideration of EUR 510 million.

On 4 July 2005, Fortis announced an agreement to acquire 89.34 % of the shares of Turkish privately-owned bank Disbank from its majority shareholders for an agreed price of EUR 880 million, which price was subsequently adjusted to EUR 986.8 million. Between 23 September and 10 October 2005, Fortis made a public offer to minority shareholders in Turkey, as a result of which it announced on 20 October 2005 that it had acquired 14,239,572.90 additional shares representing 3.9% of Disbank's capital, bringing its total stake to 93.3%.

On 9 November 2005, Fortis announced an agreement to acquire Chicago-based O'Connor & Company, a leader in clearing services on U.S. equity, futures and options markets, with the transaction being closed on 1 February 2006.

On 20 June 2006, Fortis Hybrid Financing, a Luxembourg special purpose financing vehicle and 50/50 subsidiary of Fortis Brussels SA/NV and Fortis Utrecht N.V., issued EUR 500,000,000 5.125% Perpetual Securities having the benefit of a support agreement and subordinated guarantee of Fortis SA/NV and Fortis N.V. The proceeds of the Perpetual Securities qualify as Tier 1 solvency at the level of Fortis Group.

On 27 June 2006, Fortis announced an agreement with Duke Energy ("**Duke**") whereby Fortis acquired Cinergy Marketing & Trading LP, a Delaware limited partnership, and Cinergy Canada, Inc, an Alberta corporation, both wholly owned subsidiaries of Duke. Fortis completed such an acquisition early October 2006. Fortis renamed the new trading entities Fortis Energy Marketing & Trading ("**FEMT**") in the U.S. and FB Energy Canada, Corp. ("**FBECC**") in Canada.

On 5 October 2006, Fortis and An Post announced a final agreement for the creation of a joint venture in the financial services sector. The new bank, which started operating on 1 May 2007, is a 50/50 partnership between An Post and Fortis, with initial capital of EUR 112 million.

On 30 October 2006, Fortis took an important step in the international roll-out of its consumer finance activities with the signing of an agreement to acquire 100% of Dominet, a Polish retail bank specialising in consumer finance.

On 10 November 2006, Fortis Investment Management Inc ("**Fortis Investments**") and Cadogan Management LLC ("**Cadogan**") announced an agreement to combine their respective Fund of Hedge Funds activities in a new stand-alone asset management company. The new business trades under the name "Cadogan", with Fortis Investments as the majority shareholder, holding 70%. The acquisition was completed at the end of December 2006.

On 23 November 2006, IDBI Bank, Federal Bank and Fortis announced a joint venture agreement to establish a new life insurance company, offering a full range of life insurance and long-term savings products to the Indian market. Under the agreement, IDBI Bank owns 48% of equity, while Fortis Insurance International and Federal Bank each own 26%.

On 23 May 2007, Fortis announced that it had finalised the acquisition of 50.45% of Pacific Century Insurance Holdings Limited ("**PCI**") from its majority shareholder, PCI Regional Developments Ltd, and others for a total consideration of EUR 341 million. A mandatory general offer to acquire the remaining shares and options of PCI was subsequently launched, with Fortis announcing on 15 June 2007 that it had acquired 98.59% of PCI. With over 95% of the shares, Fortis is currently in the process of making a compulsory offer for the remaining 1.41% of shares.

On 12 July 2007, Fortis and "la Caixa" announced an agreement pursuant to which "la Caixa" acquires all Fortis' interests in the Spanish bancassurance joint venture "CaiFor" (i.e. 50% in CaiFor and 20% in SegurCaixa) for a total cash consideration of EUR 980 million. The transaction is expected to be completed within a few months following its announcement.

On 19 July 2007, Fortis and Tokio Marine & Nichido Fire ("**TMNF**") announced the signing of a minority partner agreement, which sees the Japanese entity take a 5% stake in Fortis Investments, valued at EUR 80 million. This minority partner agreement forms part of Fortis's strategic plan, announced in March 2007, to accelerate the development of Fortis Investments in selected markets.

On 2 August 2007, Fortis closed an offering of Conditional Capital Exchangeable Notes ("**CCENs**") of up to EUR 2 billion, issued by Fortis Bank, Fortis Bank Nederland (Holding) N.V., Fortis SA/NV and Fortis N.V. as joint and several co-obligors.

The CCENs represent senior unsecured obligations of Fortis Bank, Fortis Bank Nederland (Holding) N.V., Fortis SA/NV and Fortis N.V. and carry a coupon of three-month EURIBOR + 15 bps payable quarterly in arrear. They are mandatorily exchangeable into Mandatory Convertible Securities ("**MCS**") upon the completion of the Right Offering. The MCS will be mandatorily convertible into fully paid ordinary shares of Fortis three years following the issue date of the MCS.

On 28 May 2007, Fortis, RBS, Santander and RFS Holdings entered into the Consortium and Shareholders' Agreement described in Section 3.8 above in relation to the ABN AMRO Offer.

7.5 Third party information and statements by experts and declarations of interests

The Prospectus does not include any third party information (except as stated in the Section "Information regarding ABN AMRO" on page ii above) and statements by experts and declarations of interests.

7.6 Documents on display

7.6.1 Prospectus

The Prospectus is available only in English. A summary of the Prospectus is available in Dutch and in French.

Subject to certain restrictions described in Section 8.3.14 of the Prospectus, copies of the Prospectus and the summary are available without charge, as from 25 September 2007:

- In Belgium, from Fortis Bank on the phone number 0800 90 301 (toll-free number);
- In The Netherlands, from Fortis Bank (Nederland) N.V. on the phone number (+31) 20 527 24 67 (toll number) or by sending an e-mail to prospectus@nl.fortis.com; and
- In Luxembourg, from Fortis Banque Luxembourg SA on the phone number (+352) 42 42 27 34 (toll number).

Subject to certain restrictions described in Section 8.3.14 of the Prospectus, the Prospectus and the summary may be viewed on the website of Fortis: www.fortis.com, as from 24 September 2007. The above-mentioned financial statements (including the auditors' reports) incorporated by reference in the Prospectus may also be viewed on the same website.

Moreover and subject to the same restrictions, copies of the Prospectus and the summary, as well as the financial statements incorporated by reference in the Prospectus, are available, without charge and for at least one year from the date of this Prospectus, at the following addresses, as from 25 September 2007:

- Fortis SA/NV: Rue Royale/Koningsstraat 20, 1000 Brussels, Belgium; and
- Fortis N.V.: Archimedeslaan 6, 3584 BA Utrecht, The Netherlands.

7.6.2 Fortis documents and other information

Documents related to Fortis that are available to the public (articles of association, reports, corporate governance statement, written communications, financial statements and the historical financial information of the Issuers and their subsidiaries for each of the three financial years preceding the publication of the Prospectus) can be consulted at the following addresses:

- Fortis SA/NV: Rue Royale/Koningsstraat 20, 1000 Brussels, Belgium; and

- Fortis N.V.: Archimedeslaan 6, 3584 BA Utrecht, The Netherlands.

These documents may also be obtained in electronic format on the Fortis site (www.fortis.com).

7.7 Information on holdings

See the Fortis Financial Statements 2006, Note 1.

A list of all group companies and other participating interests has been filed with the National Bank of Belgium in Brussels and with the commercial register of the Chamber of Commerce in Utrecht. The list is available upon request, free of charge, from Fortis in Brussels and Utrecht, at the addresses indicated under Section 7.6.1. This list can also be obtained from the National Bank of Belgium or the Chamber of Commerce of Utrecht:

National Bank of Belgium
Boulevard de Berlaimont 14
1000 Brussels, Belgium
Phone number: +32 2 221 21 11
E-mail: info@nbb.be

Chamber of Commerce of Utrecht
Kroonstraat 50
3511 RC Utrecht, The Netherlands
Phone number: +31 30 23 63 211
E-mail: info@utrecht.kvk.nl

7.8 Property, plant and equipment

See the Fortis Financial Statements 2006, Note 21.

7.9 Statement regarding possible difficulties in enforcement actions against foreign companies by U.S. persons

Fortis SA/NV is a *société anonyme/naamloze vennootschap* organised under the laws of Belgium. Fortis N.V. is a *naamloze vennootschap* organised under the laws of The Netherlands. Most of the Directors and executive officers of Fortis are citizens or residents of countries other than the United States. A substantial portion of the assets of such persons and a substantial portion of the assets of Fortis are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or Fortis, or to enforce against them judgments of U.S. courts, including judgments predicated upon civil liabilities under the U.S. federal securities laws or the securities laws of any state or territory within the United States.

Regarding the enforcement in civil and commercial matters of U.S. judgments in Belgium, there exists a standard enforcement procedure organised by the Belgian Code of Private International Law (Law of 16 July 2004). This Code however contains a certain number of grounds to refuse the enforcement. In addition, punitive damages in actions brought in the United States or elsewhere are unenforceable in Belgium.

Service of process in proceedings in the United States on persons in The Netherlands is regulated by a multilateral treaty guaranteeing service of writs and other legal documents in civil cases if the current address of the defendant is known. Also, although a judgment rendered by a U.S. court, including any judgment predicated upon civil liabilities under the U.S. federal securities laws or the securities laws of any state or territory within the United States, will not be recognised and enforced by the Dutch courts, if a person has obtained a final and conclusive judgment for the payment of money rendered by a U.S. court which is enforceable in the United States and files his claim with the competent Dutch court, the Dutch court will generally give binding effect to the judgment insofar as it finds that the jurisdiction of the court has been based on grounds which are internationally acceptable and that proper legal procedures have been observed and unless the judgment contravenes Dutch public policy.

8 INFORMATION ABOUT THE OFFERING

8.1 Information concerning the new Fortis Shares offered

8.1.1 Type, class and dividend date

When subscribing to a Fortis Share, subscribers effectively acquire a unit that comprises one Fortis SA/NV Share and one Fortis N.V. Share. As a consequence of this twinned share principle, the number of new Fortis SA/NV Shares to be issued will be equal to the number of new Fortis N.V. Shares to be issued in the Offering.

The new Fortis Shares to be issued will be of the same class as the existing Fortis Shares. They will carry the right to a dividend from 1 January 2007 and, from the date of their issue, will carry the right to any distribution made by Fortis SA/NV and Fortis N.V., except that they will not be entitled to the interim dividend decided on 8 August 2007 and paid on 6 September 2007.

Consequently, they will be, from the date of their admission to trading, immediately fungible with the existing Fortis Shares already traded on the regulated market of Euronext Brussels, on Eurolist by Euronext Amsterdam and on the EU regulated market of the Luxembourg Stock Exchange.

Each new Fortis Share will be accompanied by one Fortis SA/NV VVPR Strip issued by Fortis SA/NV. Fortis SA/NV VVPR Strips enable their holders, if eligible, to benefit from a reduced Belgian withholding tax. Fortis SA/NV VVPR Strips will be traded on the regulated market of Euronext Brussels.

The new Fortis Shares and the new Fortis SA/NV VVPR Strips will be traded under the same ISIN codes as the existing codes, i.e. BE0003801181 for the Fortis Shares and BE0005591624 for the Fortis SA/NV VVPR Strips.

8.1.2 Legislation and jurisdiction

The new Fortis SA/NV Shares will be issued in accordance with Belgian law. The new Fortis N.V. Shares will be issued in accordance with Dutch law.

In the event of litigation initiated in Belgium, the Belgian courts that will have jurisdiction will, in principle, be those where the registered office of Fortis SA/NV is located if Fortis SA/NV is defendant, and will be designated according to the nature of the litigation, unless otherwise provided by Belgian rules, applicable treaties or jurisdiction or arbitration clauses.

The Dutch courts have jurisdiction over any civil claims against Fortis N.V., subject to any applicable treaties and provided that the claimant has not submitted to, and Fortis N.V. has properly invoked, the exclusive jurisdiction of a foreign court or arbitral tribunal.

8.1.3 Form

The subscribers have the choice of receiving the new Fortis Shares and the Fortis SA/NV VVPR Strips in the form of registered securities, bearer securities recorded in an account with a financial intermediary or physical bearer securities in denominations of 1, 10, 100, 500 and 1,000 securities, provided in the latter case that applicable law allows subscribers residing in countries other than Belgium, The Netherlands and Luxembourg to receive physical bearer shares.

Subscribers are invited to enquire about the costs that their intermediaries may charge for the physical delivery of such securities. In addition, any direct or indirect costs for printing the physical bearer Fortis Shares and Fortis SA/NV VVPR Strips shall be charged to the Shareholders requesting physical delivery pro rata to the number of Fortis Shares and Fortis SA/NV VVPR Strips they requested to be delivered physically. Physical delivery in the context of this Offering is not subject to the Belgian tax of 0.6% on the physical delivery of securities.

The holders of Fortis Shares may at any time, and at their cost, request the conversion of their registered Fortis Shares into bearer Fortis Shares and vice versa, subject to applicable legal restrictions. The same applies to Fortis SA/NV VVPR Strips.

However, in accordance with the Belgian Law of 14 December 2005 on the abolition of bearer securities, Fortis SA/NV will only issue registered or dematerialised shares as from 1 January 2008. This Law also provides that as from 1 January 2008 bearer shares on a securities account will no longer be physically delivered and will as from that date be legally converted into dematerialised shares.

As of 1 January 2008, Fortis N.V. Shares will only be issued in bearer form for inclusion in the giro system under the Dutch Securities Giro Transfer Act (*Wet giraal effectenverkeer*), the giro system under the Belgian Royal Decree No. 52 of 10 November 1967 or another giro system designated by the Board of Directors. Holders of bearer shares which are not included in such a giro system must either register their shareholding or include it in such a giro system no later than 31 December 2013.

8.1.4 Currency

The issue is in Euro.

8.1.5 Rights attached to the new Fortis Shares

From their issue, the new Fortis Shares will be subject to all provisions of the articles of association of the Issuers. The rights attached to the Fortis Shares are described in Section 7.2.2 above.

8.1.6 Authorisations relating to the Offering

(i) Fortis SA/NV

Resolutions to increase the capital

The Extraordinary General Meeting of 6 August 2007 authorised the Board of Directors to increase the share capital of Fortis SA/NV with a maximum amount of EUR 4,609,584,000, with effect as from the date of publication in the Belgian State Gazette of the resolutions of the Extraordinary General Meeting. Such a maximum amount enables the issue of up to 1,076,000,000 Fortis Shares. This authorisation has exclusively been granted to partly finance Fortis SA/NV's participation to the ABN AMRO Offer and is valid until 31 March 2008. The Board of Directors has been authorised to limit or exclude the preference right of the existing shareholders in relation to any capital increase decided pursuant to this authorisation.

The aforementioned maximum amount of the capital increase is based on the maximum amount allowed under the Belgian Companies Code, taking into account the renewed, additional, authorisation granted by the same Extraordinary General Meeting of 6 August 2007 to the Board of Directors to increase the share capital of Fortis SA/NV, in one or more transactions, with a maximum amount of EUR 1,148,112,000.

On the basis of the authorisation referred to in the first paragraph above, the Board of Directors of Fortis SA/NV will decide, before the beginning of the Right Subscription Period, to increase the capital of Fortis SA/NV through the issue of up to 1,076,000,000 new Fortis SA/NV Shares with Fortis SA/NV VVPR Strips. The new Fortis SA/NV Shares will be twinned with the same number of new Fortis N.V. Shares issued by Fortis N.V. as described in Section 8.1.6 (ii) below, so as to form the new Fortis Shares offered in this Offering.

The Board of Directors will decide to exclude the statutory preference right of the existing shareholders in the framework of the capital increase. However, it will grant to the shareholders a non-statutory preference right exercisable by all shareholders (the Rights), subject to applicable securities laws as described in Section 8.3.14(i) below. No Rights will be granted to Fortis SA/NV or Fortis N.V. in respect of their own Fortis Shares.

In accordance with Article 596 § 2 of the Belgian Companies Code, the Board of Directors of Fortis SA/NV will prepare a report with respect to the exclusion of the statutory preference right of the existing shareholders. The statutory auditor of Fortis SA/NV will also prepare a report with respect to the same. Such reports will be available as indicated in Section 7.6.2 above.

The Issue Price for the Fortis Shares, the effective number of new Fortis Shares offered in this Offering and the Ratio will be decided by the same Board of Directors and published in the Financial Press as indicated in Section 8.3.2 below.

The realisation of the capital increase with respect to the Rights and the Scrips is expected to be established on or around 15 October 2007, subject to the restrictions in the Underwriting Agreement set out in Section 8.3.15 below which may require that the realisation of part of the capital increase resulting from the Scrip Offering be deferred.

The Board of Directors will also delegate powers in relation to taking all necessary actions in order to arrange and finalise the practical organisation of the Offering and the capital increase.

(ii) Fortis N.V.

The Extraordinary General Meeting of Shareholders of 6 August 2007 resolved, upon the proposal of the Board of Directors of Fortis N.V., to amend the articles of association of Fortis N.V. whereby the authorised share capital of Fortis N.V. is increased with 1,000 million Fortis N.V. Shares. The notarial deed of amendment of the articles of association of Fortis N.V. evidencing this capital increase was executed on 21 August 2007. As of the aforementioned amendment of the articles of association of Fortis N.V. the authorised share capital of Fortis N.V. comprises 2,820 million Fortis N.V. Shares and 1,820 million cumulative preference shares. Pursuant to the current authorisation granted by the Fortis N.V. General Meeting of Shareholders in the articles of association of Fortis N.V. (ending on 31 May 2009) the Board of Directors of Fortis N.V. is authorised to issue any and all non-issued Fortis N.V. Shares and cumulative preference shares which are comprised in the authorised share capital of Fortis N.V.

On the basis of the authorisation referred to in the first paragraph above, the Board of Directors of Fortis N.V. will resolve, before the beginning of the Right Subscription Period, (i) to issue up to 1,076,000,000 new Fortis N.V. Shares, (ii) to exclude the statutory preference right of the existing shareholders and (iii) to grant Rights to all existing holders of Fortis N.V. Shares, subject to applicable securities laws restrictions as described in Section 8.3.14(i) below. No Rights will be granted to Fortis N.V. or Fortis SA/NV in respect of their own Fortis Shares.

The new Fortis N.V. Shares will be twinned with the same number of new Fortis SA/NV Shares issued by Fortis SA/NV as described in Section 8.1.6 (i) above, so as to form the new Fortis Shares offered in this Offering.

