



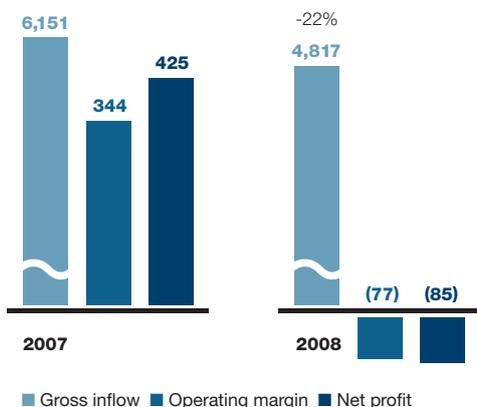
Annual Review 2008



PREPARING FOR A NEW START



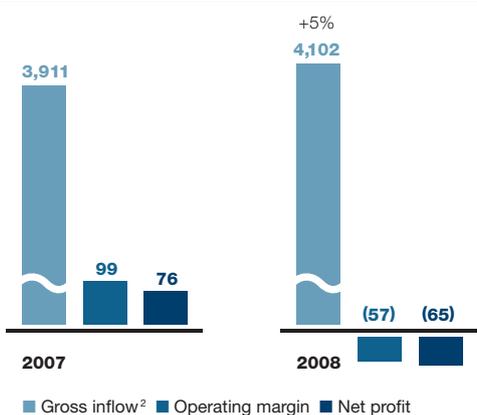
Insurance Belgium : Life
(in EUR million)



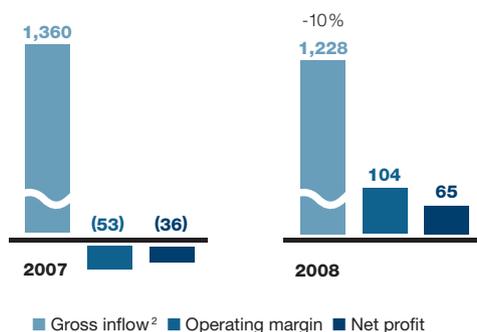
Insurance Belgium : Non-Life
(in EUR million)



Insurance International : Life
(in EUR million)



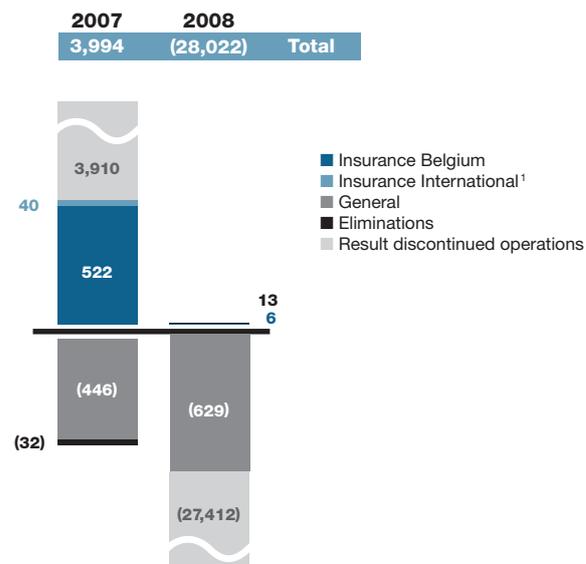
Insurance International : Non-Life
(in EUR million)



Key figures

These key figures refer to the scope of Fortis at 31 December 2008.

Net profit
(in EUR million)



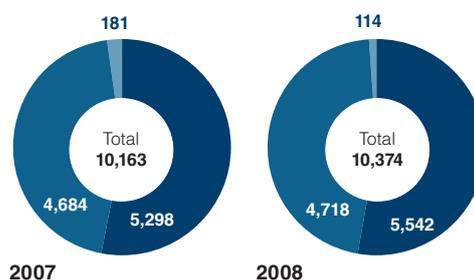
Insurance Belgium
(in EUR million)

	2008	2007
Gross inflow		
• Life	4,817	6,151
• Non-Life	1,465	1,367
Operating costs	(405)	(389)
Net profit	6	522
Combined ratio (Non-Life)	100.9%	100.4%
FTEs (year-end)	5,542	5,298

Insurance International
(in EUR million)

	2008	2007
Gross inflow ²		
• Life	4,102	3,911
• Non-Life	1,228	1,360
Operating costs	(393)	(410)
Net profit	0	40
Combined ratio (Non-Life)	98.4%	114.0%
FTEs (year-end)	4,718	4,684

Number of employees
(in FTEs)



▲ Insurance Belgium ▲ Insurance International ▲ General

¹ The 2008 net result was break-even. ² Excluding non-consolidated companies.

Profile

As of the end of March 2009,

Fortis is an international insurance group composed of

Insurance Belgium,

a leader in life and non-life insurance in Belgium distributing its insurance products through the network of Fortis Bank and independent insurance brokers;

Insurance International,

with subsidiaries in the UK, France, Hong Kong, Luxembourg (Non-Life), Germany, Turkey, Russia and Ukraine, and joint ventures in Luxembourg (Life), Portugal, China, Malaysia, Thailand and India.

You can find an online version of our annual report at: **www.fortis.com**



Message from the Board of Directors

As we reflect on 2008 we do so against the backdrop of a global financial crisis of unprecedented proportions – a crisis that is having a devastating impact on economies around the world and the lives of ordinary people.

Few experts saw the crisis coming; few understood the far-reaching consequences of these events; yet many people have been impacted, not least our investors. Both institutional and retail investors have felt the full force of the crisis through the dramatic devaluation of their investment. We recognise that for many private investors in particular their investment in Fortis represented part of their retirement; a key component in their long-term financial plans; and for others it simply made a difference to their quality of life. The Board takes this opportunity to express unequivocally its deep regret to shareholders, bondholders, employees and customers for the distress and hardship that has been caused as a result of the events of the past year. We are committed to doing everything possible in the future to regain the confidence and trust of all stakeholders.

First signs of the financial crisis began in 2007, but as of mid-May 2008 share prices began to fall worldwide and confidence between banks dissipated. Efforts to rebuild the capital base of Fortis to absorb the future impact of the ABN AMRO acquisition were hampered by declining equity markets; the negative impact of write-downs on our structured credit portfolio; and lower than expected proceeds from the imposed sale of certain ABN AMRO assets in a depressed market. At the same time there was growing pressure for banks to maintain higher capital levels, a debate that continues today. Fortis announced an acceleration of its capital plan, which included two new measures – the issue of new shares and the difficult decision not to pay an interim dividend in 2008. The expectation at that time was that the market would respond positively to this proactive stance – but this was not the case. Reactions were negative and compounded by the fact that Fortis was one of the first financial institutions to adopt such a tough measure, although others have since followed suit.

During the summer months the markets stabilised somewhat but events unrelated to Fortis quickly snowballed, creating a massive crisis of confidence between financial institutions culminating in ‘rescue’ takeovers, nationalisations, and bankruptcies. Stock markets plummeted, resulting in the greatest fall in share prices since 9/11. Fortis was heavily impacted – a situation made worse by speculation and unsubstantiated rumours. These rumours soon began to focus on concerns about liquidity. Emergency liquidity support from the central banks at the end of September turned out to be insufficient and immediate action was needed. Transactions were concluded with the governments of Belgium, the Netherlands and Luxembourg, and the banking and insurance activities in the Netherlands were subsequently sold to the Dutch state. Shortly afterwards an agreement was reached to sell the majority of the banking activities acquired by the Belgian state through the Federal Participation and Investment Company to BNP Paribas, together with the Belgian insurance activities. These decisions were taken to ensure that the company could continue to operate and support its customers and to meet its obligations to counterparties.

On 12 December 2008, the Brussels Court of Appeal ruled that these agreements should be put before shareholders for approval. At the same time an independent committee of experts concluded that the transactions were both logical and reasonable in the circumstances. Ahead of the shareholder vote, the Board and management did everything in their power to negotiate better terms for shareholders while also respecting the validity of the agreements signed with the Belgian state and BNP Paribas. The improved terms of the transactions were rejected and a new round of negotiations between the government, Fortis and BNP Paribas ensued.

We would like to thank the outgoing Board of Directors led by Acting Chairman Jan-Michiel Hessels for their commitment and hard work, particularly the Special Committee of the Board represented by Mr Hessels, Mr Bodson and Mr Westdijk, who played a key role in the negotiations. Mr Hessels presided over an open and constructive dialogue with shareholders in recent months, a practice we will continue in the future. We are also grateful to our employees for their hard work and loyalty despite the ongoing uncertainty.