The Issue Price for the Fortis Shares, the effective number of new Fortis Shares offered in this Offering and the Ratio will be decided by the same Board of Directors and published in the Financial Press as indicated in Section 8.3.2 below.

8.1.7 Issue date

The expected date for the issue of the new Fortis Shares is 15 October 2007, subject to the restrictions in the Underwriting Agreement set out in Section 8.3.15 below which may require that the realisation of part of the capital increase resulting from the Scrip Offering be deferred.

8.1.8 Restrictions to free trading in the new Fortis Shares, including transfer restrictions applicable to U.S. purchasers

There are no provisions limiting the free negotiability of the new Fortis Shares included in the articles of association of the Issuers.

The Rights, the Scrips and the new Fortis Shares have not been, and will not be, registered under the U.S. Securities Act of 1993, as amended (the "**U.S Securities Act**") or with any securities regulatory authorities of any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred within the United States, except pursuant to an exemption from, or in a transaction in compliance with, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities law.

Each U.S. purchaser of new Fortis Shares in connection with the Right Offering will be required to execute an investor representation letter, the form of which is included as Annex A to this Prospectus and each U.S. purchaser of the Scrips will be deemed to have made the representations therein and acknowledgement set out above, including that:

- it and any account for which it is acquiring the Fortis Shares or the Rights is a QIB;
- it and any account for which it is acquiring the Fortis Shares or the Rights will not reoffer, resell, pledge or otherwise transfer the Fortis Shares or the Rights, except:
  - pursuant to an effective registration statement under the U.S. Securities Act;
  - in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the U.S. Securities Act;
  - to another QIB in accordance with Rule 144A under the U.S. Securities Act; or
  - with respect to the Fortis Shares only, pursuant to Rule 144 under the U.S. Securities Act (if available);

  and in each case, in compliance with any applicable securities laws of any state or other jurisdiction of the United States; and
- it and any account for which it is acquiring the Fortis Shares or the Rights will not deposit any Fortis Shares into any restricted depositary facility established or maintained by a depositary bank, unless they have been registered pursuant to an effective registration statement under the U.S. Securities Act..

8.1.9 Regulations governing public takeover bids

(i) Belgian law

Public takeover bids on shares and other securities giving access to voting rights (such as subscription rights or convertible bonds, if any) are subject to supervision by the CBFA. Public takeover bids must be made for all of the voting securities, as well as for all other securities giving access to voting rights. Prior to making a bid, a bidder must publish a prospectus, approved by the CBFA prior to publication.

Belgium implemented the Thirteenth Company Law Directive (European Directive 2004/25/EC of 21 April 2004) by the Belgian Law on public takeover bids of 1 April 2007 and a Royal Decree of 27 April 2007 on public takeover bids. The Belgian Law on public takeover bids provides that a mandatory bid will need to be launched if a person, as a result of its own acquisition or the acquisition by persons acting in concert with it or by persons acting for their account, directly or indirectly holds more than 30% of the voting securities in a company having its registered office in Belgium and of which at least part of the voting securities are being traded on a regulated market or on a multilateral trading facility designated by Royal Decree. Article 74 of the Belgian Law on public takeover bids contains a transitional provision exempting from the mandatory bid persons who individually or in concert with others hold at least 30% of the voting securities on 1 September 2007, provided that the shareholding was duly notified to the CBFA within 120 business days as of that date.

Pursuant to Article 513 of the Belgian Companies Code, as amended by Article 60 of the Belgian Law on public takeover bids, or the regulations promulgated thereunder, a person or entity, or different persons or entities acting alone or in concert, who own together with the company 95% of the securities conferring voting power in a public company, can acquire the totality of the securities conferring (potential) voting rights in that company following a squeeze-out offer. The shares that are not voluntarily tendered in response to such offer are deemed to be automatically transferred to the bidder at the end of the procedure. At the end of the offer, the company is no longer deemed a public company, unless bonds issued by the company are still spread among the public. The consideration for the securities must be in cash and must represent the fair value so as to safeguard the interests of the transferring shareholders.

Holders of securities conferring (potential) voting rights may require the offeror acting alone or in concert, who owns 95% of the voting capital or 95% of the securities conferring voting power in a public company following a takeover bid to buy its securities from it at the price of the bid, upon the condition that the offeror has acquired, through the bid, securities representing at least 90% of the voting capital subject to the takeover bid.

(ii) Dutch law

Obligation of shareholders to make a public offer

The act that implements Directive 2004/25/EC under Dutch law has been published, but has not yet entered into force. According to this act, a shareholder who has acquired 30% or more of the company's ordinary shares or of the company's voting rights will be obliged to make a public offer for all issued and outstanding shares in the company's share capital. Under the above-mentioned act, the Enterprise Chamber may, at the request of any shareholder (or holder of depositary receipts for shares) or the company, order a shareholder with a shareholding of 30% or more to make a public offer. The Enterprise Chamber may also, at the request of the company, determine that such a shareholder is not required to make a public offer when the financial condition of the company and the business related to it gives rise thereto.

Squeeze-out procedures

Pursuant to Article 2:92a of the Dutch Civil Code, a shareholder who for his own account contributes at least 95% of the company's issued capital may institute proceedings against the company's other shareholders jointly for the transfer of their shares to the claimant. The proceedings are held before the Enterprise Chamber and can be instituted by means of a writ of summons served upon each of the minority shareholders in accordance with the provisions of the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*). The Enterprise Chamber may grant the claim for the squeeze-out in relation to all minority shareholders and will determine the price to be paid for the shares, if necessary after the appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value of the shares. Once the order to transfer has become final, the acquirer shall give written notice of the price, and the date on which and the place where the price is payable to the minority shareholders whose addresses are known to it.

Unless all addresses are known to it, it shall also publish the same in a daily newspaper with nationwide distribution.

In the case of a public offer having been made for shares or for depositary receipts for shares, the legislation that implements Directive 2004/25/EC in The Netherlands provides for a special squeeze-out procedure for a period of three months after termination of the tender period, that replaces the rules of Article 2.92a of the Dutch Civil Code. Following a public offer, the offeror can initiate proceedings if it contributes at least 95% of a class of shares and deemed reasonable price for squeeze-out purposes if the offer was a mandatory offer or if at least 90% of the shares were received by way of a voluntary offer. The Enterprise Chamber may, nevertheless, appoint one or three experts to offer an opinion on the value of the shares, prior to determining the price to be paid by the offeror.

The same legislation also entitles each remaining minority shareholder to demand a squeeze-out if the offeror has acquired at least 95% of the class of shares held by it, representing at least 95% of the total voting rights in that class. This procedure must be initiated with the Enterprise Chamber within three months after the end of the period for tendering shares in the public offer. The price for the shares is determined in accordance with the procedure described in the immediately preceding paragraph.

8.1.10 Takeover bids instigated by third parties in respect of the Issuers' equity during the previous financial year and the current financial year

No takeover bid has been instigated by third parties in respect of the Issuers' equity during the previous financial year and the current financial year.

8.2 Tax regime applicable to the Fortis Shares, including certain U.S. tax considerations

8.2.1 Note

The shareholders are simultaneously shareholders of Fortis SA/NV and Fortis N.V. They may elect to receive dividends from either Fortis SA/NV or Fortis N.V., in such a way that the source of the dividends distributed on the Fortis Shares will be either Belgium or The Netherlands.

This process is known as the "Dividend Election" process. If no election has been made by the shareholders, default rules will apply for determining the source of the dividends. Dividends received on a Fortis Share can come only from one source, either Belgium or The Netherlands, to the exclusion of the other country.

8.2.2 Belgian taxation

The following is a summary of certain Belgian tax consequences of the acquisition, ownership and transfer of the Fortis Shares and of the Rights.

It is based on tax laws, regulations and administrative interpretations applicable in Belgium as currently in effect in Belgium and is subject to changes in Belgian law, including changes that could have a retroactive effect. The following summary does not take into account or discuss tax laws of any country other than Belgium, nor does it take into account the individual circumstances of individual investors. Prospective investors should consult their own advisers as to the Belgian and foreign tax consequences of the acquisition, ownership and transfer of the Fortis Shares and of the Rights.

This summary does not describe the tax treatment of investors that are subject to special rules, such as banks, insurance companies, collective investment undertakings, dealers in securities or currencies, persons that hold, or will hold, Fortis Shares in a position in a straddle, share-repurchase transaction, conversion transactions, synthetic security or other integrated financial transactions.

For the purpose of this summary, a Belgian resident is (i) an individual subject to Belgian personal income tax (i.e. an individual who has his domicile in Belgium or has the seat of his estate in Belgium, or a person assimilated to a Belgian resident), (ii) a company subject to Belgian corporate income tax (i.e. a company that has its registered office, its main establishment or its place of management in Belgium) or (iii) a legal entity subject to the Belgian tax on legal entities (i.e. a legal entity other than a company subject to the corporate income tax that has its registered office, its main establishment or its place of management in Belgium). A Belgian non-resident is a person that is not a Belgian resident.

(i) Dividends

General rules

For Belgian income tax purposes, the gross amount of all distributions made by the company to its shareholders is generally taxed as dividend, except for the repayment of statutory capital carried out in accordance with the Belgian Companies Code to the extent that the statutory capital qualifies as “fiscal” capital.

The fiscal capital includes, in principle, the paid-up statutory capital and, subject to certain conditions, the paid issue premiums and the amounts subscribed to at the time of the issue of profit sharing certificates.

In the case of a redemption of Fortis Shares, the redemption price (after deduction of the part of the paid-up fiscal capital represented by the shares redeemed) will be treated as dividend that, in certain circumstances, may be subject to a Belgian withholding tax of 10% unless this redemption is carried out on a stock exchange and meets certain conditions. In the event of liquidation of Fortis SA/NV and Fortis N.V., a withholding tax of 10% will be levied on any distributed amount exceeding the paid-up fiscal capital (assuming the Fortis N.V. liquidation bonus is paid through a Belgian paying intermediary).

In general, a Belgian withholding tax of (currently) 25% is levied on dividends. As of 1 January 1994, under certain circumstances, the 25% withholding tax rate is reduced to 15% with respect to certain qualifying shares (VVPR shares) issued. Shares that are eligible for this reduced withholding tax rate can be issued together with, or accompanied by, a VVPR Strip, which is a separate instrument representing the holder’s right to receive dividends at the reduced withholding tax rate of 15%. Each new Fortis SA/NV Share to be issued in the Offering will be accompanied by a Fortis SA/NV VVPR Strip.

Belgian tax law provides for certain exemptions from Belgian withholding tax on Belgian source dividends. If there is no exemption applicable under Belgian domestic tax law, the Belgian withholding tax can potentially be reduced for investors who are non-residents pursuant to the treaties regarding the avoidance of double taxation concluded between the Kingdom of Belgium and the state of residence of the non-resident shareholder.

Fortis SA/NV is responsible for the withholding of the Belgian withholding tax.

Belgian resident individuals

For Belgian resident individuals, Belgian withholding tax generally constitutes the final tax in Belgium on their dividend income. The amount that will be taxed is the amount of the dividend paid (after deduction of the foreign withholding tax, if any).

If a Belgian resident individual elects to include the dividend income in his/her personal income tax return, he/she will be taxed (i) on this income at the separate rate of 25% or, if applicable, (ii) at the reduced rate of 15% (where the dividend is distributed by Fortis SA/NV), or (iii) at the progressive personal income tax rates taking into account the taxpayer's other declared income, whichever is lower. In the three cases, the amount of income tax payable is increased by the communal surcharges and the Belgian withholding tax levied at source will be creditable against the total amount of tax due and is even reimbursable should it exceed the tax payable, provided that the dividend distribution does not give rise to a capital loss on or a reduction in value of the shares. This condition is not applicable if the individual proves that he/she held the shares in full legal ownership during an uninterrupted period of 12 months prior to the allotment of the dividends.

When Belgian resident individuals receive dividends distributed by Fortis N.V., the said dividends will be subject to Belgian withholding tax if their payment is made through a Belgian paying intermediary. If no Belgian withholding tax would have been levied, the Belgian individuals should report the dividend, after deduction of the Dutch withholding tax, in their personal income tax return. The said dividends will then be taxed at 25%, plus communal surcharges, unless the progressive individual income tax rate is lower than this rate. Dividends distributed by Fortis N.V. will also be subject to Dutch dividend withholding tax and will therefore be taxed both in The Netherlands and in Belgium, while dividends distributed by Fortis SA/NV are in principle only taxable in Belgium.

For resident individuals who hold the shares for professional purposes, the dividends received will be taxed at the progressive personal income tax rates increased by the communal surcharges. The Belgian withholding tax will be creditable against the personal income tax due and is reimbursable to the extent that it exceeds the tax payable, subject to the two following conditions and as long as it reaches EUR 2.50: (i) the taxpayer must own the shares at the time of payment or attribution of the dividends in full legal ownership and (ii) the dividend distribution may not give rise to a capital loss on or a reduction in the value of the shares.

The second condition is not applicable if such individual proves that he/she held the shares in full legal ownership during an uninterrupted period of 12 months prior to the attribution of the dividends.

Belgian resident companies

For Belgian resident companies, the gross dividend income, including the Belgian withholding tax and excluding the foreign withholding tax, if any, must be added to their taxable income, which is, in principle, taxed at the ordinary corporate income tax rate of 33.99%. In certain circumstances lower tax rates may apply.

If such a company holds, at the time of the dividend distribution, a share participation of at least 10% or a share participation with an acquisition value of at least EUR 1,200,000 then 95% of the gross dividend received can, in principle (although subject to certain limitations), be deducted from the taxable income (dividend received deduction), provided that the share participation qualifies as a "financial fixed asset" in accordance with Belgian GAAP and provided that a one-year minimum holding period in full legal ownership is met.

The conditions for applying the dividend received regime as described above should be examined as if the companies were holding shares in both Fortis SA/NV and Fortis N.V. The acquisition value of each of the components of the Fortis Shares will be determined either on the basis of the ratio existing between the shares of Fortis SA/NV and Fortis N.V. (or on the basis of the acquisition value of the Fortis Shares as a result of the various steps of the unification, if the holders of Fortis Shares have previously held Fortis (B) shares or Fortis (NL) shares and have not treated the various steps of the unification under the concept of accounting continuity).

For qualifying investment companies and for financial institutions and insurance companies, certain of the aforementioned conditions with respect to the dividend received deduction do not apply.

The Belgian withholding tax may, in principle, be credited against the corporate income tax and is reimbursable to the extent that it exceeds the corporate income tax payable, subject to the two following conditions and as long as it reaches EUR 2.50: (i) the taxpayer must own the shares in full legal ownership at the time of payment or attribution of the dividends and (ii) the dividend distribution may not give rise to a reduction in the value of, or a capital loss on, the shares.

The second condition is not applicable if the company proves that it held the shares in full legal ownership during an uninterrupted period of 12 months prior to the attribution of the dividends or if, during that period, the shares never belonged to a taxpayer who was not a resident company or who was not a non-resident company that held the shares through a permanent establishment in Belgium.

No Belgian withholding tax will be due on dividends paid by Fortis SA/NV to a resident company provided the resident company owns, at the time of the distribution of the dividend, at least 15% of the share capital of Fortis SA/NV for an uninterrupted period of at least one year and, provided further, that the resident company provides Fortis SA/NV or its paying agent with a certificate as to its status as a resident company and as to the fact that it has owned a 15% shareholding for an uninterrupted period of one year. For those companies owning a share participation of at least 15% in the share capital of the company for less than one year, Fortis SA/NV will levy the withholding tax but, provided the company certifies its resident status and the date on which it acquired the shareholding, will not transfer it to the Belgian Treasury. As soon as the investor owns the share participation of at least 15% in the capital of the company for one year, it will receive the amount of this temporarily levied withholding tax. The 15% minimum participation requirement will be reduced to 10% for dividends attributed or paid after 1 January 2009.

The Belgian resident companies can, subject to certain formalities to be complied with, benefit from an exemption of Belgian withholding tax in case of a distribution of dividends by Fortis N.V.

Belgian legal entities

The Belgian legal entities will be subject to the Belgian withholding tax on the dividends distributed by Fortis SA/NV. Under the current Belgian tax rules, Belgian withholding tax will represent the final tax liability and the dividends should, therefore, not be included in the tax returns of the legal entities.

The same principle applies where the dividends are distributed by Fortis N.V. to the extent the dividends are paid through a Belgian paying intermediary.

Belgian legal entities receiving dividends from Fortis N.V. without the intervention of a Belgian paying intermediary will themselves be responsible for the payment of the Belgian withholding tax.

Non-residents

If the shares are held by a non-resident in connection with a business in Belgium, the beneficiary must report any dividends received, which will be subject to non-resident individual or corporate income tax. Belgian withholding tax retained may, in principle, be offset against non-resident individual or corporate income tax and is reimbursable to the extent that it exceeds the actual tax payable, as long as it reaches EUR 2.50, subject to the condition that the dividend distribution must not reduce the value of, or result in a capital loss on, the shares.

This condition is not applicable if: (a) the non-resident individual or the non-resident company can demonstrate that he/she/it has held the full legal ownership of the shares for an uninterrupted period of 12 months preceding the date upon which the dividends are attributed or (b) with regard to non-resident companies only, if, during this period, the shares never belonged to a taxpayer other than a resident company or a non-resident company that has, in an uninterrupted manner, invested the shares in a Belgian establishment.

With regard to non-resident individual investors who acquire the shares for professional purposes or non-resident companies, the taxpayer must fully own the shares at the time the dividends are made available for payment or attributed in order for the Belgian withholding tax to be creditable against non-resident individual or corporate income tax.

Non-resident corporate taxpayers may deduct up to 95% of gross dividends from their taxable profits if, at the date dividends are made available for payment or attributed, they hold (i) at least 10% of the total capital of the company or a shareholding with an acquisition value of at least EUR 1,200,000, (ii) full legal ownership of the shares for an uninterrupted period of at least one year and (iii) the shares qualify as financial fixed assets under Belgian GAAP.

A non-resident shareholder who does not hold shares of the company through a permanent establishment or fixed base in Belgium will not be subject to any Belgian income tax other than the dividend withholding tax, which normally constitutes the final Belgian income tax.

Belgian tax law provides for certain exemptions from withholding tax on Belgian source dividends distributed to non-resident investors. No Belgian withholding tax is due on dividends paid by Fortis SA/NV to a non-resident organisation that is not engaged in any business or other profit making activity and is exempt from income taxes in its country of residence, provided that it is not contractually obligated to redistribute the dividends to any beneficial owner of such dividends for whom it would manage the shares. The exemption will only apply if the organisation signs a certificate confirming that it is the full legal owner or usufruct holder of Fortis Shares and that it is a non-resident that is not engaged in any business or other profit making activity and is exempt from income taxes in its country of residence. The organisation must then forward that certificate to Fortis SA/NV or the paying agent.

If there is no exemption applicable under Belgian domestic tax law, the Belgian dividend withholding tax can potentially be reduced for investors who are non-residents pursuant to the treaties regarding the avoidance of double taxation concluded between the Kingdom of Belgium and the state of residence of the non-resident shareholder. Belgium has concluded tax treaties with more than 80 countries, reducing the dividend withholding tax rate to 15%, 10%, 5% or 0% for residents of those countries, depending on conditions related to the size of the shareholding and certain identification formalities.

Additionally, EU resident companies that qualify under the European Parent-Subsidiary of 23 July 1990 (90/435/EEC) (the "**Parent-Subsidiary Directive**"), are exempt from Belgian withholding tax if they own at least a 15% interest in Fortis SA/NV for an uninterrupted period of at least one year. For those companies owning a share participation of at least 15% in the share capital of the company for less than one year, Fortis SA/NV will levy the withholding tax but, provided the company certifies its resident status and the date on which it acquired the shareholding, will not transfer it to the Belgian Treasury. As soon as the investor owns the share participation of at least 15% in the capital of the company for one year, it will receive the amount of this temporarily levied Belgian withholding tax. The 15% minimum participation requirement will be reduced to 10% for dividends allotted or paid after 1 January 2009.

Moreover, Fortis SA/NV dividends, of which the beneficiary is a parent company established in a state with which Belgium has concluded a double tax treaty, are exempted from Belgian withholding tax, provided that this tax treaty or any other agreement provides for the exchange of information necessary in order to apply the provisions of the national legislation of the contracting states. A parent company within the meaning of the present exemption is a company that (i) has a form similar to those listed in the Parent-Subsidiary Directive in a state with which Belgium has concluded a double tax treaty, (ii) according to the fiscal legislation of the state where it is established and the double tax treaties that this state has concluded with third states, is considered as having its fiscal residence in this state and (iii) is subject to a tax similar to corporate income tax (without benefiting from a tax regime that deviates from the common regime). Finally this exemption applies only to parent companies, as defined above, that hold at least 15% of the capital of Fortis SA/NV for an uninterrupted period of at least one year (or if they commit to hold such interest for at least one year and certain other conditions are satisfied).

Prospective holders should consult their own tax advisers to determine whether they qualify for an exemption or a reduction of the withholding tax rate upon payment of dividends and, if so, the procedural requirements for obtaining such an exemption or a reduction upon the payment of dividends or making claims for reimbursement.

(ii) Capital gains and losses

Belgian resident individuals are, in principle, not subject to Belgian income tax on capital gains realised upon the sale, exchange or other transfer of the Fortis Shares, unless either (i) the capital gain is the result of speculation or cannot be considered as the result of normal management of a private estate (33% tax) or (ii) the gain is realised upon the transfer of Fortis SA/NV Shares to certain non-resident legal entities to the extent the participation belongs to a substantial shareholding of 25% or more in Fortis SA/NV (16.5% tax).

However, the European Court of Justice has decided on 8 June 2004 that the application of this 16.5% capital gain tax is contrary to the general principles of free movement of capital and freedom of establishment contained in the EC Treaty if the shares are transferred to an EU resident company. The Belgian tax administration now accepts that the tax of 16.5% is no longer applicable to the transfer to such a company and, therefore, only applies in case of a transfer to a non-EEA company.

These taxes are subject to the communal surcharge. Any losses suffered by private investors upon the disposal of the Fortis Shares are generally not tax deductible. However, losses on speculative transactions or transactions outside the framework of the normal management are, in principle, tax deductible from the income received pursuant to similar transactions to the extent the losses were incurred during the five preceding income years.

Belgian resident individuals are, in principle, not subject to Belgian income tax on capital gains realised upon the sale, exchange or other transfer of the Rights, unless the capital gain is the result of speculation or cannot be considered as the result of normal management of a private estate (33% tax plus communal surcharges).

Capital losses on Rights resulting from speculative transactions or transactions outside the framework of the normal management are, in principle, tax deductible from the income received pursuant to similar transactions to the extent the losses were incurred during the five preceding income years.

Individual residents who hold Fortis Shares or Rights for professional purposes are taxed at the ordinary progressive income tax rates increased by the applicable municipal surcharges on any capital gains realised upon the disposal of the shares. If the Fortis Shares were held for at least five years prior to such disposal, the capital gains tax would, however, be levied at a reduced rate of 16.5% (plus communal surcharges). Losses on Fortis Shares or Rights realised by such an investor are tax deductible.

Resident legal entities are normally not subject to Belgian capital gains tax on the disposal of the Fortis Shares, but they may be subject to the 16.5% tax described above if they hold a substantial participation (more than 25%) in Fortis SA/NV. Losses incurred by resident legal entities upon disposal of the Fortis Shares are generally not tax deductible.

Resident legal entities are normally not subject to Belgian capital gains tax on the disposal of the Rights. Losses incurred by resident legal entities upon disposal of the Rights are generally not tax deductible.

Resident companies and companies with their tax residence outside Belgium that hold the Fortis Shares through a permanent establishment in Belgium will, in principle, not be taxed in Belgium with respect to capital gains realised upon disposal of the Fortis Shares. Resident companies and companies with their tax residence outside Belgium that hold the Rights through a permanent establishment in Belgium will be taxable at the ordinary tax rate on the gains realised upon disposal of the Rights.

Any losses incurred by such investors with respect to the disposal of the Fortis Shares will not be tax deductible, except possibly at the time of liquidation up to the amount of the fiscal capital represented by those shares. Any losses incurred by such investors with respect to the disposal of the Rights will in principle be tax deductible.

Non-resident shareholders who do not hold the Fortis Shares or the Rights through a permanent establishment or fixed base in Belgium will generally not be subject to any Belgian income tax on capital gains realised upon the sale, exchange, redemption (except for the dividend withholding tax, see above) or other transfer of the Fortis Shares or the Rights, unless (i) with respect to the Fortis Shares, they hold a substantial participation in Fortis SA/NV and the bilateral tax treaty concluded between the Kingdom of Belgium and their state of residence, if any, does not provide for an exemption from Belgian capital gains tax (16.5% tax plus 7% surcharges), or (ii) with respect to the Fortis Shares or Rights, in case the capital gain is the result of speculation or cannot be considered as the result of normal management of a private estate (30.28% withholding tax) and the gain is obtained or acquired in Belgium.

(iii) Tax on stock exchange transactions

The purchase and the sale and any other acquisition or transfer for consideration in Belgium through a “professional intermediary” of Fortis Shares on the secondary market is subject to the tax on stock exchange transactions, generally in the amount of 0.17% of the transfer price. The amount of tax on stock exchange transactions is capped at a maximum of EUR 500 per transaction and per party.

No tax on stock exchange transactions is due upon the issuance of the new Fortis Shares.

In any event, no tax on stock exchange transactions is payable by (i) professional intermediaries described in Articles 2, 9° and 10° of the Law of 2 August 2002 on the supervision of the financial sector and financial services acting for their own account, (ii) insurance companies described in Article 2, §1 of the Insurance Supervision Act of 9 July 1975 acting for their own account, (iii) institutions for occupational retirement provision funds described in Article 2, 1° of the Law of 27 October 2006 on the supervision of institutions for occupational retirement provision, (iv) UCITs acting for their own account or (v) non-residents (upon delivery of a certificate of non-residency in Belgium).

Tax on the physical delivery of bearer shares

The physical delivery of bearer shares acquired on the secondary market for consideration through a “professional intermediary” in Belgium is subject to the Belgian tax on the physical delivery of bearer securities. The tax payable is equal to 0.6% of the purchase price. The tax is also due upon the physical delivery of shares in Belgium pursuant to the withdrawal of the shares from “open custody” or as a result of the conversion of registered shares into bearer shares. The tax payable is 0.6% of the last stock price quotation prior to the date of withdrawal or conversion.

No tax on the physical delivery of bearer securities is due upon the issuance of the new Fortis Shares.

In any event, no tax on the physical delivery of bearer shares is payable by (i) professional intermediaries described in Articles 2, 9° and 10° of the Law of 2 August 2002 on the supervision of the financial sector and financial services acting for their own account, and (ii) institutions for occupational retirement provision funds described in Article 2, 1° of the Law of 27 October 2006 on the supervision of institutions for occupational retirement provision.

(iv) VVPR Strips

General

The new Fortis SA/NV Shares offered meet the conditions pursuant to which shares give entitlement to a reduced withholding tax rate of 15% and are, therefore, eligible for the reduced withholding tax regime, and will consequently be issued with Fortis SA/NV VVPR Strips.

Capital gains and losses

Belgian resident individuals and individual Belgian non-residents holding VVPR Strips as a private investment are not subject to Belgian capital gains tax upon the disposal of VVPR Strips, and cannot deduct losses incurred as a result of such disposal. They may, however, be subject to a 33% tax (to be increased with communal surcharges) if the capital gain is deemed to be speculative or if the capital gain is otherwise realised outside the framework of the normal management of one’s own private estate. Losses on speculative transactions or on transactions outside the framework of the normal management are, in principle, deductible from the income realised pursuant to similar transactions provided the losses have been incurred during the preceding five income years.

Capital gains realised on VVPR Strips by Belgian resident individuals holding the shares for professional purposes, or by Belgian non-resident individuals, who acquired the VVPR Strips for a business conducted in Belgium through a fixed base, are taxable as ordinary income, and losses on VVPR Strips are tax deductible. This also counts for companies subject to the Belgian corporate income tax.

Legal entities subject to Belgian tax on legal entities are not subject to Belgian capital gains tax upon the disposal of the VVPR Strips and cannot deduct losses incurred as a result of such disposal.

(v) Unexercised Rights Payment

The Unexercised Rights Payment will not be subject to Belgian withholding tax.

The Unexercised Rights Payment will in principle not be taxable in the hands of Belgian resident or non-resident individuals unless for resident individuals who hold the Rights for professional purposes or for non-resident individuals who hold the Rights for a business conducted in Belgium through a fixed base. In those events, the Unexercised Rights Payment will be taxed at the progressive income tax rates, to be increased with communal surcharges.

The Unexercised Rights Payment will be taxable at the ordinary corporate tax rate for Belgian resident companies. Non-resident companies holding the Rights through a Belgian permanent establishment will also be taxed at the ordinary non-resident income tax rate on the Unexercised Rights Payment.

Legal entities subject to Belgian tax on legal entities are not subject to tax on the Unexercised Rights Payment.

(vi) Return of capital

The repayment of statutory capital carried out in accordance with the Belgian Companies Code is not subject to dividend withholding tax and is, subject to certain conditions, not taxable in the hands of the shareholders to the extent that the statutory capital qualifies as “fiscal” capital.

The fiscal capital includes, in principle, the paid-up statutory capital and, subject to certain conditions, the paid issue premiums and the amounts subscribed to at the time of the issue of profit sharing certificates.

8.2.3 Dutch taxation

The following is intended as general information only and it does not purport to present any comprehensive or complete description of all aspects of Dutch tax law which could be of relevance to a holder of Rights or Fortis Shares. Prospective holders should therefore consult their tax adviser regarding the tax consequences of any purchase, ownership or disposal of Rights or Fortis Shares.

The following summary is based on Dutch tax law as applied and interpreted by Dutch tax courts and as published and in effect on the date hereof, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

This Section does not describe the tax treatment of investors that are subject to special rules, such as pension funds, investment institutions (*beleggingsinstellingen*), entities that are entitled to the participation exemption (*deelnemingsvrijstelling*) with respect to the Rights or Fortis Shares, holders that are individuals engaged in an enterprise or miscellaneous activities to which the Rights or Fortis Shares are attributable, holders who receive Rights or Fortis Shares as income from employment or holders that have a (fictitious) substantial interest in Fortis N.V. or Fortis SA/NV.

Generally, a holder has a substantial interest (*aanmerkelijk belang*) in Fortis N.V. or Fortis SA/NV if such a holder, alone or together with his partner, directly or indirectly owns, or holds certain rights on, shares representing 5% or more of the total issued and outstanding capital of Fortis SA/NV or Fortis N.V., or of the issued and outstanding capital of any class of Fortis Shares of Fortis SA/NV or Fortis N.V. A holder will for instance also have a substantial interest if his partner or one of certain relatives of the holder or of his partner has a (fictitious) substantial interest. Generally, a holder has a fictitious substantial interest (*fictief aanmerkelijk belang*) in Fortis SA/NV or Fortis N.V. if e.g., it has disposed of a substantial interest or is an individual and has transferred an enterprise in exchange for shares in Fortis SA/NV or Fortis N.V., on a non-recognition basis.

For the purpose of this summary, a Dutch resident is (i) an individual who is resident or deemed to be resident in The Netherlands for purposes of Dutch income tax, (ii) an individual who opts to be treated as resident in The Netherlands for purposes of Dutch income tax ((i) and (ii) jointly "**Dutch Individuals**") and (iii) an entity that is resident or deemed to be resident in The Netherlands for the purposes of the 1969 Corporate Income Tax Act ("**Dutch Companies**"). A Dutch non-resident is a person that is not a Dutch resident.

Any reference hereafter made to a treaty for avoidance of double taxation concluded by The Netherlands, includes the Tax Regulation for the Kingdom of The Netherlands (*Belastingregeling voor het Koninkrijk*).

(i) Dividends

General rules

A holder is generally subject to Dutch dividend withholding tax at a rate of 15% on dividends distributed by Fortis N.V. Fortis N.V. is responsible for the withholding of taxes at the source; the withholding tax is for the account of the holder.

Dividends distributed by a company include, but are not limited to distributions of profits in cash or in kind, whatever they be named or in whatever form. In the event a holder receives proceeds from the liquidation of a company, or proceeds from the repurchase of its own shares by a company, the excess of the average paid-in capital recognised for Dutch dividend withholding tax purposes is considered a dividend.

In addition, the par value of shares issued to a holder or an increase in the par value of shares, to the extent that no contribution recognised for Dutch dividend withholding tax purposes has been made, is also considered a dividend.

Finally, a partial repayment of paid-in capital by a company is considered a dividend in the event and to the extent that (i) such capital is not recognised for Dutch dividend withholding tax purposes or (ii) if it is recognised for Dutch dividend withholding tax purposes, the company has net profits (*zuivere winst*).

However, the latter repayment is not considered a taxable dividend in the event that the General Meeting of Shareholders of the company has resolved in advance to make such repayment and the par value of the shares concerned has been reduced with an equal amount by way of an amendment to the articles of association of the relevant company.

Notwithstanding the above, no withholding is required in the event of a repurchase of shares, if certain conditions are fulfilled. In addition, no Dutch dividend withholding tax will be due in respect of the issue of Rights or upon making an Unexercised Rights Payment.

If a holder is a Dutch resident, such a holder is generally entitled to a full credit for any Dutch dividend withholding tax against his Dutch (corporate) income tax liability and to a refund of any excess. If a holder is resident in a country other than The Netherlands under the provisions of a treaty for the avoidance of double taxation between The Netherlands and such country, such a holder may, depending on the terms of such treaty, be entitled to an exemption from, reduction in or refund of, Dutch dividend withholding tax on dividends distributed by Fortis N.V.

Pursuant to the tax treaty between The Netherlands and Belgium, with respect to dividends distributed by Fortis SA/NV's Dutch residents are generally entitled to a reduced Belgian withholding tax rate of 15%. This withholding tax is creditable against Dutch (corporate) income tax, subject to the rules set forth below.

According to Dutch domestic anti-dividend stripping rules, no credit against Dutch (corporate) income tax, exemption from, reduction in or refund of, Dutch dividend withholding tax will be granted if the recipient of the dividend paid by Fortis N.V. is not considered to be the beneficial owner (*uiteindelijk gerechtigde*) of such dividends as meant in these rules. The concept of beneficial ownership is also applicable with respect to claiming the benefits of the Dutch-Belgian tax treaty.

Dutch Individuals

Dutch Individuals not engaged or deemed to be engaged in an enterprise or in miscellaneous activities, will be subject annually to an income tax imposed on a fictitious yield on the Rights and the Fortis Shares under the regime for savings and investments (*inkomen uit sparen en beleggen*). Irrespective of the actual income or capital gains realised, the annual taxable benefit of all the assets and liabilities of a Dutch Individual that are taxed under this regime, including the Rights and Fortis Shares, is set at a fixed amount. The fixed amount equals 4% of the average fair market value of the assets reduced by the liabilities measured, in general, at the beginning and end of every calendar year. The tax rate under the regime for savings and investments is a flat rate of 30%.

A Dutch Individual receiving a dividend from Fortis N.V. is entitled to a tax credit for Dutch dividend withholding tax against Dutch income tax due. An excess will be refunded. A Dutch Individual receiving a dividend from Fortis SA/NV is entitled to a tax credit for Belgian dividend withholding tax levied (at a maximum of 15%) against Dutch income tax due under the regime for savings and investments, but not to a refund.

Dutch Companies

Dutch Companies are generally subject to corporate income tax at statutory rates up to 25.5% with respect to any benefits derived or deemed to be derived from Rights or Fortis Shares.

A Dutch Company receiving a dividend from Fortis N.V. is entitled to a tax credit for Dutch dividend withholding tax against Dutch corporate income tax due. An excess will be refunded. A Dutch Company receiving a dividend from Fortis SA/NV is – within certain limitations – entitled to a tax credit for Belgian dividend withholding tax levied (at a maximum rate of 15%) against Dutch corporate income tax due, but not to a refund.

Non-residents

A Dutch non-resident will not be subject to any Dutch taxes on income in respect of the ownership of the Rights or Fortis Shares, other than dividend withholding tax as described above, except if e.g., this holder derives profits from an enterprise, which enterprise is carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in The Netherlands and to which the Rights or Fortis Shares are attributable.