From the perspective of the global economy, recovery is expected to be slow and sporadic. While none of us know today how quickly the economy will recover – or indeed how long it will take for confidence to return to the markets – we can assure you that we are wasting no time in exploring every opportunity available to us to create value and a return for shareholders. We have come through a long and painful journey together and you have expressed your concerns candidly and in forceful terms, for which we, as a Board, are grateful.



We believe with a new agreement on the table, subject to shareholder approval on 8 and 9 April 2009, it is time now to look forward and to seize this opportunity to build for the future. We have the nucleus of a new start for Fortis – a sizeable domestic and international insurance franchise that provides us with a platform for growth and future value creation. The proposed new agreement significantly de-risks our balance sheet allowing us to move forward with greater confidence in our financial stability. Fortis Insurance Belgium is the national market leader in both life and non-life products with a significant market share. The activities of Fortis Insurance International span both Europe and Asia with prominent positions in the UK, Portugal and Luxembourg markets and subsidiaries in France, Germany, Turkey, Russia and Ukraine. In Asia, Fortis is present in Hong Kong and through a series of joint ventures in China, Malaysia, Thailand and India.

The Board and executive management will together develop a new strategy for the company, which will be communicated to shareholders at the appropriate time. We propose to enlarge our Board to achieve a better balance of independent and non-independent, executive and non-executive directors, so as to import skills that will so reflect our new business strategy.

We conclude by thanking you wholeheartedly for your loyal support. Our goal now is to recover from this period as quickly as possible; to look to the future and create value for our shareholders. Confidence is key and this starts with your confidence in the Board, management and staff to represent your interests in the months and years ahead. You have our full and dedicated commitment to this endeavour and we look forward to continuing our dialogue with you as we progress.

Jan Zegering Hadders
Non-executive Director

Karel De Boeck
Chief Executive Officer

Jozef De Mey
Chairman

A turbulent year for Fortis

Fortis's 2008 net result was a loss of EUR 28.0 billion compared with a profit of EUR 4.0 billion in 2007. The loss in 2008 was due to the EUR 27.4 billion negative result of discontinued operations, caused by the loss on sale of the banking activities, partly offset by a profit on the sale of the Dutch insurance activities.

The Fortis banking and insurance businesses, including the activities acquired from ABN AMRO, performed satisfactorily in the first half of 2008, in what were already turbulent market conditions. Most of the commercial operations continued to grow their underlying revenues.

In the second half of the year, Fortis, like many other financial institutions, was confronted with a systemic financial crisis of steadily growing and unprecedented proportions. Faced with this mounting turmoil and the need for immediate, resolute action, and given the role and responsibilities of the governments, Fortis had to safeguard the interests of all its stakeholders by ensuring the continued operation of its large banking and insurance units. This could only be achieved in the prevailing market conditions by agreeing to sell its main banking and Dutch insurance activities to strong parties.

Highly challenging times

Confronted with nervous financial markets and a series of rumours, Fortis decided on 27 January 2008 to publish a trading update in which it confirmed its sound capital and solvency position and unchanged dividend policy. It also published a profit forecast for 2007 based on highly rigorous and market-consistent assumptions with respect to its subprime exposures.

On 7 March 2008, Fortis reported a full-year net profit for 2007 of EUR 4.0 billion, including a EUR 900 million capital gain on the divestment of CaiFor. The result also included a total impairment of EUR 3.0 billion before tax as a result of the credit market turmoil. In its press release, in its financial statements and in the analyst presentation, Fortis provided extensive details on its structured credit exposure and gave a significant amount of detail on each specific product group within that portfolio.

On 1 April 2008, Fortis Investments – the global asset management arm of Fortis Bank – completed the transfer of the ABN AMRO Asset Management activities. Two weeks earlier, Fortis and Ping An jointly announced the signing of a Memorandum of Understanding to form a global asset manager, whereby Ping An would acquire a 50% equity stake in Fortis Investments for a consideration of EUR 2.15 billion. On 30 September 2008, Fortis announced that this partnership would not be completed.

On publication of its first-quarter results on 13 May 2008, Fortis reported a net profit of EUR 808 million. This included a net-of-tax negative impact of EUR 380 million on the structured credit portfolio, due to the credit market turmoil. Fortis also reported a net-of-tax negative impact of EUR 1.2 billion on solvency as a result of the adverse evolution of the equity markets. The Core Tier 1 ratio of Fortis Bank (under Basel I) amounted to 8.5%.

Capital plan update

In the context of the acquisition of ABN AMRO activities, Fortis made commitments in October 2007 to the European Commission (EC) to reduce the concentration in the Dutch commercial banking market. The proceeds from this imposed sale – the so-called ‘EC remedies’ – turned out to be lower than anticipated.

The combination of this financial setback and a number of other factors – the announced intention to acquire the remaining stake in the Dutch insurance joint venture with Delta Lloyd; the expectation of a continued challenging market environment; and the decision to take a prudent stance on required capital in that environment – prompted Fortis to accelerate the execution of its existing capital plan and to launch additional measures to reinforce it and to take pre-emptive action in anticipation of a further deterioration of financial markets.

On 26 June 2008, Fortis announced an equity raising of EUR 1.5 billion by means of an accelerated bookbuild offering and a series of supplementary measures:

- The decision not to pay an interim dividend in 2008 and to propose a full-year 2008 dividend in shares;
- The implementation of a capital-relief programme (through the securitisation of certain assets) and a real-estate sale-and-lease-back operation for approximately EUR 1.5 billion;
- The issue of non-dilutive Core Tier 1 instruments for a sum of EUR 2 billion, in addition to two successful placements (NITSH) in February and May;
- Additional disposals of non-strategic assets, which were expected to improve solvency by approximately EUR 2 billion.

Fortis anticipated that the announcement of its accelerated capital plan would have a positive impact on the market's perception of the company's financial situation. It quickly became apparent, however, that the anticipated effect had not been achieved, to the extent that Fortis's closing share price, which stood at EUR 12.65 on 25 June 2008, fell to EUR 10.20 on 26 June 2008.

On 2 July 2008, Fortis, ABN AMRO and Deutsche Bank announced the signing of an agreement, under the terms of which Deutsche Bank would acquire from ABN AMRO parts of its commercial banking activities in the Netherlands. The transaction remained subject to approval by the EC and the Dutch central bank, but was expected to have a negative impact on solvency of around EUR 1.1 billion.

On 4 August 2008, Fortis reported an interim net profit of EUR 1.6 billion, including a EUR 591 million net-of-tax negative impact of the credit market turmoil. Fortis's capital position remained sound, with core equity at EUR 24.6 billion – well above the company's target level of EUR 20.6 billion.

In September 2008, events occurred that no one could have foreseen. Major financial institutions found themselves in acute difficulty. On 7 September, the US authorities took control of the country's two largest mortgage lenders, Fannie Mae and Freddie Mac. On 13 and 14 September, one of the world's largest investment banks – Merrill Lynch – was taken over by Bank of America, and Lehman Brothers was declared bankrupt. The latter event sent a shockwave through the markets. Closer to home, banks in Germany and the Benelux-countries also ran into problems. The stock markets plummeted, resulting in the sharpest drop in the indices since 11 September 2001.

Fortis's share price was heavily impacted in the month of September. Rumours circulated regarding a new capital increase, which Fortis denied several times. Fortis's share price declined steadily and rapidly in the course of this period, as did most European and North American stock market indices.

Insurance managers swing into action

On Saturday 12 April in Lillois, a town in the Belgian province of Walloon Brabant, some 30 executives and managers from Insurance Belgium gave up some of their free time to take part in a Solidarity Day organised by Fortis Foundation Belgium. The group repainted the young residents' rooms at Les Salanganes, a centre that provides accommodation to children who have suffered abuse or come from troubled homes and who have been placed there by the courts. "Setting aside some time for this type of activity is the least we can do," says Bart De Smet, CEO of Insurance Belgium. "Thanks to the centre's staff, these children have a brighter future. Hats off to them for the work they do."

Government intervention

The global financial situation continued to deteriorate. Alarmist rumours affected Fortis's interbank market access, while it had to contend with an extremely substantial liquidity requirement. During the weekends of 27–28 September and 4–5 October, Fortis had to conclude a number of transactions that ultimately led to the sale of its main banking and insurance activities to strong parties.

On 29 September 2008, Fortis announced that the Belgian government would invest EUR 4.7 billion in Fortis Bank SA/NV, that the Dutch government would invest EUR 4.0 billion in Fortis Bank Nederland (Holding) N.V., and that the Luxembourg government would invest EUR 2.5 billion in Fortis Banque Luxembourg SA. These investments represented 49.9% of the common equity of the respective entities. The parties concerned expected that a solution had been found and that matters would resume their normal course.