A Dutch non-resident will also be subject to any Dutch taxes on income in respect of its ownership of the Rights or Fortis Shares, if it is an individual and derives benefits from miscellaneous activities (*resultaat uit overige werkzaamheden*) carried out in The Netherlands in respect of the Rights or Fortis Shares, including activities which are beyond the scope of active portfolio investment activities, or if it is entitled – other than by way of the holding of securities – to a share in the profits of an enterprise effectively managed in The Netherlands, to which the Rights or Fortis Shares are attributable.

(ii) Capital gains and losses

For Dutch tax purposes, capital gains realised by a Dutch resident or a Dutch non-resident upon the disposal of its Rights or Fortis Shares are subject to Dutch income tax or Dutch corporate income tax in the same manner as income received by such holder on these Rights or Fortis Shares as described above.

(iii) Gift Tax and Inheritance Tax

No Dutch gift tax or inheritance tax is due in respect of any gift of Rights or Fortis Shares by, or inheritance of Rights or Fortis Shares on the death of, a holder, except if the holder is a Dutch resident or is deemed to be a Dutch resident.

In the case of a Dutch non-resident, Dutch gift tax or inheritance tax may be due in the event that (i) at the time of the gift or the death of the holder, his Rights or Fortis Shares are attributable to an enterprise which is carried on through a permanent establishment or permanent representative in The Netherlands, (ii) the Rights or Fortis Shares are acquired by way of a gift from a holder who passes away within 180 days after the date of the gift and who is not at the time of the gift, but is at the time of his death, a resident of The Netherlands or (iii) the holder is entitled to a share in the profits of an enterprise effectively managed in The Netherlands, other than by way of the holding of securities or through an employment contract, to which enterprise the Rights or Fortis Shares are attributable.

For purposes of Dutch gift or inheritance tax, an individual who is of Dutch nationality will be deemed to be a resident of The Netherlands if it has been a resident in The Netherlands at any time during the ten years preceding the date of the gift or his death.

For purposes of Dutch gift tax, any individual, irrespective of his nationality, will be deemed to be a resident of The Netherlands if it has been a resident of The Netherlands at any time during the 12 months preceding the date of the gift. Furthermore, under specific circumstances, a holder will be deemed to be a resident of The Netherlands for purposes of Dutch gift and inheritance tax, if the heirs jointly or the recipient of the gift, as the case may be, so elect.

(iv) Other Taxes and Duties

No other taxes and duties (including capital tax and stamp duty) are due by or on behalf of a holder in respect of or in connection with the purchase, ownership and disposal of the Rights or Fortis Shares.

(v) Residency

A holder will not become a resident or deemed resident of The Netherlands for tax purposes by reason only of holding the Rights or Fortis Shares.

(vi) Unexercised Rights Payment

No Netherlands dividend withholding tax will be due in respect of the issue of Rights and the payment of Unexercised Rights Payments.

(vii) Return of capital

As described in paragraph (i) ("**Dividends**"), a partial repayment of paid-in capital is considered a dividend in the event and to the extent that (i) such capital is not recognised for Dutch dividend withholding tax purposes or (ii) if it is recognised for Dutch dividend withholding tax purposes, the company has net profits (*zuivere winst*). A payment under (ii) will however not be considered a taxable dividend in the event that the General Meeting of Shareholders of the company had resolved in advance to make such payment and the par value of the shares concerned has been reduced with an equal amount by way of an amendment to the articles of association of the company.

For Dutch Individuals not engaged or deemed to be engaged in an enterprise or in miscellaneous activities that are being taxed under the regime for savings and investments, a partial repayment of paid-in capital will in itself not be subject to Dutch income tax. For more information see paragraph (i) ("**Dutch Individuals**"). For a Dutch Company a partial repayment of paid-in capital could be subject to Dutch corporate income tax, but this depends on the facts and circumstances.

8.2.4 Luxembourg taxation

The following is intended as general information only and it does not purport to present any comprehensive or complete description of all aspects of Luxembourg tax law which could be of relevance to a holder of Fortis Shares or Rights. Prospective shareholders should therefore consult their tax adviser regarding the tax consequences of any purchase, ownership or disposal of Fortis Shares or Rights.

The following summary is based on current Luxembourg tax law, regulations and administrative interpretations, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

This Section does not describe the tax treatment of investors that are subject to special tax rules, such as pension funds, investment funds, shareholders that are individuals engaged in an enterprise or miscellaneous activities to which the Fortis Shares or Rights are attributable or shareholders who receive Fortis Shares or Rights as income from employment.

For the purpose of this summary, a "**Luxembourg resident**" is (i) an individual who has his fiscal domicile in Luxembourg for purposes of Luxembourg income tax or (ii) a company that has either its statutory seat or its effective place of management in Luxembourg and which is subject to Luxembourg corporate income tax.

The expression "Fortis SA/NV/Fortis N.V." used in the following Section in connection with determined percentages or absolute values relates to each company considered individually.

(i) Dividends

General rules

For Luxembourg tax purposes, any distribution made by a company under the form of dividends, profit shares and any other income allocated, under whatever form, with respect of shares, interest, or other participations of any nature held in a company is considered as income from capital.

Luxembourg Resident Individuals

Luxembourg resident individuals receiving dividend from a Belgian or Dutch source (Fortis SA/NV/Fortis N.V.) will have to declare this dividend as income from capital in their annual income tax return.

This income will be added to the other categories of income earned by the individual and the global income will be submitted to Luxembourg income tax. The maximum marginal income tax rate currently amounts to 38.95%.

Based on Article 115 (15a) of the Luxembourg Income Tax Law, a 50% exemption of the gross dividend received from Fortis SA/NV/Fortis N.V. can be obtained.

According to the tax treaties concluded between Luxembourg and Belgium and Luxembourg and The Netherlands, and based on Luxembourg income tax law, withholding tax levied in the source country of the dividend can be credited against the income tax that is payable in Luxembourg on the dividend, the non creditable part remaining tax deductible.

Dividend income will also be subject to dependence contribution of 1%.

Luxembourg Resident Companies

Luxembourg companies are generally subject to Luxembourg corporate income and municipal business tax at a rate of 29.63% (for companies having their registered seat in Luxembourg City) with respect to dividends derived from Fortis SA/NV/Fortis N.V.

A Luxembourg company receiving a dividend from Fortis SA/NV/Fortis N.V. is entitled to a tax credit for Dutch or Belgian dividend withholding tax against Luxembourg corporate income tax. Any excess will not be refunded, but will be admitted as a tax deductible expense for the determination of the taxable result of the beneficiary company.

Additionally, companies that qualify under the Parent-Subsidiary Directive may benefit from a tax exemption on the dividends received.

Indeed, according to Article 166 Income Tax Law dividends are exempt from corporate income tax and municipal business tax if the following conditions are met:

The Luxembourg beneficiary holding Fortis SA/NV/Fortis N.V. Shares is:

- a fully taxable resident organisation with a collective character which has one of the forms listed in the appendix of art. 166, paragraph 10; or
- a resident fully taxable limited liability company which is not listed in the appendix of art. 166, paragraph 10; or
- a Luxembourg permanent establishment of an organisation with a collective character whose legal form falls within the scope of Article 2 of the amended Parent Subsidiary Directive; or
- a Luxembourg permanent establishment of a limited liability company resident in a State with which Luxembourg has signed a double taxation treaty.

Furthermore, at the date the dividend is placed at the disposal of the recipient company, the latter holds or commits itself to hold a direct shareholding in Fortis SA/NV/Fortis N.V. for an uninterrupted period of at least 12 months. Throughout the 12 month period specified above, this shareholding should represent at least 10% in the capital of Fortis SA/NV/Fortis N.V., or its acquisition price should amount to at least EUR 1.2 million. The beneficiary may hold its participation through a transparent entity as defined by Article 175(1) of the Income Tax Law, in which case the direct shareholding will be appreciated according to the proportion held in the net assets invested in the transparent entity.

Insofar as a dividend is tax exempt according to the aforementioned provisions, expenses in direct economic connection with the dividend are not tax deductible.

Based on Article 23 of the Double Tax Treaty between Luxembourg and Belgium, dividends received from Belgian source and submitted to withholding tax in Belgium are tax exempt in Luxembourg if the beneficiary Luxembourg company has, since the beginning of its accounting year, a direct participation of at least 25% or with an acquisition price of at least approximately EUR 6.25 million in Fortis SA/NV; Belgian withholding tax will however not be creditable against Luxembourg corporate income tax, nor will it be deductible from assessment basis.

If, for dividends received from a Belgian source and for which the aforementioned conditions are not met or for dividends received from a Dutch source, the conditions of Article 115 (15a) are met, 50% of the gross dividend will be tax exempt.

Non-residents

A Luxembourg non-resident will not be subject to any Luxembourg taxes on income in respect dividends received in respect of Fortis SA/NV/Fortis N.V., except if this shareholder derives profits from an enterprise, which enterprise is carried on through a permanent establishment in Luxembourg and to which the Fortis SA/NV/Fortis N.V. Shares are attributable. However, exemption on dividends derived from Fortis SA/NV/Fortis N.V. Shares may apply, if the conditions of the participation exemption are met.

(ii) Capital gains and losses

According to the double tax treaty concluded between Luxembourg and Belgium and Luxembourg and The Netherlands, any capital gain realised by any person tax-resident in Luxembourg upon the disposal of shares in a Belgian or Dutch resident company are taxable in Luxembourg.

Luxembourg Resident Individuals

The tax treatment of capital gains realised upon the disposal by a Luxembourg resident individual of its Fortis SA/NV/Fortis N.V. Shares will depend from the threshold of participation in the capital and from the holding period.

- If the Luxembourg resident individual holds shares representing 10% or less of the share capital of Fortis SA/NV/Fortis N.V., any capital gain realised upon the disposal of these Fortis Shares within six months following their acquisition will be added to any other taxable income of the individual and will be submitted to income tax at a progressive rate (maximum rate being 38.95%). If the sale takes place more than six months after the acquisition, the capital gain will be tax exempt.
- If the Luxembourg resident individual alone or together with his/her spouse or minor children holds directly or indirectly a participation of more than 10% in the share capital of Fortis SA/NV/Fortis N.V., the capital gain will be taxable at the normal progressive income tax rate, if the disposal occurs within six months following the acquisition. If the disposal takes place more than six months after the acquisition, the capital gain will be taxed at half of the income that rate that would normally apply to its global taxable income (with a maximum of 19.475%).

Luxembourg Resident Companies

Any capital gain realised by a Luxembourg resident company on the disposal of Fortis SA/NV/Fortis N.V. Shares will be fully taxable, unless Luxembourg participation exemption applies (Article 166 LIR and grand-ducal decree dated 21 December 2001), i.e. the shareholding in Fortis SA/NV/Fortis N.V. represents at least 10% of the capital of the latter or its acquisition price amounts to at least EUR 6 million and, at the date of the disposal, the seller holds or commits himself to hold such participation for an uninterrupted period of 12 months.

Moreover, any tax exempt capital gain realised upon the disposal of the participation will be reduced by the total amount of the previously deducted related expenses (recapture mechanism). As a result, the capital gain will be taxable to the extent of the sum of costs and reductions in value which have been previously deducted from the taxable basis.

Non-residents

A Luxembourg non-resident will not be subject to any Luxembourg taxes on income in respect of the disposal of the Fortis SA/NV/Fortis N.V. Shares, except if this shareholder derives profits from an enterprise, which enterprise is carried on through a permanent establishment in Luxembourg and to which the Fortis Shares are attributable. However, exemption on capital gain derived from Fortis SA/NV/Fortis N.V. Shares may apply, if the conditions of the participation exemption are met.

(iii) Exercise and sale of Rights and Scrips

The exercise of the Rights will not trigger any taxation in Luxembourg.

Gains realised by an individual holder of the Rights or Scrips who acts in the course of the management of his private wealth and who is a resident of Luxembourg for tax purposes are not subject to the Luxembourg income tax on the sale of the Rights or Scrips, unless they are taxed as speculative capital gains. Speculative capital gains realised on the sale of the Rights or Scrips within six months of their acquisition will trigger taxation at the full income tax rate.

Gains realised by a corporate holder of the Rights or Scrips or by an individual holder of the Rights or Scrips acting in the course of the management of a professional or business undertaking, who is a resident of Luxembourg for tax purposes or who has a permanent establishment or a fixed place of business in Luxembourg, to which the Rights or Scrips are allocated to serve as part of the business, are subject to Luxembourg income taxes on the sale of the Rights or Scrips. However, for shareholders qualifying for the affiliation privilege (see Section 8.2.4(i) above), the disposal of the Rights may qualify as income from participation and hence may be covered by the “dividend” participation exemption.

(iv) Registration taxes

The purchase, transfer or sale of the Fortis SA/NV/Fortis N.V. Shares will not be subject to a Luxembourg registration or stamp duty.

(v) Net wealth tax

Net wealth tax is assessed annually on unitary value at a rate of 0.5%.

Luxembourg Resident Individuals

Net wealth tax has been abolished for Luxembourg resident individuals.

Luxembourg Resident Companies

Fortis SA/NV/Fortis N.V. Shares held by a Luxembourg resident company will be included in the assessment basis for net worth tax, unless the Luxembourg resident company is:

- a fully taxable resident organisation with a collective character which has one of the forms listed in paragraph 4 of Article 60 of the Luxembourg Valuation Law; or
- a resident fully taxable limited liability company which is not listed in paragraph 4 of Article 60 of the Luxembourg Valuation Law; or
- a Luxembourg permanent establishment of an organisation with a collective character whose legal form falls within the scope of Article 2 of the amended Parent Subsidiary Directive; or

- a Luxembourg permanent establishment of a limited liability company resident in a State with which Luxembourg has signed a double taxation treaty; and,
- at the assessment date, the Fortis SA/NV/Fortis N.V. Shares represent at least 10% of the capital of Fortis SA/NV/Fortis N.V. or have an acquisition price of at least EUR 1.2 million.

Non-residents

Luxembourg net wealth tax will not be levied on a non-resident holder of Fortis Shares unless such shares are attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg.

(vi) Return of capital

Repayment of capital should not be taxable in the hands of the Luxembourg resident shareholders, either individuals or companies. Under such a transaction, neither a profit nor a gain would be realised. In case foreign taxes would however be levied, such charge should not be creditable in Luxembourg.

8.2.5 Certain United States Federal Income Tax Considerations

The following general discussion summarises certain United States federal income tax consequences of the receipt, exercise and disposition of Rights pursuant to the Right Offering, the purchase and subscription of the new Fortis Shares pursuant to the Scrip Offering, and the ownership and disposition of Fortis Shares. This discussion only deals with shareholders that hold Rights or Scrips and Fortis Shares as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "**Code**"). This discussion does not address the U.S. federal income tax consequences that may be relevant to a particular shareholder subject to special treatment under certain U.S. federal income tax laws (for example, persons subject to the alternative minimum tax provisions of the Code). Also, this discussion is not intended to be wholly applicable to all categories of securityholders, some of which, such as dealers in securities or foreign currency, banks, trusts, insurance companies, tax-exempt organisations, holders that hold Fortis Shares, Rights or Scrips as part of a hedging or conversion transaction or a straddle, persons deemed to sell Fortis Shares, Rights or Scrips under the constructive sale provisions of the Code, persons that have a functional currency other than the U.S. dollar and persons owning Fortis Shares, Rights or Scrips through pass-through entities, may be subject to special rules.

This discussion is based on the Code, Treasury regulations promulgated thereunder, administrative pronouncements, judicial decisions and the income tax convention between the United States and Belgium (the "**U.S.-Belgium tax treaty**") and the income tax convention between the United States and The Netherlands (the "**U.S.-Netherlands tax treaty**"), all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect. We have not requested, and will not request, a ruling from the U.S. Internal Revenue Service (the "**IRS**") with respect to any of the U.S. federal income tax consequences described below. We cannot assure you that the IRS will agree with all of the conclusions set forth herein.

The following discussion is limited to holders of Fortis Shares or Scrips that are U.S. Holders. For these purposes, "**U.S. Holder**" means the beneficial owner of a Fortis Share or a Scrip, as applicable, who or that for U.S. federal income tax purposes is (i) an individual who is a citizen or resident of the United States, (ii) a corporation or other entity taxable as a corporation that is created or organised under the laws of the United States or any political subdivision thereof or therein, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source, (iv) a trust subject to the primary supervision of a U.S. court and the control of one or more “U.S. persons” (within the meaning of the Code) or (v) a person whose worldwide income or gain is otherwise subject to U.S. federal income tax on a net income basis.

All holders of Fortis Shares should consult their own tax advisors concerning the U.S. federal income tax laws, as well as the laws of any state, local or non-U.S. taxing jurisdiction, applicable to the receipt, ownership and disposition of Rights, Scrips and Fortis Shares in light of such shareholders’ particular situation.

(i) Distribution of rights

The tax consequences of the receipt of Rights to a U.S. Holder are not free from doubt. Section 305 of the Code is subject to various interpretations and there is uncertainty in the application of Section 305 to an entity having a capital structure such as Fortis’s. However, based on the particular facts relating to the Right Offering, we believe it is appropriate to take the position that a U.S. Holder is not required to include any amount in income for U.S. tax purposes as a result of the receipt of the Rights. It is possible that the IRS will take a contrary view and require a U.S. Holder to include in income the fair market value of the Rights on the date of their distribution. The remainder of this discussion assumes that the receipt of the Rights will not be a taxable event for U.S. federal income tax purposes.

Future distributions of rights or Fortis Shares may be taxable to U.S. Holders.

(ii) Tax Basis in Rights; Holding Period of Rights

The tax basis of the Rights received by a U.S. Holder will be zero, unless either (i) the fair market value of the rights on the date of distribution is at least 15% of the value of the underlying shares, or (ii) the U.S. Holder elects to allocate a portion of its basis in the Fortis Shares to the Rights. In either case, basis will be allocated in proportion to the relative fair market values of the Fortis Shares and the Rights on the date of distribution. A U.S. Holder who wishes to elect to allocate basis must attach a statement to this effect to its U.S. federal income tax return for the tax year in which the Rights are received. The election will apply to all of the Rights received by the U.S. Holder pursuant to the Right Offering and once made, will be irrevocable.

You should consult your own tax adviser regarding the advisability and specific procedures for making such an election in the event that the value of the Rights is less than 15% of the value of the underlying Fortis Shares.

The holding period of a Right in the hands of a U.S. Holder will include the U.S. Holder’s holding period of the underlying Fortis Share with respect to which the Right was distributed.

(iii) Exercise of Rights

A U.S. Holder generally will not recognise gain or loss upon the exercise of a Right.

A U.S. Holder’s basis in each new Fortis Share acquired upon exercise of a Right will equal the sum of (i) the U.S. dollar value of the Issue Price paid by the U.S. Holder for the Fortis Share and (ii) the U.S. Holder’s tax basis (as determined above), if any, in the Right exercised. The holding period of any new Fortis Shares so acquired will not include that of the Rights exercised.

(iv) Sale or Exchange of Rights

A U.S. Holder will recognise taxable gain or loss on the sale or other disposition of Rights in an amount equal to the difference between (i) the amount realised on the disposition and (ii) the U.S. Holder's tax basis, if any, in the Rights. Such gain or loss generally will be U.S. source gain or loss, and will be treated as long-term capital gain or loss if the U.S. Holder's holding period for the Right is more than one year. The deductibility of capital losses is subject to significant limitations.

A U.S. Holder that receives foreign currency on the sale or other disposition of the Rights will realise an amount equal to the U.S. dollar value of the foreign currency on the date of sale or other disposition (or in the case of cash basis and electing accrual basis taxpayers, the settlement date). A U.S. Holder will have a tax basis in the foreign currency received equal to the U.S. dollar amount realised. Any gain or loss realised on a subsequent conversion of the foreign currency into U.S. dollars will be U.S. source ordinary income or loss.

(v) Unexercised Rights Payment

Unexercised Rights Payments will be taxable to U.S. Holders as proceeds from the sale or other disposition of Rights in an amount equal to the difference between the amount of the Unexercised Rights Payment received by a U.S. Holder and the U.S. Holder's tax basis, if any, in the Rights. Such gain or loss generally will be U.S. source gain or loss and will be treated as long-term capital gain or loss if the U.S. Holder's holding period for the Right is more than one year. The deductibility of capital losses is subject to significant limitations.

(vi) Expiration of Rights

In the event a U.S. Holder allows a Right to expire without being sold or exercised, the Right will be deemed to have a zero basis and therefore the U.S. Holder will not recognise a loss upon its expiration. In addition, the U.S. Holder's tax basis in the Fortis Share with respect to which the expired Right was distributed will remain unchanged as compared to its basis prior to distribution of the Right pursuant to the Right Offering.

(vii) Tax Basis in Scrips

The tax basis of the Scrips purchased by a U.S. Holder will be equal to the U.S. dollar value of the subscription price paid by the U.S. Holder for the Scrips.

(viii) Issue of new Fortis Shares resulting from the Scrip Offering

A U.S. Holder will not recognise gain or loss upon the issue of new Fortis Shares resulting from the holding of Scrips.

A U.S. Holder's basis in each new Fortis Share acquired as a result of the holding of a Scrip will equal the sum of (i) the U.S. dollar value of the Issue Price paid by the U.S. Holder for the Fortis Share and (ii) the U.S. Holder's tax basis (as determined above) in the corresponding Scrip. The holding period of any new Fortis Shares so acquired will not include that of the corresponding Scrips.

(ix) Taxation of Dividends

Distributions paid by Fortis to U.S. Holders are taxable as dividend income to the extent such distributions are from Fortis' current or accumulated earnings and profits, as determined for U.S. tax purposes, based on the U.S. dollar value of the dividend on the date it was actually or constructively received (calculated by reference to the spot rate on the relevant date), whether or not converted into U.S. dollars. Any distributions made by Fortis in excess of Fortis' current and accumulated earnings and profits are treated first as a return of capital to the extent of the U.S. Holder's basis in the Shares and thereafter as a capital gain.

Fortis does not, however, maintain calculations of its earnings and profits in accordance with U.S. federal income tax accounting principles. U.S. Holders should therefore assume that any cash distribution paid by Fortis with respect to Fortis Shares will constitute ordinary dividend income. U.S. Holders should consult their own tax advisors with respect to the appropriate U.S. federal income tax treatment of any distribution received from Fortis.

Through tax years beginning on or before 31 December 2010, dividend income received by an individual from a corporation organised in the United States or from a "qualified foreign corporation" is eligible for taxation at the lower rates imposed on long-term capital gains recognised by individuals. The maximum rate of tax for such dividends is 15%.

A non-U.S. corporation is a "qualified foreign corporation" if either (1) its stock with respect to which the dividend is paid is traded on a qualifying U.S. stock exchange or (2) the corporation is eligible for the benefits of a comprehensive tax treaty with the United States that the IRS determines is satisfactory for purposes of the provision reducing the rate of tax on dividends, and that includes an exchange of information program.

Because Fortis' ADRs are publicly traded only on the over-the-counter market which is not a qualifying U.S. stock exchange, Fortis will be a "qualified foreign corporation" only if it is eligible for the benefits of a comprehensive tax treaty with the United States that the IRS determines is satisfactory.

While Fortis SA/NV is generally eligible for the benefits of the U.S.-Belgium tax treaty, and Fortis N.V. is generally eligible for the benefits of the U.S.-Netherlands tax treaty, the legislative history of the relevant legislation indicates that a company will be treated as "eligible for benefits of a comprehensive income tax treaty" only if "it would qualify for the benefits of the treaty with respect to substantially all of its income in the taxable year in which the dividend is paid." The meaning of this legislative history is unclear. Thus, there is uncertainty concerning whether dividends paid by Fortis will be eligible to be subject to tax at the lower rates.

Certain restrictions apply to the ability of an individual U.S. Holder to benefit from the lower rates. For example, the lower rates are only available if you (i) hold your stock for more than 60 days during the 121-day period beginning on the date that is 60 days before the date on which the share becomes ex-dividend (disregarding any period during which you have diminished your risk of loss with respect to the stock (for example, by holding an option to sell such stock)), and (ii) are not under an obligation to make related payments with respect to positions in substantially similar or related property.

If you receive a dividend from Fortis qualifying for the long-term capital gains rates and such dividend constitutes an "extraordinary dividend", and you subsequently recognise a loss on the sale or exchange of the stock in respect of which the "extraordinary dividend" was paid, then the loss will be long-term capital loss to the extent of such "extraordinary dividend."

An "extraordinary dividend" for this purpose is generally a dividend (1) in an amount greater than or equal to 10% of the taxpayer's tax basis (or trading value) in a share of stock, aggregating dividends with ex-dividend dates within an 85-day period, or (2) in an amount greater than 20% of the taxpayer's tax basis (or trading value) in a share of stock, aggregating dividends with ex-dividend dates within a 365-day period.

Dividends paid by Fortis will not be eligible for the dividends-received deduction generally available to U.S. corporations.

A U.S. Holder must include in income the U.S. dollar value of any Euro payment made, determined at the spot rate in effect on the day the dividend is actually or constructively received, regardless of whether the payment is in fact converted to U.S. dollars. If the Euros are converted into U.S. dollars on the date such payment is received, the U.S. Holder should not be required to recognise any foreign currency gain or loss with respect to the receipt of the Euros. If, instead, the Euros are converted at a later date, any currency gains or losses resulting from such conversion will be treated as U.S. source ordinary income or loss.

Subject to certain limitations and restrictions, a U.S. Holder may elect to credit the Belgian or Dutch tax withheld from dividend distributions against its U.S. federal income tax liability; alternatively such U.S. Holder may deduct such tax in computing its taxable income. You are urged to consult your own tax advisor concerning whether, and to what extent, a foreign tax credit or deduction will be available with respect to taxes withheld on dividends received from Fortis and the treatment of any foreign currency gain or loss on any Euros received with respect to Fortis Shares that are not converted into U.S. dollars on the date the Euros are actually or constructively received.

(x) Sale or Exchange of Fortis Shares

Gain or loss realised by a U.S. Holder on the sale or other disposition of Fortis Shares will be subject to U.S. federal income taxation as capital gain or loss in an amount equal to the difference between (i) the amount realised on the disposition and (ii) the U.S. Holder's adjusted tax basis in the Fortis Shares. Such gain or loss generally will be U.S. source gain or loss, and will be treated as long-term capital gain or loss if the Fortis Shares have been held for more than one year. The deductibility of capital losses is subject to significant limitations.

A U.S. Holder that receives foreign currency on the sale or other disposition of Fortis Shares will realise an amount equal to the U.S. dollar value of the foreign currency on the date of sale or other disposition (or in the case of cash basis and electing accrual basis taxpayers, the settlement date). A U.S. Holder will have a tax basis in the foreign currency received equal to the U.S. dollar amount realised. Any gain or loss realised on a subsequent conversion of the foreign currency into U.S. dollars will be U.S. source ordinary income or loss.

(xi) Structure of Fortis

Fortis is composed of two separate corporate entities, Fortis SA/NV and Fortis N.V. Fortis Shares represent twinned Fortis SA/NV and Fortis N.V. shares. There is some uncertainty as to the United States federal income tax consequences of transactions involving the Fortis Shares and Rights in light of Fortis' dual corporation structure.

(xii) Return of Capital

If the ABN AMRO Offer is terminated or otherwise not completed and the Offering has already been completed, proceeds of the Offering may be distributed to all holders of Fortis Shares whether or not any particular holder exercised the Rights distributed in the Offering. Such a payment to a U.S. Holder will be taxable as a dividend to the extent of Fortis' current or accumulated earnings and profits, as determined for U.S. tax purposes, based on the U.S. dollar value of the payment on the date it was actually or constructively received (calculated by reference to the spot rate on the relevant date). Any such payment in excess of Fortis' current and accumulated earnings and profits will be treated first as a return of capital to the extent of the U.S. Holder's basis in the Fortis Shares and thereafter as capital gain. As noted above, Fortis does not maintain calculations of its earnings and profits in accordance with U.S. federal income tax accounting principles. U.S. Holders should therefore assume that any cash distribution paid by Fortis with respect to Fortis Shares will constitute ordinary dividend income. For more detailed discussion of the treatment of dividend payments, see Taxation of Dividends above. U.S. Holders should consult their own tax advisors with respect to the appropriate U.S. federal income tax treatment of any distribution received from Fortis.

A U.S. Holder who sells its Fortis Shares prior to the ex-dividend date with respect to the payment described above will not recognise dividend income but will instead recognise gain or loss on the sale equal to the difference between such U.S. Holder's adjusted basis in the Fortis Shares sold and the amount realised on the sale.

(xiii) Passive Foreign Investment Company

Fortis does not expect to be a passive foreign investment company (a "**PFIC**") for Fortis' current or future taxable years; however, since this is a factual determination made annually, there can be no assurance that Fortis will not be considered a PFIC for any taxable year. In general, Fortis will be a PFIC with respect to a U.S. Holder, if, for any taxable year in which the U.S. Holder held Fortis Shares, either (i) at least 75% of Fortis' gross income for the taxable year is "passive income" or (ii) at least 50% of the value (determined on the basis of a quarterly average) of Fortis' assets is attributable to assets that produce or are held for the production of passive income. In general, passive income for this purpose does not include income (i) derived in the active conduct of an insurance business by a corporation predominantly engaged in an insurance business or (ii) derived in the active conduct of a banking business by an institution licensed to do business as a bank in the United States, or by any other corporation to the extent provided in regulations. Proposed Treasury Regulations provide that banking income earned by an active bank is nonpassive income. A foreign corporation is an active bank if it actively conducts a banking business and meets certain licensing, deposit-taking and lending requirements set forth in Proposed Treasury Regulations. If Fortis were to be treated as PFIC, in general, unless a U.S. Holder makes a mark-to-market election, gain realised on the sale or other disposition of Fortis Shares and certain "excess distributions" with respect to

Fortis Shares would be allocated on a straight-line basis over such holder's holding period for the Fortis Shares.

The gain so allocated would be taxed as ordinary income at the highest rate in effect for each year in the U.S. Holder's holding period, other than the year of sale or disposition and years prior to the year in which Fortis first met the definitional criteria of PFIC, and an interest charge would be imposed in respect of the tax attributable to each such year subject to the same exceptions; gain allocable to the year of sale or disposition and years prior to the year in which Fortis first met the definitional criteria of PFIC would be treated as ordinary income.

(xiv) Related Person Insurance Income

Adverse U.S. federal income tax consequences will apply to certain U.S. Holders if 25% or more of Fortis' stock (by vote or value) is deemed to be owned (directly or indirectly) by such holders, such holders or parties related to such holders are deemed to be insured or reinsured (directly or indirectly) by Fortis, and certain other conditions are met. U.S. Holders should consult their own tax advisors regarding the applicability of these rules to their particular circumstances.

(xv) United States Information Reporting and Backup Withholding

Payments made to U.S. Holders of dividends on Fortis Shares or proceeds from the sale of Rights or the sale, exchange, redemption or disposal of Shares may be subject to information reporting to the IRS and possible U.S. federal backup withholding unless the holder establishes a basis for exemption. Backup withholding will not apply to a U.S. Holder who furnishes a correct taxpayer identification number or certificate of non-U.S. status and makes any other required certification, or who otherwise establishes an exemption from backup withholding. Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder's U.S. federal income tax liability.

A U.S. Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS and furnishing any required information.

8.3 Terms and conditions of the Offering

8.3.1 Shares offered

(i) Fortis SA/NV Shares

Fortis SA/NV will issue a maximum of 1,076,000,000 Fortis SA/NV Shares with Fortis SA/NV VVPR Strips. The statutory preference right of existing shareholders will be excluded in relation to this issuance but a non-statutory preference right will however be granted to such shareholders, subject to applicable securities laws and except that no Rights will be granted to Fortis SA/NV or Fortis N.V. in respect of their own Fortis Shares.

The exact number of Fortis SA/NV Shares to be issued will be decided by the Boards of Directors of the Issuers on 20 September 2007, announced by press release on or around 21 September 2007 and will be published in the Financial Press on or around 22 September 2007.

(ii) Fortis N.V. Shares

Fortis N.V. will issue a maximum of 1,076,000,000 Fortis N.V. Shares. The statutory preference right of existing shareholders will be excluded in relation to this issuance but a non-statutory preference right will however be granted to such shareholders, subject to applicable securities laws and except that no Rights are granted to Fortis N.V. or Fortis SA/NV in respect of their own Fortis Shares.

The exact number of Fortis N.V. Shares to be issued will be decided by the Boards of Directors of the Issuers on 20 September 2007, announced by press release on or around 21 September 2007 and will be published in the Financial Press on or around 22 September 2007.

(iii) Fortis Share

In accordance with the articles of association of Fortis SA/NV and of Fortis N.V., a Fortis SA/NV Share can only be issued together with a Fortis N.V. Share and vice versa, each forming a Fortis Share. The new Fortis Shares are offered pursuant to the Rights and the Scrips at the Issue Price and in accordance with the Ratio.

The Rights, each comprising a Fortis SA/NV right and a Fortis N.V. right, will be represented by coupon No. 40 of the Fortis Shares. No fractional Fortis Shares will be issued. The corresponding coupon of the Fortis SA/NV VVPR Strips couponsheet has no value.

8.3.2 Issue Price and Ratio

The Issue Price will be determined by the Boards of Directors of the Issuers prior to the opening of the Offering based on the prices of the Fortis Share as quoted on the regulated market of Euronext Brussels, on Eurolist by Euronext Amsterdam and on the EU regulated market of the Luxembourg Stock Exchange, to which a discount will be applied as is usual for such transactions. The level of discount will be determined in accordance with market practice, depending on market conditions prevailing at the time and taking into account the recent performance of the Fortis Share on the relevant stock exchanges. The Issue Price is expected to be announced by press release on or around 21 September 2007 and will be published in the Financial Press on or around 22 September 2007. The Issue Price will be contributed to Fortis SA/NV and Fortis N.V. in equal amounts.

The Ratio, in which an Eligible Person against payment of the Issue Price, will have the right to subscribe to new Fortis Shares for each certain number of Rights held, will be announced in the same manner as the Issue Price.

8.3.3 Amount of the issue

The amount of the issue will be announced by press release on or around 21 September 2007 and published in the Financial Press on or around 22 September 2007, together with the Issue Price, the exact number of Fortis Shares to be issued and offered in this Offering and the Ratio.

8.3.4 Offering procedure

(i) Right Offering

Subject to restrictions due to applicable securities laws (see Section 8.3.14 below and as described below), existing Fortis shareholders as at the closing of each relevant stock exchange on 24 September 2007 and persons having acquired Rights during the Right Subscription Period will have the right to subscribe to the new Fortis Shares, at the Issue Price and in accordance with the Ratio.

The Rights, represented by coupon No. 40 of the Fortis Shares, will be separated from the underlying Fortis Shares on 24 September 2007 after the closing of each relevant stock exchange and will be negotiable on the regulated market of Euronext Brussels, on Eurolist by Euronext Amsterdam and on the EU regulated market of the Luxembourg Stock Exchange during the entire Right Subscription Period.

Any sale of Fortis Shares prior to the closing of each relevant stock exchange on 24 September 2007 and to be settled after 25 September 2007 will be settled "cum Rights" and any Fortis Shares sold on or after the closing of each relevant stock exchange on 24 September 2007 will be sold and settled "ex Rights". The Right Subscription Period will open from 25 September 2007 to 9 October 2007 inclusive, as indicated below.

Subject to restrictions due to applicable securities laws (see Section 8.3.14 of the Prospectus and as described below), existing shareholders, whose holding of Fortis SA/NV Shares is registered in the share register of Fortis SA/NV or whose holding of Fortis N.V. Shares is registered in the share register of Fortis N.V., will receive, at the address indicated in the relevant share register, letters informing them of the aggregate number of Rights to which they are entitled and of the procedures that they must follow to exercise or trade their Rights.

Existing shareholders whose holding of Fortis Shares is held in a securities account will in principle be informed by their financial institution of the procedure that they must follow to exercise or trade their Rights.

Existing shareholders holding physical bearer Fortis Shares can participate in the Right Offering by submitting their Rights, represented by physical coupon No. 40, at the counters of the financial institution of their choice. For the purpose of the acceptance of such physical coupons, existing shareholders, submitting these coupons at the counters of a financial institution, may be requested to open a current account and/or a securities account, if such an account has not already been opened. Shareholders are advised to request details of the possible costs.