In the days that followed, the parties negotiated the implementation of these agreements with both the Luxembourg government and the Dutch government. A term sheet was signed on 30 September 2008 with the Luxembourg government. The agreement with the Dutch state, by contrast, could not be implemented. Despite hopes at the beginning of the week, the situation continued to deteriorate, due to tensions in the interbank market. Fortis found it extremely difficult to regain the confidence of the market and its share continued to decline, reaching a closing price on 29 September 2008 of EUR 3.97.

In terms of liquidity, the situation was extremely uncertain and it was necessary to negotiate new conditions with the Belgian central bank and to obtain an Emergency Liquidity Agreement with the Dutch central bank. Withdrawals by institutional clients and by companies had increased substantially.

This situation led on 3 October to the sale of Fortis Bank Nederland (Holding) N.V., Fortis Verzekeringen Nederland N.V. and Fortis Corporate Insurance N.V. to the Dutch state for a total consideration of EUR 16.8 billion, which was allocated as follows:

- EUR 12.8 billion received for the Dutch banking activities (including ABN AMRO) remained within Fortis Bank;
- EUR 4 billion received for the Dutch insurance activities went to the Fortis holding company.

Following the transfer of the operations in the Netherlands to the Dutch state, Fortis was obliged to review its options:

- Continue on a stand-alone basis with the Belgian state as a minority shareholder in the bank;
- Find a strategic partner for Fortis Bank and for all or part of Fortis's other operations;
- Sell the remaining 50% of the Belgian bank to the Belgian state, prior to a possible resale to a private investor.

Fortis and Portuguese bancassurer Millennium bcp a winning combination

At the end of 2004, Millennium bcp agreed to sell to Fortis 51% of the shares in its insurance business. Vasco Rebello de Andrade, General Manager of the southern region (Lisbon), is clear about the importance of the partnership with Fortis. "The Portuguese insurance sector was slow to develop and is far behind that of northern Europe, for example. That's why there's still plenty of growth potential there. Fortis is helping us develop new concepts that meet the needs of the Portuguese market."

On 6 October, Fortis announced the sale of the remaining 50 % plus 1 share of Fortis Bank to the Belgian state (via the Société Fédérale de Participations et d'Investissement/Federale Participatie- en Investeringsmaatschappij – 'SFPI/FPIM') for EUR 4.7 billion. This sale was closed on 10 October. The Belgian government agreed separately with BNP Paribas on the subsequent transfer of 75 % of Fortis Bank to BNP Paribas in return for shares of BNP Paribas, while continuing to own the remaining 25 % of Fortis Bank. At closing, Fortis, the Belgian state and BNP Paribas would also create a Special Purpose Vehicle to buy a structured credit portfolio from Fortis Bank. Furthermore, Fortis agreed to pay EUR 2.35 billion to Fortis Bank in the context of the settlement of all conditions related to the subordinated financial instrument CASHES. Fortis would also sell, lastly, 100 % of Fortis Insurance Belgium to BNP Paribas for EUR 5.5 billion in cash.

As a result of these transactions, Fortis would have comprised:

- Fortis Insurance International (FI), with subsidiaries in the UK, France, Hong Kong, Luxembourg (Non-Life), Germany, Turkey, Russia and Ukraine, and with joint ventures in Luxembourg (Life), Portugal, China, Malaysia, India and Thailand;
- A 66 % stake in a structured credit portfolio entity, to be created with the Belgian state (24 %) and BNP Paribas (10 %). This entity would contain a structured credit portfolio to be acquired from Fortis Bank with a carrying value of EUR 10.4 billion – an amount that could change as a result of currency fluctuations between 31 August and the date of closing;
- Fortis General Account, which primarily comprises a number of financial assets and liabilities of the different financing vehicles.

On 14 November 2008, Fortis published interim management statement giving financial details for the third quarter, based on the scope of activities as described above. These included a pro forma net cash position of EUR 3.5 billion and a pro forma net equity of EUR 7.7 billion.

On 8 December 2008, Fortis announced the possibility of early redemption for the bondholders under the Euro Medium Term Note Programme (EMTN) issued by Fortis Finance N.V. For all bonds other than credit-linked notes, redemption would proceed at the nominal amount plus accrued interest until the date of actual payment. The total amount of bonds outstanding under the EUR 15.0 billion Euro Medium Term Note Programme was EUR 7.6 billion.

Court of Appeal

On 12 December 2008, the Court of Appeal in Brussels ruled that the decisions taken by the Board of Directors of Fortis SA/NV on 3 and 5-6 October 2008 and the agreements entered into in implementation of those decisions were to be submitted to the shareholders' meeting of Fortis SA/NV. This concerned:

- The sale of Fortis Bank Nederland (Holding), Fortis Verzekeringen Nederland and Fortis Corporate Insurance to the Dutch state;
- The sale of the remaining 50% + 1 share in Fortis Bank to the SFPI/FPIM;
- The agreement between Fortis, the Belgian government and BNP Paribas, including the planned sale of Fortis Insurance Belgium to BNP Paribas; the incorporation and envisaged funding of a special purpose vehicle (SPV) for its structured credit portfolio; and the planned transaction relating to the CASHES.

These transactions were suspended, insofar as they had not yet been closed. As a result the scope of Fortis became Fortis Insurance Belgium, Fortis Insurance International and the General Account. Based on this scope, Fortis published a revised interim management statement on 17 December 2008. The pro forma net cash position at the end of September amounted to EUR 2.1 billion and the pro forma net equity totalled EUR 6.7 billion.

On 24 December 2008, following the unexpected ruling by the Court of Appeal in Brussels on 12 December, and given the uncertainty at the time, Fortis announced it had sold the US dollars and pounds sterling it had acquired in order to fund its share of the envisaged structured credit portfolio entity. These currency transactions resulted in a net loss of EUR 295 million, reflecting the fall in value of the US dollar and the pound sterling prior to the sale.

Revised agreement

The Court of Appeal in Brussels on 12 December also appointed an Expert Committee to investigate the circumstances and the conditions under which the transactions were concluded.

The committee, which published its interim report on 27 January 2009, stated that the decisions taken by the Board of Directors of the Fortis holding company in September and October 2008 may be deemed logical and reasonable, and that they were taken in the interest of the companies of the Fortis group and their shareholders. The committee of experts also made a number of recommendations intended to arrive at an outcome acceptable to all parties.

These recommendations provided momentum and inspiration for Fortis, BNP Paribas and the SFPI/FPIM to restart negotiations to amend the *Protocole d'Accord* of 10 October 2008. In the course of these negotiations, held towards the end of January 2009, the Fortis Board of Directors continued to be guided by the principle of maximising shareholder value.

On 31 January 2009, Fortis, BNP Paribas and the SFPI/FPIM agreed an Avenant modifying and improving certain terms of the transactions entered into under the *Protocole d'Accord* of 10 October 2008. The main features of the agreement can be summarised as follows:

- Fortis Insurance Belgium: Fortis would sell to BNP Paribas 10% of the shares in Fortis Insurance Belgium for a total of EUR 550 million. The existing agreement between Fortis Insurance Belgium and Fortis Bank for the distribution of insurance products could not be unilaterally terminated by any of the parties prior to the end of 2020;
- CASHES: Fortis would no longer be required to make an upfront payment of EUR 2.35 billion, it was agreed to leave the Relative Performance Note in place and to provide for an interest payment between Fortis and Fortis Bank;
- SPV: compared to the original agreement, Fortis's funding obligation and exposure to the SPV would be limited to EUR 1 billion, comprising approximately EUR 740 million equity and EUR 260 million subordinated debt. This represents 29.6% of the SPV with structured products;
- Call option on the BNP Paribas shares: Fortis would receive a call option – which would entitle Fortis to the difference between the stock price of the BNP Paribas shares at the time of the exercise of the option and EUR 68 – on the BNP Paribas shares granted by the SFPI/FPIM.

According to the Board of Directors of Fortis SA/NV, these transactions would provide Fortis with upside potential. Keeping Fortis Insurance Belgium within Fortis, alongside Fortis Insurance International, would create a renewed industrial project for the company.

In addition, the downside risks would be significantly diminished, due to Fortis's reduced exposure to the SPV, while the fair-value impact with respect to the CASHES would be more favourable than under the original *Protocole d'Accord* agreed on 10 October 2008.