Subject to restrictions due to applicable securities laws (see Section 8.3.14 of the Prospectus and as described below), Fortis shareholders or transferees of Rights who do not hold the exact number of Rights to subscribe to a round number of new Fortis Shares may elect, during the Right Subscription Period, either to purchase additional Rights in order to acquire additional new Fortis Shares or to transfer or sell their Rights. However, holders of registered Fortis Shares residing in countries other than Belgium and Luxembourg may not proceed with such a purchase or transfer, except for holders of Fortis Shares issued under the Fortis stock option plans described in Section 6.4.2 of the Prospectus residing in The Netherlands who may transfer or sell their Rights (but not purchase additional Rights to be combined with the Rights to which they are entitled in their capacity as holders of registered Fortis Shares).

Rights can no longer be exercised after 9 October 2007, which is the last day of the Right Subscription Period.

(ii) Scrip Offering

The Rights that are not exercised at the time of the closing of the Right Subscription Period will correspond to an equal amount of Scrips.

After the Right Subscription Period has ended, the Joint Global Coordinators will, subject to the terms and conditions of the Underwriting Agreement and this Prospectus, commence the sale pursuant to this Prospectus by way of a private placement, (i) in the EEA and in Switzerland, only to qualified investors (as defined respectively in the Prospectus Directive and in the Swiss Federal Act on Collective Capital Investments) and, (ii) in the United States, to QIBs, of the Scrips in the framework of an accelerated bookbuilding procedure. Through such a procedure, the Joint Global Coordinators will build a book of demand to find a single market-clearing price for the Scrips.

The number of Scrips offered in the Scrip Offering will be equal to the number of Rights that have not been exercised at the closing of the Right Subscription Period. Investors that acquire such Scrips irrevocably commit to exercise the Scrips and to subscribe at the Issue Price to a number of new Fortis Shares corresponding to the Scrips acquired by them and in accordance with the Ratio. The Scrip Offering will start on 11 October 2007 and will end on the same day.

If the aggregate proceeds for the Scrips offered and sold in the Scrip Offering, and for the new Fortis Shares issued or to be issued pursuant to the Scrip Offering, after deduction of any expenses relating to procuring such subscribers (including any value added tax), exceed the aggregate Issue Price for the new Fortis Shares issued or to be issued pursuant to the Scrip Offering (such an amount, the "**Excess Amount**"), each holder of a Right that was not exercised at the last day of the Right Subscription Period will be entitled to receive, except as noted below, a part of the Excess Amount in cash proportional to the number of unexercised Rights held by such holder at the last day of the Right Subscription Period (rounded down to a whole eurocent per unexercised Right) (the "**Unexercised Rights Payment**").

If the Excess Amount divided by the total number of unexercised Rights is less than EUR 0.01, the holders of any unexercised Rights are not entitled to receive an Unexercised Rights Payment and, instead, any Excess Amount will be transferred to the Issuers. The amount of the Excess Amount will be published in the Financial Press on or around 13 October 2007.

If the Issuers have announced that an Excess Amount is available for distribution to holders of unexercised Rights and such holders have not received payment thereof within a reasonable time following the closing of the Scrip Offering, they should contact their financial intermediary, except for registered Fortis shareholders who should contact Fortis.

The Scrip Offering will only take place if not all of the Rights have been exercised during the Right Subscription Period. Neither the Issuers, the Collecting Agents, nor the Joint Global Coordinators, the Joint-Lead Managers, the Co-Lead Managers, the Co-Managers nor any other person procuring a sale of the Scrips, will be responsible for any lack of Excess Amount arising from any sale of the Scrips in the Scrip Offering.

(iii) Trading in Rights

Trading in the Rights on the regulated market of Euronext Brussels, on Eurolist by Euronext Amsterdam and on the EU regulated market of the Luxembourg Stock Exchange is expected to commence on 25 September 2007 and will continue until 9 October 2007. On the regulated market of Euronext Brussels, on Eurolist by Euronext Amsterdam and on the EU regulated market of the Luxembourg Stock Exchange, the Rights will be traded under the ISIN code BE0099992829. The transfer of Rights will take place as applicable through the book-entry system of Euroclear Nederland, Euroclear Brussels and Clearstream Luxembourg.

Persons interested in trading or purchasing Rights should be aware that the exercise of Rights by holders who are located in countries other than Belgium, The Netherlands or Luxembourg is subject to restrictions as described under Section 8.3.14 below.

(iv) Subscription

If Eligible Persons wish to exercise their Rights, they should instruct their financial intermediary in accordance with its instructions. The financial intermediary will be responsible for collecting exercise instructions from the Eligible Persons and for informing the Collecting Agents of their exercise instructions.

Subject to applicable securities laws, Eligible Persons may instruct their financial intermediary to sell some or all of their Rights, or to purchase (except for Fortis registered shareholders residing in The Netherlands) additional Rights, on their behalf.

All questions concerning the timeliness, validity and form of instructions to a financial intermediary in relation to the exercise, sale or purchase of Rights will be determined by the financial intermediary in accordance with its usual customer relations procedures or as it otherwise notifies the Eligible Person.

None of the Issuers is liable for any action or failure to act by a financial intermediary through which Eligible Persons hold their Fortis Shares or by the Collecting Agents in connection with any subscriptions or purported subscriptions.

Fortis registered shareholders will have to follow the instructions mentioned in the letter that they will receive from Fortis informing them of the aggregate number of Rights to which they are entitled to and of the procedure they have to follow to exercise and trade their Rights.

8.3.5 Subscription periods

(i) Right Subscription Period

Eligible Persons may subscribe to new Fortis Shares by exercising their Rights from 25 September 2007 until 9 October 2007 inclusive.

The last date and/or time before which notification of exercise instructions may be validly given by the Eligible Persons may be earlier, depending on the financial institution through which the Rights of such Eligible Persons are held and depending on the instructions letter that will be sent by Fortis SA/NV to the Fortis registered shareholders. Eligible Persons who have not exercised their Rights by the last day of the Right Subscription Period will no longer be able to exercise their Rights thereafter.

(ii) Scrip Offering Period

The private placement reserved, in the EEA and in Switzerland, only to qualified investors (as defined respectively in the Prospectus Directive and in the Swiss Federal Act on Collective Capital Investments) and, in the United States, only to QIBs as defined in Rule 144A of the U.S. Securities Act, will start on 11 October 2007 and will end on the same day.

8.3.6 Reduction of the subscription

It will not be possible to reduce the subscription during the Right Subscription Period. Hence, no procedure to refund any excess amounts paid by subscribers needs to be organised.

8.3.7 Minimum or maximum amount that may be subscribed

There is no minimum and/or maximum amount of application in the Offering.

8.3.8 Fortis Shares held by the Issuers and their subsidiaries

No Rights are granted to Fortis SA/NV and Fortis N.V. in respect of their own Fortis Shares.

Subsidiaries of Fortis SA/NV and Fortis N.V. are granted Rights in respect of the Fortis Shares that they hold. In accordance with applicable legal provisions, these subsidiaries may not exercise any Rights, but may sell them on each relevant stock exchange.

See Section 5.2.1 regarding the number of Fortis Shares held by the Issuers and their subsidiaries.

8.3.9 Revocation of the Offering

Fortis will not revoke this Offering.

8.3.10 Revocation of the acceptance - Supplement to the Prospectus

Fortis will update the information provided in this Prospectus by means of a supplement hereto if a significant new factor that may affect the evaluation by prospective investors of the Offering occurs prior to the last day of the Scrip Offering Period. Any prospectus supplement is subject to approval by the CBFA and the AFM. If a supplement to the Prospectus is published on or prior to the last day of the Right Offering Period, subscribers in the Right Offering shall have the right to withdraw their subscriptions made prior to the publication of the supplement. If a supplement to the Prospectus is published on or prior to the last day of the Scrip Offering Period, subscribers in the Scrip Offering shall have the right to withdraw their subscriptions made prior to the publication of the supplement. Such withdrawal must be done within the time limits set forth in the supplement (which shall not be shorter than two business days after publication of the supplement). Any Right or Scrip in respect of which the subscription has been withdrawn shall be deemed to have been unexercised for the purposes of the Offering. Any supplement to the Prospectus will be published in the Financial Press or made available by any other permitted method of distribution. If Fortis does not provide an update with respect to such event, the CBFA and the AFM may suspend the Offering until such event has been made public. The above applies to subscriptions in both the Right Offering and the Scrip Offering.

8.3.11 Payment of funds and terms of delivery of the new Fortis Shares

The payment of the subscriptions with Rights is expected to take place on or around 15 October 2007 and will be done by debit of the subscriber's account with the same value date.

The payment of the subscriptions in the Scrip Offering is expected to take place on or around 15 October 2007, subject to the restrictions in the Underwriting Agreement set out in Section 8.3.15 below which may be require that the realisation of part of the capital increase resulting from the Scrip Offering be deferred. The payment of the subscriptions in the Scrip Offering will be done by delivery against payment.

Delivery of the new Fortis Shares and Fortis SA/NV VVPR Strips issued on or around 15 October 2007 will take place on the date of issue as applicable through the book-entry system of Euroclear Nederland, Euroclear Brussels and Clearstream Luxembourg.

8.3.12 Publication of the results of the Offering

The results of the Offering, as well as the amount of the Unexercised Rights Payment due to holders of Rights that were not exercised, will be published in the Financial Press on or around 13 October 2007.

8.3.13 Expected timetable of the transaction[61]

20 September 2007	T-2	Decision to increase the capital by the Boards of Directors of the Issuers, including the number of new Fortis Shares to be offered, the Issue Price and the Ratio
21 September 2007	T-1	Press release on number of new Fortis Shares to be offered, Issue Price and Ratio
22 September 2007	T	Publication in the Financial Press of number of new Fortis Shares to be offered, Issue Price and Ratio
24 September 2007	T+2	Availability of Prospectus on Fortis website: www.fortis.com
25 September 2007	T+3	Availability of copies of Prospectus Opening of Right Subscription Period
9 October 2007	T+17	End of Right Subscription Period
11 October 2007	T+19	Press release on results of Right Offering Scrip Offering Period
13 October 2007	T+21	Publication in the Financial Press of results of Offering and amount due to holders of unexercised Rights
15 October 2007	T+23	Payment of new Fortis Shares subscribed with Rights and with Scrips Realisation of capital increase in relation to Right Offering and Scrip Offering Listing and delivery to subscribers of new Fortis Shares subscribed with Rights and with Scrips

The Issuers may adjust the dates, times, the number of realisations of the capital increase and periods given in the timetable and throughout this Prospectus, including as a result of the restrictions in the Underwriting Agreement set out in Section 8.3.15 below which may require that the realisation of part of the capital increase resulting from the Scrip Offering be deferred. Should the Issuers decide to adjust dates, times or periods, they will notify Euronext Brussels, Euronext Amsterdam and the Luxembourg Stock Exchange and inform the investors through a publication in the Financial Press. Any material alterations of this Prospectus will be published in a press release and an advertisement (i) in the Financial Press and (ii) in a supplement to this Prospectus.

[61] "T" refers to calendar days.

8.3.14 Plan for the distribution and allocation of securities

(i) Category of potential investors – Countries in which the Offering will be open – Restrictions applicable to the Offering

Category of potential investors

Since the Offering is carried out with the granting of a non-statutory preference right for the existing shareholders, Rights are allocated to all the shareholders of the Issuers, subject to applicable securities laws (see Section 8.3.14 below) and except that no Rights are granted to Fortis SA/NV and Fortis N.V. in respect of their own Fortis Shares. Both the initial holders of Rights and any transferees of Rights, as well as the qualified investors that may purchase Scrips in the Scrip Offering, may subscribe to the new Fortis Shares, subject to the applicable securities laws referred to above.

In accordance with Article 501 of the Belgian Companies Code, certain holders of subscription rights (*droits de souscription/warrants*) issued under the Fortis stock option plans (see Section 6.4.2 above), each giving the right to subscribe to one new Fortis Share, have a right of (early) exercise of their subscription rights. Holders who exercise their subscription rights can subsequently exercise or sell the Rights attached to the Fortis Shares resulting from the exercise of such subscription rights, subject to the same restrictions that may apply to existing shareholders in jurisdictions outside Belgium, The Netherlands and Luxembourg. The Issuers have informed the holders of subscription rights accordingly.

The Scrip Offering is reserved, in the EEA and in Switzerland, only to qualified investors (as defined, respectively, in the Prospectus Directive and in the Swiss Federal Act on Collective Capital Investments) and, in the United States, to QIBs as defined in Rule 144A of the U.S. Securities Act.

Countries in which the Offering will be open

The Rights are granted to all Fortis shareholders (except that no Rights are granted to Fortis SA/NV and Fortis N.V. in respect of their own Fortis Shares) and may only be exercised by Fortis shareholders who can lawfully do so under any law applicable to those shareholders. The Fortis Shares to be issued upon the exercise of Rights are being offered only to holders of Rights to whom such offer can be lawfully made under any law applicable to those holders. Fortis has taken all necessary action to ensure that Rights, and Fortis Shares to be issued upon the exercise of Rights, may be lawfully exercised and offered to the public (including Fortis shareholders and holders of Rights) in Belgium, The Netherlands and Luxembourg. Fortis has not taken any action to permit any offering of Rights or Fortis Shares to be issued upon the exercise of Rights (including a public offering to Fortis shareholders or holders of Rights) in any other jurisdiction.

The Scrips, and the Fortis Shares to be issued upon exercise of Scrips or as a result of the Scrip Offering, are being offered, in the EEA and in Switzerland, only to qualified investors (as defined, respectively, in the Prospectus Directive and in the Swiss Federal Act on Collective Capital Investments) and, in the United States, to QIBs as defined in Rule 144A of the U.S. Securities Act. The Scrips, and Fortis Shares to be issued upon exercise of Scrips or as a result of the Scrip Offering, are not being offered to any other persons or in any other jurisdiction.

The distribution of this Prospectus, the acceptance, sale or exercise of Rights, the purchase and the exercise of Scrips and the subscription to and acquisition of Fortis Shares may, under the law of certain countries other than Belgium, The Netherlands and Luxembourg, be governed by specific regulations. Individuals in possession of this Prospectus, or considering the acceptance, sale or exercise of Rights, the purchase or exercise of Scrips or the subscription to, or acquisition of, Fortis Shares, must inquire about those regulations and about possible restrictions resulting from them, and comply with those restrictions. Intermediaries cannot permit the acceptance, sale or exercise of Rights, the purchase or exercise of Scrips or the subscription to, or acquisition of, Fortis Shares, for clients whose addresses are in a country where such restrictions apply. No person receiving this Prospectus (including trustees and nominees) may distribute it in, or send it to, such countries, except in conformity with applicable law.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Rights, the Scrips and new Fortis Shares to which they relate or an offer to sell or the solicitation of an offer to buy Rights, Scrips or new Fortis Shares in any circumstances in which such offer or solicitation is unlawful.

The following sections set out specific notices in relation to certain countries that, if stricter, shall prevail over the foregoing general notice.

Certain Member States of the European Economic Area

No action has been taken to permit any offer to the public of Rights, Scrips or Fortis Shares to be issued upon the exercise of Rights or Scrips or as a result of the Offering, in any Member State of the EEA and Switzerland (each, an "**Excluded Member State**") other than Belgium, The Netherlands and Luxembourg. Accordingly, the Rights, the Scrips and the Fortis Shares to be issued upon the exercise of Rights or Scrips or as a result of the Offering are offered in any Excluded Member State only (and only to the extent that the relevant exemption in the Prospectus Directive has been implemented in that Excluded Member State):

- to legal entities that are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- to legal entities that have two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than EUR 43,000,000; and (iii) an annual net turnover of more than EUR 50,000,000, as shown in the relevant entity's last annual or consolidated accounts;
- to other persons to whom such offer can be lawfully made under any applicable exemption set out in the Prospectus Directive;

in each case in circumstances where such offer does not result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression "offer to the public" in relation to any Rights, Scrips or Fortis Shares means the communication in any form and by any means of information on the terms of the Offering, the Rights, the Scrips or the Fortis Shares so as to enable an investor to decide to subscribe to any Fortis Share, as the same may be varied in the Excluded Member State where the offer to the public is made by any measure implementing the Prospectus Directive in that Excluded Member State.

See the following paragraphs below for specific notices applying to the United Kingdom, France and Switzerland.

United Kingdom

In the United Kingdom, the Prospectus is for distribution only to qualified investors (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (ii) who are high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons being together referred to as "**Relevant Persons**"). Any investment or investment activity to which the Prospectus relates is available only to persons who are Relevant Persons. Other persons must not act or rely on the Prospectus or any of its contents.

In any case, the Scrip Offering shall only be made to Relevant Persons in the United Kingdom. There shall be no public offering of the Rights, the Scrips or the Fortis Shares in the United Kingdom.

France

The Rights, the Scrips or the new Fortis Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in the Republic of France; the Prospectus or any document relating to the Rights, the Scrips or the new Fortis Shares has not been and will not be distributed to the public in the Republic of France; and any such offer, sale or distribution will be made in the Republic of France only to (i) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (ii) qualified investors (*investisseurs qualifiés*), all as defined in and in accordance with Articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French *Code monétaire et financier*.

In any case, the Scrip Offering shall only be made to qualified investors in France. There shall be no public offering of the Rights, the Scrips or the Fortis Shares in France.

Italy

Neither the Offering nor this Prospectus has been cleared by the *Commissione Nazionale per le Società e la Borsa* (CONSOB) pursuant to applicable Italian securities regulations. Accordingly: (i) no invitation is made in the territory of the Republic of Italy ("**Italy**") to participate to the Offering; (ii) neither this Prospectus nor any other document relating to the Offering may be circulated or distributed in Italy; (iii) no persons in Italy can or will be solicited to participate to the Offering; and (iv) Fortis Shares to be issued upon exercise of Rights or Scrips or as a result of the Offering shall not be subscribed by holders of Rights or Scrips located in Italy.

Exercise of Rights or purchase of Scrips, in whatever form received from persons located in Italy, shall be void and shall not be processed, validated or settled.

Switzerland

In Switzerland, only a limited and select number of investors has been notified of this Prospectus. Each copy of this Prospectus is forwarded to a specially appointed beneficiary and may not be notified to third parties. The Rights, the Scrips or the new Fortis Shares are not offered to the public in Switzerland within the meaning of Article 652a § II of the Swiss Code of Obligations. Neither this Prospectus nor any other document relating to the Rights, the Scrips or the new Fortis Shares may be distributed in the framework of a public offering.

Canada

The distribution of this Prospectus, the exercise or sale of Rights, the purchase and the exercise of Scrips and the subscription to Fortis Shares have not been and will not be qualified for sale under the securities laws of any province or territory in Canada. Except pursuant to applicable private placement exemptions, the Rights, Scrips and the Fortis Shares are not being offered, and may not be offered or sold, directly or indirectly, in Canada or to or for the account of any person resident in Canada. The transfer or resale of the Rights, the Scrips and the Fortis Shares in Canada or to, from or for the account of any person resident in Canada, will be subject to restrictions under applicable Canadian provincial or territorial securities laws.

United States

For this Offering, Fortis is relying on exemptions from registration under the U.S. federal securities law for an offer that does not involve a public offering in the United States. Neither the Fortis Shares nor the Rights have been recommended by any U.S. federal or state securities commission or any other U.S. regulatory authority and they have not determined that this Prospectus is accurate or complete. Any representation to the contrary is a criminal offence.

Neither the Rights, the Scrips nor the new Fortis Shares to be issued upon exercise of Rights or Scrips or as a result of the Offering have been, or will be, registered under the U.S. Securities Act or under any relevant securities laws of any state or other jurisdiction of the United States. Accordingly, in the United States, Rights and Scrips may be offered to, and Rights and Scrips may only be acquired or exercised by, persons that are “qualified institutional buyers” as defined in Rule 144A under the U.S. Securities Act in transactions exempt from the registration requirements of the Securities Act (the “**U.S. Placement**”).

Fortis has agreed that, for so long as any of the Fortis Shares and the Rights are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act, Fortis will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, not exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act.

This discussion relates only to the Rights and the underlying new Fortis Shares being offered in the United States in the Right Offering. The Rights and the new Fortis Shares being offered outside the United States are being offered in accordance with the exemption from registration available under Regulation S under the U.S. Securities Act. The exercise of Rights and the purchase of new Fortis Shares in the Right Offering by QIBs requires certain acknowledgments regarding the restrictions on resale and representations concerning the identity of the purchaser.

As described herein, new Fortis Shares not taken up by holders of Rights will be offered as Scrips in the Scrip Offering (i) in "offshore transactions" outside the United States in accordance with Regulation S under the U.S. Securities Act and (ii) in the United States to QIBs as defined in Rule 144A under the U.S. Securities Act in transactions exempt from the registration requirements of the U.S. Securities Act.

Shareholders that are QIBs may be entitled to participate in the Right Offering in the United States on a private placement basis if they complete the investor representation letter, the form of which is included as Annex A to this Prospectus. In the case of a beneficial owner, the investor representation letter should be forwarded to the nominee, bank or broker or other shareholders through whom the beneficial owner holds the Shares with instructions that the Rights be split to reflect its entitlement and delivered accompanied by the investor representation letter, and with respect to a direct holder or other QIB, the investor representation letter should be returned to Fortis by fax at +32 2 565 23 84 with telephone enquiries to Fortis Corporate Administration at +32 2 565 56 80 / +32 2 312 10 61.

QIBs with questions concerning the procedures for acceptance and payment should also contact the above representative. For legal reasons, Fortis Corporate Administration will only be able to provide you with information in this Prospectus and the accompanying investor representation letter, and will not be able to give advice on the merits of the Right Offering, or provide financial or investment advice.

Beneficial owners that are QIBs and want to participate in the Right Offering should contact the nominees, banks, brokers or other shareholders through which they hold the Fortis Shares to advise such holders that they intend to participate in the Right Offering on a private placement basis and are following the above procedures.

Until the expiration of a period of 40 days starting at the beginning of the Offering, an offer to sell or a sale or transfer of the Rights, the Scrips or new Fortis Shares in the United States by a financial intermediary (whether or not participating in this Offering) may violate the registration requirements of the U.S. Securities Act.

This Offering is made for the securities of companies incorporated under the laws of Belgium and The Netherlands. The Offering is subject to the disclosure requirements of Belgium and The Netherlands, which are different from those of the United States. Financial information included in this Prospectus has been prepared in accordance with IFRS as applicable, which may not be comparable to the financial statements of United States companies.

Prospective investors must not construe the contents of this Prospectus, or its enclosures, as legal or tax advice. Each prospective investor should consult such investor's own counsel, accountant or business adviser as to legal, tax and related matters pertaining to a purchase or exercise of Rights, including matters relating to IFRS, withholding tax or dividends. For a summary of certain U.S. Federal income tax considerations, see Section 8.2 above.

Subject to certain exceptions, this Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe to Fortis Shares and/or Rights to any shareholder with a registered address in, or who is resident in, the United States.

A legally executed copy of the accompanying investor representation letter must be received by the Issuers by facsimile prior to the consummation of any purchase of new Fortis Shares in the Right Offering. Payment for the new Fortis Shares is to be made in Euro at the time of exercise of the Rights.

If you sign such a letter, you will be, amongst other things:

- representing that you and any account for which you are acquiring the Fortis Shares or the Rights are a QIB;
- agreeing not to reoffer, resell, pledge or otherwise transfer the Fortis Shares or the Rights, except:
  - pursuant to an effective registration statement under the U.S. Securities Act;
  - in an offshore transaction in accordance with Rule 903 or 904 of the Regulation S under the U.S. Securities Act;
  - to another QIB in accordance with Rule 144A under the U.S. Securities Act; or
  - with respect to the Fortis Shares only, pursuant to Rule 144 under the U.S. Securities Act (if available);

  and in each case, in compliance with any applicable securities laws of any state or other jurisdiction of the United States; and
- agreeing not to deposit any Fortis Shares into any restricted depositary facility established or maintained by a depositary bank, unless they have been registered pursuant to an effective registration statement under the U.S. Securities Act.

In particular, pursuant to the investor representation letter such purchaser will acknowledge, represent to and agree with Fortis, among other things, that (i) it understands and acknowledges that the Rights and the new Fortis Shares have not been, and will not be, registered under the U.S. Securities Act or any other applicable U.S. securities laws and, subject to certain exceptions, may not be offered or sold, renounced, taken up or delivered, directly or indirectly, in the United States, (ii) it is (a) a "qualified institutional buyer" as defined under Rule 144A under the U.S. Securities Act and (b) aware that any offer and sale of the new Fortis Shares to it pursuant to the Right Offering will be made by way of a private placement in reliance on an exemption from the registration requirements of the U.S. Securities Act, (iii) it is taking up the Rights and new Fortis Shares in the Right Offering (a) for its own account or for the account of one or more other QIBs for which it is acting as duly authorised fiduciary or agent or (b) for a discretionary account or accounts as to which it has complete investment discretion and the authority to make these representations, in each case without a view to and resale or distribution thereof in the United States other than in compliance with the U.S. Securities Act and applicable law, (iv) in the normal course of its business, it invests in or purchases securities similar to the new Fortis Shares and (a) it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in the new Fortis Shares, (b) it understands and is able to bear the economic risk of an investment in the new Fortis Shares for an indefinite period and (c) it has concluded on the basis of information available to it that it is able to bear the risks associated with such investment, (v) it has received a copy of the final Prospectus relating to the Right Offering, has had the opportunity to ask questions of representatives of Fortis concerning Fortis and the Right Offering, the Rights and the new Fortis Shares, and has made its own investment decision to take up the Rights and the new Fortis Shares in the Right Offering on the basis of its own independent investigation and appraisal of the business, financial condition, prospects, creditworthiness, status and affairs of Fortis, the Right Offering and the new Fortis Shares, and (vi) it acknowledges and agrees that it has not taken up the Rights or the new Fortis Shares in the Right Offering as a result of any general solicitation or general advertising, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio or television, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising.

Rule 144 under the U.S. Securities Act is not expected to be available for the sale of any Fortis Shares by QIBs.

Any person in the United States who obtains a copy of this Prospectus and who is not a QIB is required to disregard it.

Scrips and new Fortis Shares to be issued upon exercise of Rights or Scrips to be offered and sold in the Scrip Offering will be offered and sold in “offshore transactions” outside the United States in accordance with Regulation S under the U.S. Securities Act and in the United States to QIBs as defined in Rule 144A under the U.S. Securities Act. Purchasers of Scrips in the Scrip Offering and new Fortis Shares to be issued upon exercise of Rights or Scrips offered in reliance on Regulation S will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S are used herein as defined therein):

- the purchaser is, at the time of the offer to it of Scrips and at the time the buy order originated, outside the United States for the purposes of Rule 903 under the U.S. Securities Act;
- the purchaser is aware that the Scrips have not been and will not be registered under the U.S. Securities Act and are being offered outside the United States in reliance on Regulation S; and

- any offer, sale, pledge or other transfer made other than in compliance with the above-stated restrictions shall not be recognised by Fortis in respect of such Scrips.

Each purchaser of the Scrips located within the United States by accepting delivery of this Prospectus, will be deemed to have made the representations, agreements and acknowledgments as set out above.

(ii) Intention to subscribe

No principal shareholder of either of the Issuers has irrevocably agreed with Fortis to exercise part or all of its Rights.

(iii) Pre-allotment disclosure

There is no pre-allotment treatment in the Offering.

(iv) Notification to subscribers

As the issue is being carried out with a non-statutory preference right for the existing shareholders, only existing shareholders and the transferees of the Rights that have exercised their Rights are guaranteed to receive the number of new Fortis Shares they subscribe to, subject to any applicable securities law.

(v) Over-allotment and green shoe

There is no over-allotment facility and/or green shoe in the Offering.

8.3.15 Placing and underwriting

(i) Collecting Agents

Fortis Bank, Fortis Bank (Nederland) N.V. and Fortis Banque Luxembourg SA will act as Collecting Agents to accept, free of charge (with the exception of costs for the acceptance of physical bearer Fortis Shares), subscriptions to new Fortis Shares through the exercise of the Rights. The financial intermediaries through which Eligible Persons hold their Rights will be responsible for collecting exercise instructions from them and for informing the Collecting Agents of their exercise instructions. Shareholders should request details of the costs that these financial intermediaries may charge.

(ii) Financial service – Paying Agents

The Paying Agents for the Fortis Shares are Fortis Bank and Fortis Bank (Nederland) N.V., providing their financial service free of charge for the Fortis shareholders.

(iii) Underwriting

We will enter into the Underwriting Agreement with Merrill Lynch International acting as representative for the several managers of the Offering (collectively, the "**Managers**"), before the opening of the Right Subscription Period. Pursuant to the terms and subject to the satisfaction of the conditions of the Underwriting Agreement, the Managers will severally agree to underwrite the Offering. The Managers will agree to procure subscribers and payment for, or to subscribe and pay for, all new Fortis Shares offered in this Offering, subject to the satisfaction of the conditions of the Underwriting Agreement.

The effective entering into the Underwriting Agreement will be published, together with the number of new Fortis Shares to be offered, the Issue Price and the Ratio, in the Financial Press on or around 22 September 2007, after such a publication has been approved by the CBFA and the AFM under Article 34 of the Belgian Law of 16 June 2006 on the public offering of securities and the admission of securities to be traded on a regulated market and under Article 5:9(1) of the Financial Markets Supervision Act, respectively.

The Underwriting Agreement will entitle Merrill Lynch International, acting on behalf of the several Managers, to terminate the Underwriting Agreement in certain limited circumstances including in the event of a material adverse change (as defined in the ABN AMRO Offer documentation); such right will terminate from the end of the initial offer period set forth in the ABN AMRO Offer documentation (as the same may be extended) or, if later, the time that the material adverse change condition (under and as defined in the ABN AMRO Offer documentation) can no longer be invoked by the Consortium as a basis for not proceeding with the ABN AMRO Offer, but for the avoidance of doubt, no later than the time the ABN AMRO Offer is declared unconditional.

The Underwriting Agreement will also provide that the Managers will not be obliged to subscribe to new Fortis Shares offered in the Scrip Offering if their underwriting commitment would result in the Managers holding collectively an aggregate shareholding in Fortis in excess of 4.99% on a fully diluted basis without having obtained prior approval or consent from regulatory authorities in a significant number of jurisdictions where the Fortis Group conducts banking and/or insurance operations, including the Benelux. In the event that the subscription of the Managers would be so restricted, Merrill Lynch International will seek to obtain the relevant regulatory approvals or consents as soon as possible after the Scrip Offering Period, and the Managers will lend to Fortis for three months (subject to extension for subsequent periods of three months with a maximum of twelve months after prior approval of the CBFA), an amount equal to the Issue Price of the unsubscribed new Fortis Shares. These new Fortis Shares will be subscribed by the Managers in one or more times at the latest twelve months after the realisation of the capital increase of Fortis resulting from the Scrip Offering expected to take place on or around 15 October 2007. Fortis intends to request CBFA's approval to treat the loan as Tier 1.

Pursuant to the Underwriting Agreement, we have agreed to pay commissions to the Managers of 0.90% % of the aggregate Issue Price plus a fully discretionary success fee. We have also agreed to pay certain costs and expenses incurred by the Managers in connection with the Offering. We have made certain representations, warranties and undertakings to the Managers. In addition, we have agreed to indemnify the Managers against certain liabilities in connection with the Offering.

The Managers or their affiliates are or may be lenders under our existing credit facilities and loans and will receive customary fees and reimbursements of certain expenses in connection with these facilities. The Managers and certain of their affiliates have performed services for, and/or have a banking relationship with us in the ordinary course of business.

(iv) Lock-up agreement

Pursuant to the Underwriting Agreement, we have agreed with the Managers that neither we nor any of our controlled affiliates will for a period ending 180 days from the payment of the subscriptions in the Scrip Offering as mentioned in Section 8.3.11 above, other than in the ordinary course of business, directly or indirectly issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant contract to purchase, exercise any option to sell, purchase any option or contract to sell, or otherwise transfer or dispose of any Fortis Shares or any securities convertible into or exercisable or exchangeable for, or any equity linked securities relating to, Fortis Shares, or certain other transactions having the economic effect of the foregoing, or publicly announce an intention to effect any such transaction with the prior written consent of Merrill Lynch International acting on behalf of the Managers. This restriction will not apply to the issuance, sale or delivery of shares or other securities in with respect to securities outstanding at the time of the Underwriting Agreement, transactions in connection with our employee or director benefit plans in effect on the date of the Underwriting Agreement or intra-group transactions

8.4 Admission to trading and dealing arrangements

8.4.1 Admission to trading

The Rights, represented by coupon No. 40 of the Fortis Shares, will be separated from the underlying Fortis Shares on 24 September 2007 after the closing of each relevant stock exchange and will be negotiable on the regulated market of Euronext Brussels, on Eurolist by Euronext Amsterdam and on the EU regulated market of the Luxembourg Stock Exchange during the entire Right Subscription Period.

Fortis has requested admission to trading of up to 1,076,000,000 new Fortis Shares on the regulated market of Euronext Brussels, on Eurolist by Euronext Amsterdam and on the EU regulated market of the Luxembourg Stock Exchange and of up to 1,076,000,000 Fortis SA/NV VVPR Strips on the regulated market of Euronext Brussels. These admissions are expected to take place on or around 15 October 2007, subject to the restrictions in the underwriting agreement set out in Section 8.3.15 above which may require that the realisation of part of the capital increase resulting from the Scrip Offering be deferred.

8.4.2 Listing places

The new Fortis Shares will be listed on the regulated market of Euronext Brussels, on Eurolist by Euronext Amsterdam and on the EU regulated market of the Luxembourg Stock Exchange under the ISIN code BE0003801181. The new Fortis SA/NV VVPR Strips will be listed on Euronext Brussels under the ISIN code BE0005591624.

8.4.3 Liquidity contract

There is no liquidity contract for the Offering.

8.4.4 Stabilisation - Interventions on the market

Pursuant to the terms of the Underwriting Agreement, Merrill Lynch International or any of its agents can intervene in order to support the trading price of the Fortis Shares or the Rights on the regulated market of Euronext Brussels, on Eurolist by Euronext Amsterdam and on the EU regulated market of the Luxembourg Stock Exchange at a level higher than that which might otherwise prevail. However, there is no assurance that such interventions will take place and they may be discontinued at any time.

These interventions may be carried out from 25 September 2007 until 30 calendar days after the date of announcement of the results of the Offering, expected to be on or around 13 October 2007.

If these interventions are carried out, they will respect market integrity and comply with the Belgian Law of 2 August 2002 on the supervision of the financial sector and financial services, with the Dutch Financial Markets Supervision Act and with Commission Regulation 2273/2003 implementing the EU Directive 2003/06/EC of 28 January 2003 on insider dealing and market manipulation as regards exemptions for buy-back programmes and stabilisation of financial instruments, and with the implementing rules of these provisions.

8.5 Selling securities holders

There is no shareholder offering to sell Fortis Shares in this Offering.

8.6 Expenses of the Offering

The gross and net proceeds of the Offering will be published on or around 13 October 2007 in the Financial Press.

The expenses related to the Offering are estimated at up to EUR 240 million and include, among others, the fees due to the CBFA and AFM, Euronext Brussels, Euronext Amsterdam and the Luxembourg Stock Exchange, the compensation of the Joint Global Coordinators, the Joint-Lead Managers, the Co-Lead Managers and the Co-Managers' fees, and legal and administrative expenses, as well as publication costs.

8.7 Dilution

8.7.1 Consequences in terms of participation in the capital

The dilution in terms of participation by a holder of a Fortis Share in the capital as a result of the Offering will depend on the number of new Fortis Shares to be issued in the Offering.

Assuming that an existing Fortis shareholder holding 1% of the Fortis share capital prior to the Offering would not subscribe to the newly issued Fortis Shares, its participation in the Fortis capital would shift from 1% to one of the percentages indicated in the table below following the full subscription by other investors to the new Fortis Shares to be issued in the Offering.