Based on the unaudited pro forma figures of Fortis as at 30 September 2008, the closing of the revised *Protocole d'Accord* would result in pro forma net equity attributable to Fortis shareholders of EUR 6.5 billion and a pro forma net cash position of EUR 2.4 billion.

Shareholders' meeting

To comply with the ruling of the Court of Appeal in Brussels, a shareholders' meeting of Fortis SA/NV was organised on 11 February 2009.

The General Meeting of Shareholders in Brussels, at which 20.32% of share capital was represented, resolved as follows:

- The proposal to approve the transactions with the Dutch state was rejected. These transactions have, however, been concluded and can only be reversed if both parties agree, or following legal proceedings to decide the merits of the case;
- The proposals to approve the transactions with the Belgian state and BNP Paribas (including the changes laid down in the Avenant to the *Protocole d'Accord*) were likewise rejected.

New agreement

On 6 March 2009, Fortis, BNP Paribas and the SFPI/FPIM reached an agreement on the revised terms of the transaction, subject to the approval of shareholders' meetings of Fortis in April 2009 and to closing of the agreement that was signed on 12 March 2009.

The main elements of the agreement may be summarised as follows:

- Fortis will sell 25% of the shares in Fortis Insurance Belgium (FIB) to Fortis Bank for a total of EUR 1,375 million. The existing distribution agreement between FIB and Fortis Bank cannot be unilaterally terminated before the end of 2020 by any of the parties.
- The Special Purpose Vehicle (SPV) will purchase about EUR 2.0 billion of additional lines from the structured credit portfolio of Fortis Bank, of which approximately EUR 1.0 billion will be in replacement of redemptions that occurred since 31 August 2008 on the original portfolio. As a result the conventional purchase price is expected to increase from EUR 10.4 billion to about EUR 11.4 billion (at currency rates of 31 August 2008). Under the terms of the new agreement, Fortis's funding obligation in respect of, and maximum exposure to, the SPV will be limited to EUR 760 million, corresponding to about 45% on a total equity of EUR 1.7 billion. Financing by Fortis will consist of equity only. Fortis will also have the benefit of a loan of about EUR 1.0 billion from Fortis Bank to fund, amongst other things, its commitment towards the SPV.
- Fortis will no longer be required to make an upfront payment of EUR 2.35 billion related to the settlement of the CASHES instrument. Furthermore, the interest payment mechanism, as agreed upon in the previous agreement of 31 January 2009, remains unchanged.
- Fortis will have the benefit of a call option granted by the SFPI/FPIM linked to the BNP Paribas shares to be acquired by the SFPI/FPIM. This cash settled option will entitle Fortis to the difference between the stock price of the BNP Paribas shares at the time of the exercise of the option and EUR 68. Under the new agreement, Fortis has been granted certain anti-dilution rights which aim to preserve the value of the option.

The unaudited pro forma net equity attributable to shareholders of Fortis at 30 September 2008, assuming approval by the shareholders of the new agreement in April 2009, would amount to EUR 7.0 billion. The unaudited pro forma net cash position would increase to EUR 3.4 billion. This estimate does not take into account potential future payments related to the RPN mechanism in respect of the CASHES, nor the potential value of the option on the BNP Paribas shares.



Living the dream

Unfortunately, most would agree that social equality is a myth. But Fortis Foundation Belgium (FFB) has long fought to change this reality by making meaningful contributions to the community. At the end of April, it teamed up with the Belgian football club RSC Anderlecht, one of Fortis's main sponsorships, to give disadvantaged youngsters the chance to live their dream. FFB invited 114 children aged seven to 14 from some 20 Brussels-based associations to spend an afternoon training at Fortis's sports complex at Watermael-Boitsfort. Getting the chance to join a club – especially Anderlecht – is a dream many young people have. But kids from disadvantaged families just can't afford it. In its own small way, FFB wanted to give them a helping hand.

Business Review

Fortis Insurance's strategy is to continuously enhance customer centricity by adapting the product portfolio and aligning the multi-distribution strategy with changing customer needs. Other goals are to attain a fortified insurance organisation by improving operational excellence in all countries and by expanding the business internationally.

Fortis Insurance Belgium

Total premium income of Fortis Insurance Belgium in 2008 – adjusted for the present composition of the business – amounted to over EUR 6 billion. Of this, 77% related to life insurance and 23% to non-life. Fortis Insurance Belgium today employs more than 5,500 people.

Fortis's insurance business in Belgium supplies a comprehensive range of life and non-life policies. It operates a multi-channel strategy by selling its products to private individuals and to small and medium-sized enterprises (SMEs) via independent intermediaries, via Fintro agents and through its bancassurance channel: Fortis Bank branches and the Belgian Post Office Bank (Banque de La Poste/Bank van De Post).

Fortis Employee Benefits is the dedicated business unit selling group life and health-care products mainly to larger enterprises.

Market position

Despite the global financial crisis, Fortis Insurance Belgium (FIB) was able to defend its market leadership position, with a total market share in terms of inflow of 22.1 % at 2008 year-end. FIB strengthened its number two position in non-life and remained number one in retail life and employee benefits. Life market share, in terms of funds under management, stood at 28 %, which was in line with 2007.

2008 Operational highlights

Fortis Insurance Belgium continued to pursue its policy of product and service innovation at both Life and Non-Life.

Here are some examples :

- A continuous flow of structured unit-linked products were launched at Retail Life Insurance in response to the rapidly changing financial market environment;
- A new concept, Pension@work, was launched in June to exploit untapped potential in the SME group life market;

13 May 2008 Fortis publishes its first-quarter 2008 results, reporting a net profit of EUR 808 million. This includes a negative net-of-tax impact of EUR 380 million on the structured credit portfolio.

11 July 2008 Fortis announces that it is terminating, by mutual agreement, Jean-Paul Votron's mandate as Chief Executive Officer. Herman Verwilt is designated as his interim successor.

26 June 2008 Fortis announces to accelerate the execution of its capital plan. The measures taken include an equity raising of EUR 1.5 billion and cancellation of the interim dividend.

- FIB successfully continued its growth in the new and fast-growing market for sector-wide pension and health-care plans (Green Sector, Food, Passenger Transport, Diamond and Road Transport);
- On the non-life side, FIB introduced 'TPL Max', a unique concept in the highly competitive Belgian motor insurance market. TPL Max offers a free extension to basic third-party liability cover, with all zero-claim drivers automatically covered for bodily injury. More than 420,000 drivers now benefit from this unique cover;
- Flexible multi-cover concepts such as Familis and Modulis, sustained a solid growth rate. At the end of 2008, there were more than 436,000 Familis policies in portfolio, with an average of 2.3 contracts each, a 14% increase compared with 2007. Modulis, a concept bundling different contracts and allowing flexible premium payments for SME clients, represented close to 68,000 contracts at the end of 2008, 13% more than in 2007, with the average number of contracts at 3.88.
- The range of combined non-life products was extended by the addition of several new 'Packs' for the retail segment ('Home & Assist+', 'Building & Renovation', and 'Building' Packs) and for the SME segment ('Workmen's Compensation+' and 'Hairdresser' Packs);
- FIB's innovative approach is highly appreciated by the market, as illustrated by the awards presented by the Decavi organisation. Fortis received the 'Innovation Award' in 2008 for its life product Pension@Work, together with three non-life awards: 'Best Home Insurance' (Top Home+ and Home+ Pack), 'Best TPL Motor Insurance' ('TPL Max' and 'BM2 for Life') and 'Best SME Concept' ('Modulis' and 'Modulis Pack');

In addition to its innovative approach, Fortis Insurance Belgium leverages cross-selling and multi-channel expertise in the SME segment. FIB has implemented a new synergy model – VIP Modulis – between the banking and broker channel. This concept offers attractive and exclusive benefits to companies that place their banking activities with Fortis Bank and their insurance activities with FIB's broker channel. The initiative enables FIB to unlock the large insurance sales potential within Fortis Bank's professional and small enterprises client base, and ultimately increases loyalty. In Group Life, cross-selling with Merchant Banking has been reinforced.

At Non-Life, the merger of the bancassurance and broker IT-platforms, which was successfully completed in May 2008, will enable further cost synergies and will reduce the time to market. At the same time, a new generation of retail products was launched. Fortis Insurance Belgium now offers a single set of non-life products for the retail market through both the bank and broker channel, managed by a common set of applications. The tariff structure, general conditions and underwriting criteria have also been harmonised.

Finally, as part of the 'operational excellence' strategy, Fortis Insurance Belgium decided to gradually review the quality of operations that apply 'lean' methodology. Some lean projects were successfully launched in 2008. The latest ICMA survey and the prestigious Decavi Brokers' Award both reflect brokers' appreciation of our continuous drive to improve service, flexibility and innovation.

4 August 2008 Fortis publishes its first half-year 2008 results. It reports a net profit of EUR 1,638 million, including a EUR 591 million net-of-tax impact of the credit market turmoil. Core equity stands EUR 4.0 billion above Fortis's target capital level.

3 October 2008 The Dutch state acquires Fortis Bank Nederland (Holding) N.V., including Fortis's interest in ABN AMRO Holding N.V. and the Dutch Insurance activities, for a total consideration of EUR 16.8 billion.

29 September 2008 The governments of Belgium, the Netherlands and Luxembourg in concerted action, announce that they will invest EUR 11.2 billion in the respective Fortis Bank institutions in each country. Count Maurice Lippens resigns from the Board of Directors.

Fortis Insurance International

Fortis Insurance International's activities are spread across Europe and Asia. Total premium income in 2008 – at consolidated companies – amounted to over EUR 5 billion. Of this, 77 % related to life insurance and 23 % to non-life. Fortis Insurance International today employs more than 4,700 people.

Market position

In Europe, Fortis Insurance International (FII) occupies prominent positions – through wholly owned subsidiaries – in the UK (non-life, life), Luxembourg (non-life), and is active in France (life).

- In the UK, FII leads the market for car insurance. Fortis Insurance UK also continues to be recognised for its customer service ethos and innovation. In 2008 it was the first insurer to receive a Gold Standard Award for its financial strength, the way it conducts its business, services its customers, delivers fair value and is trusted by clients and consumers;
- In Portugal, the joint venture with Millenniumbcp (life, non-life) is the country's biggest insurance company;
- In Luxembourg, Fortis offers non-life insurance through a 100% subsidiary. It is also the second largest life insurer in the market through a joint venture.
- Subsidiaries were recently opened in several new markets, i.e. Germany, Turkey, Russia and Ukraine. FII sells life insurance in those countries.

In Asia, Fortis has successfully opted for selective growth and is present in five countries. Fortis has been active for some time in China, Malaysia, Thailand and Hong Kong, and recently started up in India. Clients in those countries are provided with a wide product offering via various distribution channels.

With the exception of Hong Kong, it operates in these countries through joint ventures with strong local institutions.

- Taiping Life, in which Fortis has a 24.9 % stake, is China's seventh largest life insurer. Products are distributed through Taiping Life's national network of 547 offices and over 50,000 insurance agents, and through distribution agreements with several major Chinese banks;
- Mayban Fortis, a joint venture started in 2001, is active in Malaysia's asset management, life and non-life insurance markets with a top 2 position in both insurance markets. Partly thanks to Maybank's extensive network, it is Malaysia's main provider of takaful (Islamic) insurance. Fortis has a 31 % stake in Mayban Fortis;
- Muang Thai Life, the third biggest life insurer in Thailand, has also successfully developed takaful products for the Thai market. In the Thai non-life market, Muang Thai Insurance ranks fifth. Distribution is via a rapidly growing network of approximately 12,500 agents, as well as through bank branches. Fortis currently has a 40 % stake in the life-insurance joint venture and a 15 % stake in the non-life joint venture;
- In Hong Kong, Fortis has become the nr.10 life insurance company and with the integration of Pacific Century Insurance, now renamed 'Fortis Insurance Company (Asia) Limited', we now have an additional sound basis for growth in the region;
- In India, IDBI Fortis is our life-insurance joint venture with Industrial Development Bank of India and Federal Bank. It started up in March 2008. Fortis owns 26 % of the shares in the new company. IDBI Fortis sells life insurance through the partners' extensive networks and through agents. Other distribution channels will be added later.

Finally, Fortis Insurance International also includes the reinsurance activities of Fortis Re.

5 & 6 October 2008 The Belgian state acquires the remaining 50 % plus 1 share of Fortis Bank SA/NV. At the same time, the Belgian government reaches an agreement with BNP Paribas on the subsequent transfer of a 75 % interest in Fortis Bank SA/NV. Fortis also agrees that BNP Paribas will acquire 100 % of Fortis Insurance Belgium.

12 December 2008 The Court of Appeal in Brussels rules that Fortis must submit the decisions taken by the Board on 3, 5 and 6 October and the agreements entered into in implementation thereof to the shareholders' meeting of Fortis SA/NV. It also appoints an Expert Committee to investigate the circumstances and the conditions under which the transactions were concluded.

1 & 2 December 2008 The General Meetings of Shareholders of Fortis N.V. and Fortis SA/NV elect Louis Cheung Chi Yan and Karel De Boeck to the Board of Directors. Since fewer than three new members have been elected, the existing Board will temporarily remain in office.

Fortis Insurance International in 2008



* Based on 100%

2008 Operational highlights

Fortis Insurance International focused its efforts on multiple projects in Europe and Asia to improve the product offering and distribution reach of its companies:

- Fortis UK: continued success of multi-channel strategy; accolades and recognition from clients and the industry. Also launch of UK Life with innovative protection products;
- Portugal: launch of a new P&C broker channel servicing the SME customer segment; also an active product innovation programme to increase insurance penetration in customers' financial resources;
- France: broadening product offering with Target Click Funds;
- Turkey: launch of a new agency channel, focused on servicing top tier agents;
- Ukraine: development of agency distribution network;
- India: promising start-up of commercial operations of IDBI Fortis and distribution through agents and the JV partners' networks;
- Thailand: the merger of Muang Thai Insurance Co. and Phatra Insurance has created the fifth non-life insurer;
- China: Taiping Life is the seventh largest insurance company in the country with EUR 1.9 billion in premiums and a 2.8% market share. In the course of 2008, the company expanded its offices network by 167 offices to 547;
- Malaysia: our joint venture has started direct and telemarketing distribution;
- Hong Kong: during 2008, the agency force was expanded to over 2,800 people.

Fortis Corporate Insurance – formerly part of Fortis Insurance International – was sold to the Dutch state on 3 October 2008.

A single platform for two channels

To continue providing products that offer the best value for money in the market, we have to stay one step ahead of the competition through strategic mindset and innovation. That's why Fortis Insurance Belgium has decided to launch a new non-life insurance distribution model. Its aim is to strengthen synergies between its two distribution channels (banking and brokerage), thanks to a common IT platform and an identical product line targeting the retail market.

31 January 2009 Further to the expert report, the Belgian state, Fortis holding and BNP Paribas agree to amend the *Protocole d'Accord* signed on 10 October 2008.

11 February 2009

The General Meeting of Shareholders of Fortis SA/NV rejects the proposals to approve the transactions with the Dutch state and those with the Belgian state and BNP Paribas. It approves the appointment of Jozef De Mey, Georges Ugeux and Jan Zegering Hadders as non-executive members of the Board of Directors.

19 December 2008 The Shareholders' Meeting of Fortis SA/NV votes 97% in favour of the proposal to continue the activities of the company in accordance with Article 633 of the Companies Code.

1 February 2009 Louis Cheung resigns from the Board of Directors.

Fortis General Account

The General Account comprises the holding companies and various financing vehicles that issued debt to finance the banking and insurance activities sold in September–October 2008. The General Account created negative net equity ('leverage') at group level by injecting into the operating entities equity that was financed in part by debt issued by the General Account (primarily through Fortis Finance N.V.).

The profile of the General Account has changed as a result of the aforementioned transactions. The General Account will no longer create leverage at group level in the future, but will manage shareholders' equity and provide back-to-back funding to the operating entities.

In legal terms, the Fortis General Account consists of the following companies:

- Fortis SA/NV and Fortis N.V., the two holding companies ('Topcos');
- Fortis Brussels SA/NV and Fortis Utrecht N.V., two sub-holding companies ('Subcos') which primarily hold all the assets of Fortis SA/NV and Fortis N.V.;
- Fortis Insurance N.V., the holding company for the insurance entities (including Fortis Insurance International);
- Fortis Finance N.V., the principal (long-term) financing vehicle for the General Account and for the Fortis operating entities;
- Financing vehicles: Fortfinlux SA (issuer of the FRESH); FGF Lux SA (issuer of convertible into FGF Lux shares); Fortinvestlux SA (main assets are the forward-purchased FGF Lux shares); and Fortis Hybrid Financing (issuer of Hybrone and NITSH I and II).