	Number of Fortis Shares held by shareholder	**Total number of Fortis Shares**	**Participation in the capital**
Situation before issue	13,446,728	1,344,672,795(1)	1.00%
After the issue of the maximum number of Fortis Shares (1,076,000,000) (2)	13,446,728	2,420,672,795	0.56%
After the issue of 50% of the maximum number of Fortis Shares (538,000,000)	13,446,728	1,882,672,795	0.71%

Note:

(1) Number of Fortis Shares representing the Fortis capital as at 30 June 2007.

(2) Maximum number of new Fortis Shares that can be issued in this Offering pursuant to the authorisations granted to the Board of Directors on 6 August 2007.

If a shareholder exercises all Rights granted to it, there will be no dilution in terms of its participation in the Fortis capital nor in terms of its dividend rights.

8.7.2 Financial consequences

Holders of Fortis Shares who exercise their total number of Rights allocated with respect to such Fortis Shares and, accordingly, subscribe to the number of Fortis Shares offered to them in the Offering with respect to such Fortis Shares, will not suffer dilution as a result of the Offering upon its completion.

Shareholders who decide not to exercise their total number of allocated Rights should take into account the risk of a financial dilution of their portfolio. The table below sets out the extent of such a dilution. Theoretically, the value of the Rights offered to the existing shareholders should compensate for the reduction in the financial value of their portfolio resulting from such a dilution. The following table shows that there is no financial dilution in case the Rights trade at or above this theoretical value, as well as the extent of financial dilution if the Rights trade at 50 percent of their theoretical value or if they have no value.

	Price before Rights issue[1]	**Theoretical Ex-Right price**	**Theoretical Right value**	**Theoretical Right value + 50%**	**Theoretical Right value – 50%**	**Theoretical Right value – 100%**
After the issue of 1,076,000,000 new Fortis Shares	31.52	22.88	8.64	12.96	4.32	0.00
% of financial dilution			0.00%	+ 13.72%	- 13.70%	- 27.41%
After the issue of 538,000,000 new Fortis Shares	31.52	29.42	2.10	3.15	1.05	0.00
% of financial dilution			0.00%	+3.34%	- 3.33 %	- 6.67 %

Note:

(1) Price of Fortis Share as at 30 June 2007.

8.8 Interest of natural and legal persons involved in the Offering

There is no natural or legal person involved in the Offering and having an interest that is material to the Offering, other than Managers who are involved in transactions in connection with the ABN AMRO Offer.

Annex A - Investment letter to be used by Purchasers in the United States to certify their QIB status

INVESTMENT LETTER

(Please facsimile this INVESTMENT LETTER to the following address:) ______________ 2007

Facsimile

Fortis Corporate Administration
Rue Royale/Koningsstraat 20
1000 Brussels
Belgium
1WA2A

Phone: +32 2 565 56 80 / +32 2 312 10 61

Fax: +32 2 565 23 84

Ladies and Gentlemen:

In connection with the rights offering (the "**Right Offering**") of Fortis SA/NV and Fortis N.V. ("**Fortis**") and the possibility of subscribing to Fortis shares (the "**Fortis Shares**") by exercising preference rights (the "**Rights**") that may be attributed to or acquired by us, we represent, warrant, agree and confirm to you that:

(i) we understand and acknowledge that the Rights and new Fortis Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act of 1933 (the "**U.S. Securities Act**") and that the Rights and Fortis Shares, and have not been, and will not be, registered under the U.S. Securities Act or any state securities laws and, subject to certain exceptions, may not be offered or sold, renounced, taken-up or delivered, directly or indirectly, in the United States;

(ii) we are (a) a "qualified institutional buyer" as defined under Rule 144A under the U.S. Securities Act (a "**QIB**"), (b) aware that any offer and sale of new Fortis Shares to us pursuant to the Right Offering will be made by way of a private placement in reliance on an exemption from registration under the U.S. Securities Act and (c), if we are acquiring the Fortis Shares as fiduciary or agent for one or more investor accounts, (i) each such account is a QIB, (ii) we have investment discretion with respect to each such account and (iii) we have full power and authority to make the representations, warranties, agreements and acknowledgments herein on behalf of each such account;

(iii) in the normal course of our business, we invest in or purchase securities similar to the Fortis Shares and (a) we have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of an investment in the Fortis Shares, (b) we are able to bear the economic risk of an investment in the Fortis Shares for an indefinite period and (c) if we determine to purchase Fortis Shares or Rights, or to exercise Rights to subscribe to Fortis Shares, we will do so having concluded on the basis of information available to us that we are able to bear the risks associated with such investment;

(iv) we will take up any Rights and Fortis Shares in the Right Offering only (a) for our own account or for the account of one or more other QIBs for which we are acting as duly authorised fiduciary or agent or (b) for a discretionary account or accounts as to which we have complete investment discretion and the authority to make these representations, in each case any Fortis Shares we acquire and for our own account (or for the account of a QIB as to which we exercise sole investment discretion and have authority to make the statements contained in this letter) for investment purposes and not with a view to any resale or distribution thereof other than in compliance with the U.S. Securities Act and applicable law;

(v) prior to making our investment decision, we have received and read a copy of the final prospectus (the "**Prospectus**") relating to the Right Offering and have had access to the financial and other information regarding Fortis as we have requested. We acknowledge that neither Fortis, any of its affiliates nor any other person has made any representation, express or implied, to us with respect to Fortis, the Right Offering, the Fortis Shares or the accuracy, completeness or adequacy of any financial or other information concerning Fortis, the Right Offering or the Fortis Shares, other than (in the case of Fortis and its affiliates only) the information contained in the Prospectus and we may not rely, and have not relied, on any investigation that any person may have conducted with respect to Fortis, the Right Offering or the Fortis Shares. We acknowledge that we have not relied on any information contained in any research reports prepared by the Joint Global Coordinators or Co-Lead Managers or any of their respective affiliates. We understand that there may be certain consequences under United States and other tax laws resulting from an investment in the Fortis Shares and have made such investigation and have consulted such tax and other advisers with respect thereto as we deem appropriate. We are being afforded the opportunity to ask questions of representatives of Fortis concerning Fortis, the Rights and the Right Offering and the new Fortis Shares, and if we determine to purchase Fortis Shares or Rights, or exercise Rights to subscribe to Fortis Shares, we will do so based on our own investment decision to take up new Fortis Shares in the Right Offering on the basis of our own independent investigation and appraisal of the business, financial condition, prospects, creditworthiness, status and affairs of Fortis, the Right Offering, the Rights and the new Fortis Shares;

(vi) we acknowledge and agree that we will not take up Rights or new Fortis Shares in the Right Offering as a result of any general solicitation or general advertising, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio, television or other electronic means, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising;

(vii) we agree that the Rights and the Fortis Shares may not be reoffered, resold, pledged or otherwise transferred, and that we will not re-offer, resell, pledge or otherwise transfer the Rights and the Fortis Shares, except (a) pursuant to an effective registration statement under the U.S. Securities Act, (b) to a person whom the seller and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act or (d) pursuant to an exemption from registration provided by Rule 144 under the U.S. Securities Act (if available), and in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States. We understand that no representation has been made as to the availability of Rule 144 under the U.S. Securities Act or any other exemption under the U.S. Securities Act or any state securities laws for the reoffer, resale, pledge or transfer of the Fortis Shares;

(viii) we understand that, to the extent the Fortis Shares are delivered to our client accounts or their nominee(s) in certificated form, the certificate delivered to our client accounts or their nominee(s) in respect of the Fortis Shares will bear a legend substantially to the following effect for so long as such securities are "restricted securities" within the meaning of Rule 144 under the U.S. Securities Act:

"THE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT, (2) TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT ("**RULE 144A**") PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATIONS UNDER THE U.S. SECURITIES ACT OR (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT (IF AVAILABLE), AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT FOR RESALES OF THE SHARES REPRESENTED HEREBY. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SHARES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF THESE SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.";

(ix) we understand and acknowledge that Fortis shall have no obligation to recognise any offer, sale, pledge or other transfer made other than in compliance with the restrictions on transfer set forth and described herein and that Fortis may make notation on its records or give instructions to any transfer agent of the Fortis Shares in order to implement such restrictions;

(x) we confirm that in the event that we have received any confidential or price sensitive information about Fortis in advance of the Right Offering, we have not (a) dealt in the securities of Fortis, (b) encouraged or required another person to deal in the securities of Fortis, or (c) disclosed such information to any person, prior to the information being made generally available;

(xi) we confirm that, to the extent we are purchasing the Fortis Shares for the account of one or more other persons, (i) we have been duly authorised to sign this letter and make the confirmation, acknowledgements and agreements set forth herein on their behalf and (ii) the provisions of this letter constitute legal, valid and binding obligations on us and any other person for whose account we are acting;

(xii) we understand that the Rights and the Fortis Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and that, for so long as they remain "restricted securities", they may not be transferred in the United States and may not be deposited into any unrestricted depositary facility established or maintained by any depositary bank;

(xiii) we understand that the Offering Materials have been prepared in accordance with the format and style of a prospectus governed by the Prospectus Directive 2003/71/EC, which differs from U.S. format and style and may not contain certain disclosure that may be material to our investment decision. In particular, but without limitation, we understand that the financial information contained in the Offering Materials has been prepared in accordance with International Financial Reporting Standards, and thus may not be comparable to financial statements of United States companies prepared in accordance with United States generally accepted accounting principles.

We understand that the foregoing representations, warranties, agreements and acknowledgements are required in connection with United States and other securities laws and that you and your respective affiliates are entitled to rely on this letter and on the accuracy of the representations, warranties, agreements and acknowledgements contained herein. We agree that if any of the representations, warranties, agreements or acknowledgements made herein is no longer accurate, we shall promptly notify Fortis. You and your respective affiliates are irrevocably authorised to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

This letter shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to any contrary result otherwise required by applicable conflict or choice of law rules.

	Very truly yours,
By Institution:	
Signature:	/s/ Name(s): Titles(s):
Institution's Address:	

<table>
<tr><td>Daytime Telephone Number:</td><td></td></tr>
<tr><td colspan="2">(Please note that this INVESTMENT LETTER does not represent an order to subscribe to Fortis Shares of Fortis by exercising your Rights.)</td></tr>
<tr><td colspan="2">(To subscribe to new Shares by exercising your Rights, please contact your bank.)</td></tr>
</table>

Annex B - Definitions

ABN AMRO Businesses	:	The ABN AMRO businesses to be acquired by Fortis and described in Section 3.3.
ABN AMRO Offer	:	The public offer made jointly by the Consortium for all shares in the capital of ABN AMRO Holding N.V.
AFM	:	The Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*).
CBFA	:	The Belgian Banking, Finance and Insurance Commission (*Commission bancaire, financière et des assurances/Commissie voor het Bank-, Financie- en Assurantiewezen*).
Co-Lead Managers	:	Mediobanca Banca di Credito Finanziario SpA, Santander Investment and Keefe, Bruyette & Woods.
Co-Managers	:	Dresdner Kleinwort, CALYON, KBC, Petercam & Dexia and Bank Degroof.
Collecting Agents	:	• Fortis Bank, Montagne du Parc 3 - 1000 Brussels - Belgium; • Fortis Bank (Nederland) N.V., Rokin 55 - 1012 KK Amsterdam - The Netherlands; and • Fortis Banque Luxembourg SA, 50, Avenue J.F. Kennedy - 2951 Luxemburg - Luxemburg.
Consortium or Consortium Banks or Banks	:	Fortis, RBS and Santander.
CSSF	:	The Luxembourg Supervisory Commission for the Financial Sector (*Commission de Surveillance du Secteur Financier*).
DNB	:	The Dutch Central Bank (*De Nederlandsche Bank N.V.*).
Dutch Financial Markets Supervision Act	:	The Dutch *Wet op het financieel toezicht.*
EEA	:	The European Economic Area.
Eligible Person	:	A person eligible to subscribe to new Fortis Shares through the exercise of Rights pursuant to the terms of this Prospectus.
Financial Press	:	• in Belgium, *L'Echo* and *De Tijd;* • in The Netherlands, a Dutch national daily newspaper and the Euronext Amsterdam Daily Official List (*Officiële Prijscourant*); and • in Luxembourg, *D'Wort*; • as well as in any other additional newspapers in such countries that Fortis may determine.
Fortis/Fortis Group	:	Fortis SA/NV, Fortis N.V. and the group of companies owned and/or controlled by Fortis SA/NV and Fortis N.V.
Fortis N.V.	:	The public limited liability company (*naamloze vennootschap*) Fortis N.V., incorporated under the laws of The Netherlands, having its corporate seat in Utrecht.
Fortis N.V. Share	:	An ordinary share of Fortis N.V., with a nominal value of EUR 0.42.

Fortis SA/NV	:	The public limited liability company (*société anonyme/naamloze vennootschap*) Fortis SA/NV, incorporated under the laws of Belgium, having its registered office in Brussels.
Fortis SA/NV Share	:	An ordinary share of Fortis SA/NV, without nominal value.
Fortis Share	:	A unit that comprises one Fortis SA/NV Share and one Fortis N.V. Share.
IFRS	:	International Financial Reporting Standards, including International Accounting Standards (IAS) and Interpretations, as adopted by the European Union.
Issue Price	:	The price in euros for the new Fortis Shares to be issued in the Offering, announced by press release on or around 21 September 2007 and published in the Financial Press on or around 22 September 2007.
Issuers	:	Fortis SA/NV and Fortis N.V.; and "Issuer" means either Fortis SA/NV or Fortis N.V.
Joint-Lead Managers	:	ING Wholesale Banking, Rabo Securities and Fox-Pitt Kelton Cochran Caronia Waller.
Joint Global Coordinators	:	Merrill Lynch International and Fortis Bank.
Offering	:	The Right Offering and Scrip Offering taken together.
Paying Agents	:	Fortis Bank and Fortis Bank Nederland N.V.
Prospectus	:	The present document, including its annexes.
Prospectus Directive	:	The Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC.
Prospectus Regulation	:	The Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing the Prospectus Directive as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.
Ratio	:	The ratio at which an Eligible Person, against payment of the Issue Price, will have the right to subscribe to new Fortis Shares for every certain number of Rights held. The ratio will be published with the Issue Price.
RBS	:	Royal Bank of Scotland Group plc, a company incorporated under the laws of Scotland having its registered office in Edinburgh.
RFS Holdings	:	RFS Holdings B.V., a company formed by Fortis, RBS and Santander for the purpose of acquiring ABN AMRO.
Right	:	The non-statutory preference right to subscribe to new Fortis Shares in the Right Offering, represented by coupon No. 40 separated from the Fortis Shares on 24 September 2007 after closing of each relevant stock exchange.
Right Offering	:	The offering to subscribe to the new Fortis Shares through Rights.
Right Subscription Period	:	From 25 September 2007 until 9 October 2007.

Santander	:	Banco Santander Central Hispano SA, a company incorporated under the laws of Spain having its registered office in Madrid.
Scrip	:	The scrips carry the right and the obligation to subscribe to new Fortis Shares at the Issue Price and in accordance with the Ratio and correspond to the Rights that were not exercised during the Right Subscription Period.
Scrip Offering	:	The offering of the Scrips and subscription to the new Fortis Shares relating thereto through a private placement with accelerated bookbuilding reserved to certain qualified investors.
Scrip Offering Period	:	Expected to commence on 11 October 2007 and to end on the same day.
Underwriting Agreement	:	The underwriting agreement that will be entered into on or around 20 September 2007 between the Issuers and Merrill Lynch International.
VVPR Strip	:	The coupon sheet, one coupon of which, if tendered together with a coupon corresponding to one share, entitles the eligible holder to a reduced rate of Belgian withholding tax of 15% instead of 25%.

FORTIS SA/NV	**FORTIS N.V.**
Rue Royale/Koningsstraat 20 1000 Brussels Belgium	Archimedeslaan 6 3584 BA Utrecht The Netherlands

Joint Global Coordinators and Joint Bookrunners

Merrill Lynch International 2 King Edward Street London EC1A 1HQ United Kingdom	Fortis Bank Montagne du Parc 3 1000 Brussels Belgium

Joint-Lead Managers

ING Bank N.V. Amstelveenseweg 500 1081 KL Amsterdam The Netherlands	Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. Amstelplein 1 1096 HA Amsterdam The Netherlands	Fox-Pitt, Kelton Ltd *Financial Advisor to Fortis* 25 Copthall Avenue London EC2R 7BP United Kingdom

Co-Lead Managers

Mediobanca Banca di Credito Finanziario SpA Piazzetta Enrico Cuccia 1 20121 Milan Italy	Santander Investment, S.A. Avenida de Cantabria, s/n 28660 Madrid Spain	Keefe, Bruyette & Woods Ltd. 7th floor - One Broadgate London EC2M 2QS United Kingdom

Co-Managers

Dresdner Bank AG London Branch 30 Gresham street London EC2V 7PG United Kingdom	CALYON 9, quai du Président Paul Doumer 92920 Paris La Défense France	KBC SECURITIES SA/NV Havenlaan 12 1080 Brussels Belgium	Petercam SA/NV Sinter Goedeleplein 19 1000 Brussels Belgium & Dexia Bank SA/NV Bd Pacheco 44 1000 Brussels Belgium	Bank Degroof SA/NV Nijverheidsstraat 44 1040 Brussels Belgium

Legal Advisors to Fortis

As to Belgian law	*As to Dutch law*	*As to U.K. and U.S. law*
Linklaters LLP Rue Brederode/Brederodestraat 13 1000 Brussels Belgium	De Brauw Blackstone Westbroek N.V. Burgerweeshuispad 301 1076 HR Amsterdam The Netherlands	Willkie Farr & Gallagher LLP 1 Angel Court London EC2R 7HJ United Kingdom

Legal Advisors to the International Managers

As to Belgian law	*As to Dutch law*	*As to U.K. and U.S. law*
Freshfields Bruckhaus Deringer Place du Champ de Mars 5 1050 Brussels Belgium	Freshfields Bruckhaus Deringer Strawinskylaan 10 1077 XZ Amsterdam The Netherlands	Freshfields Bruckhaus Deringer 65 Fleet Street London EC4Y 1HS United Kingdom

Statutory Auditors

KPMG Accountants Burgemeester Rijnderslaan 20 1185 MC Amstelveen The Netherlands	PricewaterhouseCoopers Réviseurs d'Entreprises Woluwedal 18 1932 Sint-Stevens-Woluwe Belgium