New life insurance company launched in the UK

On 8 July 2008, Fortis launched its new life insurance company in the UK, building on the strong credentials of the UK general insurance business, which provides personal and commercial cover to over 6.7 million customers throughout the country. Barry Smith, CEO Fortis Insurance UK, comments: "The launch of Fortis Life UK is another significant step forward for Fortis in Britain, complementing our customer-focused, successful and award-winning range of general insurance propositions. The expansion into this market builds on our commitment to support our partners and to enhance overall customer choice. Together, this helps make Fortis the natural choice for insurance solutions."

6 March 2009 Fortis, BNP Paribas and the SFPI/FPIM reach an agreement on the revised terms of the Protocol of 10 October 2008, subject to the approval of shareholders in April 2009.

13 February 2009 The General Meeting of Shareholders of Fortis N.V. approves the appointment of Jozef De Mey, Georges Ugeux and Jan Zegering Hadders as non-executive members of the Board of Directors. Georges Ugeux decides to step down as Board Member after the meeting.

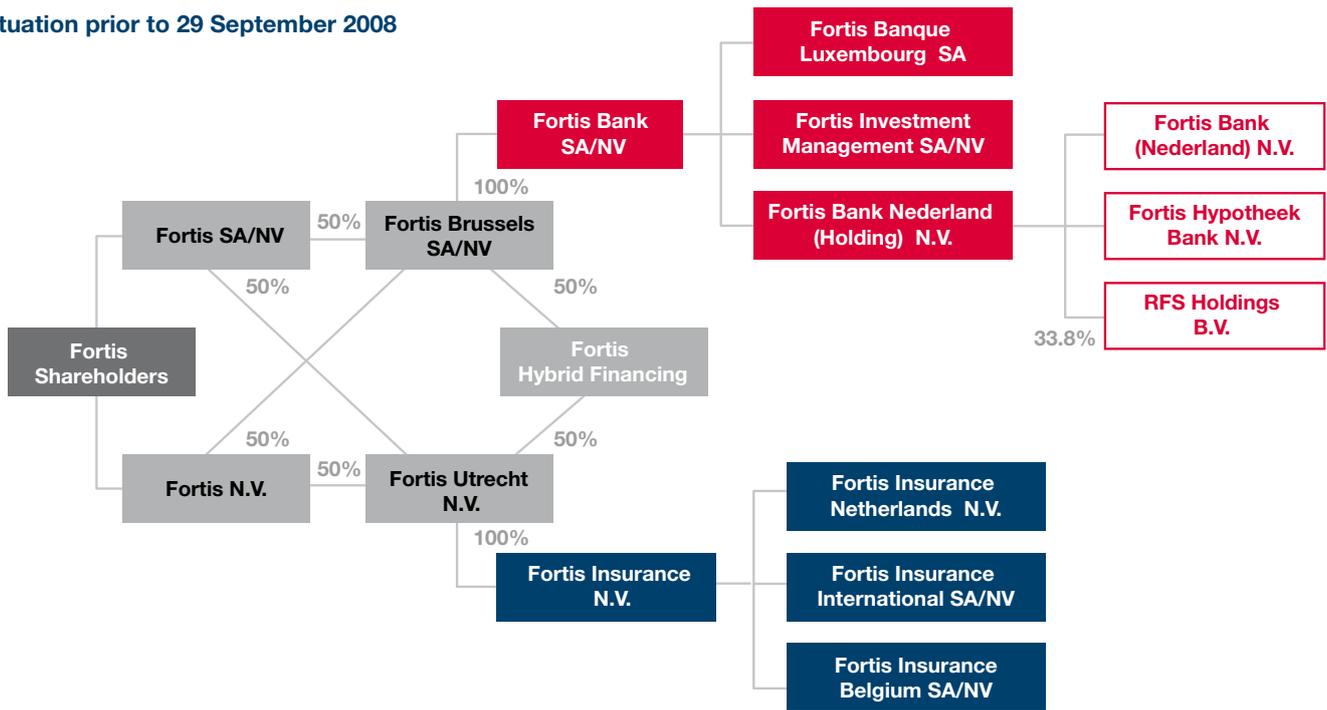
For more information, please consult the Shareholder Circulars and Addendum on our internet site: www.fortis.com/shareholders/shareholdersmeeting.asp



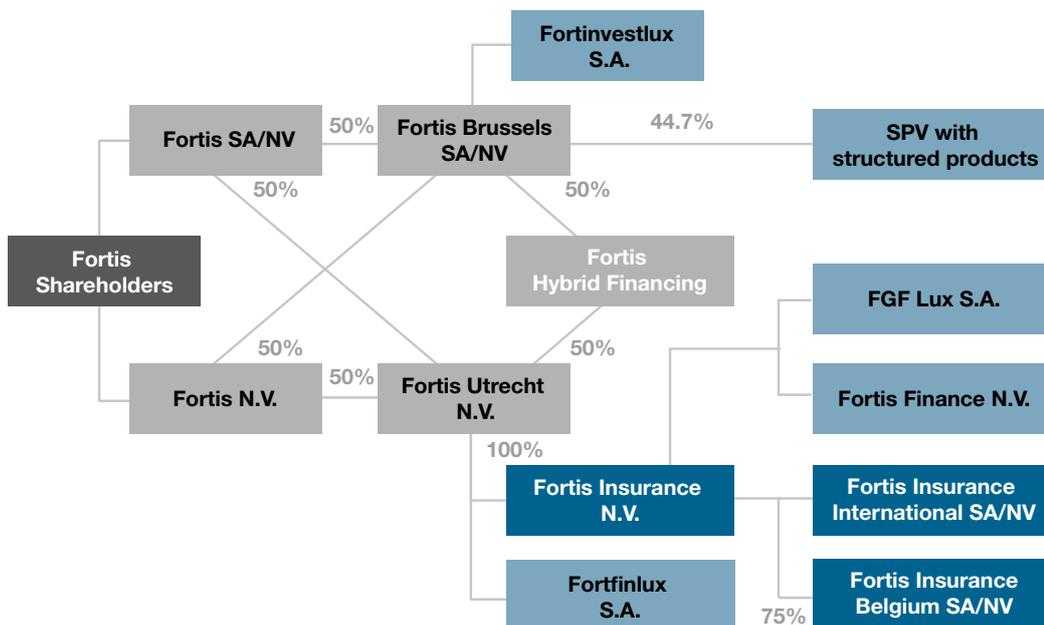
Fortis's legal structure

The charts below are intended to clarify the changes in Fortis's structure as a result of the different transactions that took place on 29 September and on 3 and 10 October.

Situation prior to 29 September 2008



Situation after closing of the agreement of 6 March 2009, subject to approval by the shareholders



Human Resources

Fortis is an insurance group that employed 10,374 people in 15 countries on 31 December 2008.

Our employees are active in three domains: Fortis Insurance Belgium (5,542 FTEs), Fortis Insurance International (4,718 FTEs) and General (114 FTEs).

Fortis was still in transition on 31 December 2008. The aim of the transition project is to design a new organisation capable of meeting the company's strategic needs. The result should be a clear, transparent and consistent structure, comprising a corporate and a business dimension. The corporate dimension will focus on providing a variety of services to the different operating companies responsible for developing the business, so as to build and manage a high-performance company.

This reorganisation will contribute positively to the company's efficiency and effectiveness. The corporate structure will be slimmed down to meet the needs of the new business dimension.

Fortis intends to position itself towards its employees as the employer of choice within the insurance sector, with the emphasis on providing attractive career and development opportunities within a challenging environment.

Number of employees

Business breakdown (in FTEs)

	2008	2007
Insurance Belgium	5,542	5,298
Insurance International	4,718	4,684
General	114	181
Total	10,374	10,163

Number of employees

Geographical breakdown (in FTEs)

	2008	%	2007
Belgium	4,556	43.9%	4,545
United Kingdom	2,621	25.3%	2,634
France	614	5.9%	634
Germany	590	5.7%	528
Portugal	437	4.2%	440
Turkey	301	2.9%	325
Hong Kong	268	2.6%	297
Other countries ¹	987	9.5%	760
Total	10,374	100%	10,163

¹ Austria, Italy, Luxembourg, the Netherlands, Poland, Russia, Spain and Ukraine.

Financial Review

The operating insurance activities reported a net profit of EUR 6 million in 2008, including EUR 639 million negative impact of investment portfolio. Fortis's 2008 net result was a loss of EUR 28.0 billion compared with a profit of EUR 4.0 billion in 2007. The loss in 2008 was due to the EUR 27.4 billion negative result of discontinued operations.

Fortis Insurance Belgium

Net profit amounted to EUR 6 million, compared with EUR 522 million in 2007, impacted by the global equity and credit market turmoil, which particularly affected Individual Life results. The negative effect of the financial crisis over 2008 was EUR 534 million, including write-downs on the investment portfolio and net investment losses as a consequence of major equity divestments with a view to further reducing the risk profile.

Net loss in the second half of 2008 amounted to EUR 242 million, compared with a net profit of EUR 248 million in the first half, as a consequence of a EUR 515 million net-of-tax negative impact due to the deteriorating credit and equity markets.

Total gross inflow of EUR 6.3 billion was 16% down from EUR 7.5 billion in 2007. Life inflow declined by 22% to EUR 4.8 billion, while gross written premiums at Non-Life increased by 7% to EUR 1.5 billion, driven by strong growth in SME business as well as tariff increases and ABEX indexation¹.

Gross inflow in the second half of 2008 amounted to EUR 2.8 billion, down 19% compared with the first half (EUR 3.5 billion). Life inflow declined 21% to EUR 2.1 billion, as unit-linked inflow was hampered by negative market sentiment and savings suffered due to the fierce competition from high-yield bank deposits and the uncertainty surrounding Fortis. Non-Life inflow was 11% lower in the second half of the year than in the first half. This is a normal seasonal effect as the first half of the year typically benefits from sizeable annual payments in the SME segment in January.

Operating costs increased by 4% to EUR 404 million. The yearly wage indexation was partly offset by tight cost control and further efforts to enhance operational efficiency. The number of FTEs at Fortis Insurance Belgium rose by 244 to 5,542 at the end of 2008, mainly driven by an increase at the real estate subsidiaries, which employed 1,794 FTEs at the end of 2008.

Fortis Insurance Belgium maintained strict cost and underwriting discipline in 2008, which is reflected in the cost ratios. The Life cost ratio, as a percentage of average funds under management, decreased by 2 basis points (bp) from 0.42% to 0.40% at the end of 2008. The Non-Life cost ratio, as a percentage of gross written premiums, fell by 30 bp to 16.1% at the end of 2008.

Life

Life gross inflow decreased by 22% year-on-year to EUR 4.8 billion.

Individual Life inflow declined by 27% to EUR 3.8 billion in 2008, as savings and unit-linked inflow from both the bank and the broker channel were hit by depressed financial markets, fierce competition from high-yield bank deposit products and negative sentiment surrounding Fortis. Furthermore, 2007 was a record year for Individual Life inflow. Consequently, Fortis Insurance Belgium's share of the individual Life market dropped by 3.7%, reaching 25.3% at the end of 2008². Despite this fall, market leadership remained unimpaired. Fortis Insurance Belgium also managed to win 2.0% market share of the individual unit-linked market, a relatively strong performance in a market that declined by 42.5% overall in 2008.

Full-year inflow through the bank channel of EUR 2.8 billion was 23% lower than last year, with a decline in both savings and unit-linked. Savings inflow declined 21%, hit by fierce competition from high-yield bank savings products and the ongoing uncertainty surrounding Fortis. Unit-linked inflow generated through the bank channel decreased by 34%, reflecting the poor appetite for open-ended funds. To counter this negative trend, Fortis Insurance Belgium issued nine tranches of Smart Invest Bon, a structured unit-linked product with capital guarantee sold through the bank channel, generating inflow of EUR 300 million.

¹ ABEX index reflects price movements in the construction sector.

² Based on Assuralia figures.

Inflow through the broker channel declined by 34% to EUR 1.1 billion at the end of 2008, with a negative trend in both savings and unit-linked products. Inflow from Top Rendement Invest (TRI), still the main inflow generator for savings, fell by 46% to EUR 481 million at year-end, as clients anticipated low profit sharing on the 0% guarantee option in TRI.

Group Life business, generated through the employee benefits channel, delivered solid 5.2% year-on-year growth, with inflow exceeding the EUR 1.0 billion mark and Fortis Insurance Belgium reinforcing its market leadership share to almost 30%.

Annual premium equivalent decreased by 28% from EUR 585 million in 2007 to EUR 419 million in 2008.

Life funds under management declined by only 1% to EUR 41.8 billion. Funds under management related to non-unit-linked business increased by 6% to EUR 35.9 billion, almost entirely compensating for the drop in unit-linked funds under management to EUR 5.9 billion due to the depressed financial markets. Fortis Insurance Belgium remained the undisputed market leader with a stable market share of 28% in terms of Life funds under management. During October and November, in the midst of the general financial and Fortis-specific turmoil, Fortis Insurance Belgium succeeded in limiting lapses to a level only twice higher than normal, with lapse rates returning to normal levels by year-end.

Full-year Life operating margin was a negative EUR 77 million compared with EUR 344 million in 2007, due to the impact of the global financial market crisis, especially in the second half of the year.

The financial crisis affected Individual Life's result directly through the impact of the credit crunch and value adjustments on investment income (EUR 532 million net-of-tax), and indirectly through the smaller volume effects of lower inflow and reduced funds under management relating to unit-linked. The result was also impacted by a new EUR 30 million provision to protect clients' investments in a structured unit-linked product guaranteed by Lehman Brothers. Fortis Insurance Belgium announced in September that it would assume Lehman's obligations, thereby safeguarding its clients' capital.

The operating margin of Group Life was hardly affected by the global financial crisis and the existing portfolio continued to generate good margins.

Net profit declined from EUR 425 million in 2007 to a net loss of EUR 85 million in 2008, as the Individual Life business, in particular, was hit by the deterioration in the credit and equity markets.

Fortis Insurance Belgium

(in EUR million)	2008	2007	change
Gross inflow	6,282	7,518	-16%
• Life	4,817	6,151	-22%
• Non-Life	1,465	1,367	7%
Operating costs	(405)	(389)	4%
Technical result	108	360	-70%
• Life	(11)	242	-
• Non-Life	119	118	2%
Operating margin	40	481	-92%
• Life	(77)	344	-
• Non-Life	117	137	-15%
Profit before taxation and minority interests	148	565	-74%
Income tax expense	(136)	(37)	268%
Minority interests	(6)	(6)	0%
Net profit	6	522	-99%
• Life	(85)	425	-
• Non-Life	91	97	-6%
Annualised Premium Equivalent (APE)	419	585	-28%
Reserves / Premium ratio Non-Life	197%	201%	-
Combined ratio Non-Life	100.9%	100.4%	-

Non-Life

Gross written premiums at Non-Life grew by 7% to EUR 1.5 billion, clearly outperforming the overall non-life market growth of 3.7%. Consequently, Fortis Insurance Belgium expanded its market share by 0.5% to 14.8% at the end of 2008. This growth was mainly driven by the broker channel's strong performance in the small and medium sized enterprises segment, especially in motor insurance. Premiums in the health care business increased by 11% to EUR 108 million. Furthermore, growth was visible in all product lines, partly triggered by new business, and tariff and ABEX increases.

Non-Life inflow through the bank channel reached EUR 226 million, 1.5% above the previous year's level. Non-Life products sold through the broker channel stood at EUR 1.2 billion, up 8% on the same period.

FIB's innovative product offering, including flexible multi-cover concepts such as Familis and Modulis, sustained a steady growth rate. At the end of 2008, there were more than 430,000 Familis policies in the portfolio, with an average of 2.3 contracts each, a 14% increase compared with 2007. Modulis, a concept combining different contracts and allowing flexible premium payments for SME clients, represented close to 68,000 contracts at the end of 2008, 13% more than in 2007, with the average number of contracts at 3.9.

Full-year operating margin at Non-Life amounted to EUR 117 million, down 15% compared with 2007. It was lower due to the lack of capital gains, large claims at Fire and Motor, and an adjustment to claim provisions in line with new reference tables for bodily injuries (a negative EUR 35 million pre-tax). This was partially compensated by the introduction in 2008 of a recovery provision of EUR 46 million. The operating margin in 2007 was negatively impacted by Windstorm Kyrill.

The combined ratio at Non-Life, including workmen's compensation, was 100.9%, compared with 100.4% in 2007, which was hit by Windstorm Kyrill while 2008 was impacted by higher claims at Fire and Motor.

Non-Life net profit decreased 6% to EUR 91 million in 2008 from EUR 97 million in 2007 due to the lack of capital gains, large claims at Fire and Motor and the adjustment to provisions for bodily injuries in line with the new reference tables for claims.

Fortis Insurance International

The results of the divested operations (Fortis Corporate Insurance and the CalFor joint venture are reported under 'Results of discontinued operations'. The results of Luxembourg Life Insurance are now reported as a 50% stake (with Fortis having management control). The 2007 results for Luxembourg Life Insurance have been restated accordingly.

Net result for 2008 amounted to EUR 0 million compared with a profit of EUR 40 million for 2007. A positive result of EUR 65 million at Non-Life was offset by a EUR 65 million negative result at Life. Net profit for 2008 was negatively impacted by net investment losses and valuation write-downs, totalling EUR 105 million net-of-tax (mainly at Life), as a result of the global downturn in financial markets. The 2007 result was heavily impacted by major weather-related claims.

The impact of the turbulence in financial markets intensified in the second half of 2008, resulting in a net loss of EUR 70 million in the last six months. This was mainly caused by a EUR 95 million loss (net-of-tax and minority interests) on the investment portfolio of the Life insurance activities.

Overall gross inflow at consolidated companies grew 1% to EUR 5.3 billion, despite challenging market conditions and the depreciation of the pound sterling in 2008, thanks to the successful implementation of multi-channel development (Turkey, UK) and product innovation (UK Life, Portugal). In constant exchange rates, overall gross inflow at consolidated companies increased by 4%.

Gross inflow at non-consolidated joint ventures (on a 100% basis) increased by 12% to EUR 3.0 billion, with China the main contributor (20% growth to EUR 1.9 billion) and the newly started IDBI Fortis operations in India adding to the diversification.

Inflow declined 12% in the second half of the year compared with the first half, mainly due to the mounting financial crisis and the uncertainty surrounding Fortis.

Operating costs were EUR 393 million, 4% lower than in the prior year, helped by favourable exchange rate movements. In constant currencies, operating costs increased by 2% year-on-year, mainly due to investment in new markets and businesses.

Life

Gross inflow at consolidated Life companies went up 5% from EUR 3.9 billion to EUR 4.1 billion in 2008. Inflow grew by 4% to EUR 3.8 billion in Europe. Gross inflow in Portugal was up 29%, positively impacted by the ability to adapt the product offering to the volatile capital market conditions. The newly entered markets all realised double-digit growth, notwithstanding the tangible impact of the uncertainty surrounding Fortis. The Turkish activities were up 74% thanks to a successful multi-channel approach. In Asia, inflow at FICA (the fully consolidated Hong Kong-based company) amounted to EUR 282 million (up 25%) as FICA capitalised on the expansion of its agency sales force. Inflow in France (down 16%) and Luxembourg (down 24%), both focusing on unit-linked sales, was affected by the financial and economic crisis and the uncertainty surrounding Fortis.

Funds under management (at consolidated companies only) remained virtually stable at EUR 19.8 billion. The drop in unit-linked funds under management, caused by the depressed financial markets, was offset by an increase in non-unit-linked reserves.

Inflow at non-consolidated joint ventures (on a 100% basis) rose by 12% to EUR 2.7 billion, driven by the expansion of distribution capacity and product innovation, particularly in China and Thailand.

Operating margin was a negative EUR 57 million, due to net investment losses and valuation write-downs. The write-downs are related to the aforementioned restructuring of the investment portfolio and impairments on equities.

Net result declined from a profit of EUR 76 million in 2007 to a loss of EUR 65 million in 2008, which was impacted by write-downs and investment losses (EUR 100 million net-of-tax), whereas 2007 benefited from sizeable allocated and non-allocated capital gains of EUR 25 million.

Non-Life

Gross written premiums at consolidated Non-Life companies amounted to EUR 1.2 billion, a decrease of 10% compared with the previous year, due to the depreciation of the pound sterling (negative impact of EUR 156 million). At constant exchange rates, premium income increased by 2% due to strong growth in Portugal (up 9%). Fortis UK's premiums remained stable in constant exchange rates, due to an increased focus on profitability.

Gross written premiums at non-consolidated joint ventures (on a 100% basis) increased by 12% to EUR 337 million, driven primarily by the expansion of activities in Thailand. The merger of Muang Thai Insurance Co. and Phatra Insurance created the fifth largest non-life insurer in Thailand.

Operating margin increased substantially from EUR 53 million negative in 2007 to EUR 104 million positive in 2008 due to the absence of major weather-related events, although this was partially offset by adverse exchange rate movements. The 2007 results were affected by the natural disasters Windstorm Kyrill and floods in the UK, which had a total negative impact of EUR 143 million.

Full-year net profit was EUR 65 million, compared with a loss of EUR 36 million in 2007, due to the improved operating performance described above.

The combined ratio improved in 2008 to 98.4% based on better cost and claims ratios. This compares to a 2007 combined ratio of 114% or 102%, adjusted for natural disasters. The 2007 combined ratio was impacted by an increase of incurred but not recorded reserves.

Fortis Insurance International

(in EUR million)	2008	2007	change
Gross inflow	5,330	5,271	1 %
• Life	4,102	3,911	5 %
• Non-Life	1,228	1,360	-10 %
Operating costs	(393)	(410)	-4 %
Technical result	85	19	347 %
• Life	(24)	75	-
• Non-Life	109	(56)	-
Operating margin	47	46	2 %
• Life	(57)	99	-
• Non-Life	104	(53)	-
Profit before taxation and minority interests	51	110	-54 %
Income tax expense	(32)	(19)	68 %
Minority interests	(19)	(51)	-63 %
Net profit	0	40	-
• Life	(65)	76	-
• Non-Life	65	(36)	-
Annualised Premium Equivalent (APE)	527	478	10 %
Reserves / Premium ratio Non-Life	117 %	126 %	-
Combined ratio Non-Life	98.4 %	114.0 %	-

Embedded Value

Fortis calculates embedded value based on market-consistent methodology aligned with recommendations from the CFO Forum (compliant with EEV principles). The extreme market conditions and restructuring of the group had a major impact on the group's Life businesses and this is reflected in the movements of the Embedded Value as compared to 2007.

The restructuring of the group had a major impact on its Embedded Value. The sale of Fortis Insurance Netherlands led to a decrease in year-end 2007 Embedded Value of EUR 5,706 million. For the Life activities that remained part of Fortis, a number of opening adjustments to year-end 2007 Embedded Value have been made to reflect the restructuring in 2008. These include the exclusion of distribution profits of Fortis Insurance Belgium which arose in Fortis Bank but were included in the past under the EEV 'look-through principle' and the deconsolidation of 50% of Fortis Luxembourg Life. Finally, the opening adjustments include the acquired Life activities of Fortis Insurance Company Asia (FICA). These adjustments, together with modelling enhancements, led

to restated 2007 Embedded Value of EUR 6,666 million. Consolidated businesses are included based on Fortis's stakes while the Asian joint ventures have been excluded.

The underlying value growth of EUR 527 million, based on solid operating cash flows, and Value Added by New Business of EUR 102 million was more than offset by the significant negative impact of the turbulent financial markets. This had a negative impact of EUR 2,372 million, due to the falling equity values during the year and the widening bond spreads, lower interest rates and higher option costs at the year-end valuation date.

At year-end 2008 Embedded Value amounted to EUR 4,923 million for the global insurance activities. At Insurance Belgium the impact on financial markets dominated the change in value coming from the traditional business with long-term liabilities which are affected most by the lower interest rates and higher option costs. At Insurance International a balanced business mix dampened the impact on interest rates.

(in EUR million)	Fortis Insurance	Insurance Belgium	Insurance International
Previous Embedded Value restated¹	6,666	5,307	1,359
Value change before Economic variance and VANB	526	499	27
Economic variance ²	(2,372)	(2,043)	(329)
Value Added by New Business	102	53	49
Embedded Value at year-end 2008	4,922	3,816	1,106

Value Added by New Business (VANB) reduced from EUR 228 million in 2007, restated based on the new scope, to EUR 102 million in 2008. This change was mainly driven by the adverse impact on traditional savings products of the very low interest rates and high cost of options at year-end.

At Insurance Belgium the decrease in VANB was driven by lower volumes and lower investment margins. While volumes increased in Insurance International, VANB was negatively impacted by suppressed investment margins on savings products.

(in EUR million)	Fortis Insurance	Insurance Belgium	Insurance International
Value Added by New Business			
• 2008	102	53	49
• 2007 ¹	228	151	77
• Change	-55%	-65%	-36%
Present Value of New Business Premium			
• 2008	7,314	4,355	2,959
• 2007 ¹	7,874	5,305	2,569
• Change	-7%	-18%	15%
New Business Margin			
• 2008	1.4%	1.2%	1.7%
• 2007 ¹	2.9%	2.8%	3.0%

In the light of the financial market turbulence, Fortis decided to adapt its market consistent approach by allowing for a premium of 50 basis points above the swap rate for EUR currencies and 100 basis points for US dollar and Hong Kong dollar. This reflects Fortis's view that under current market conditions additional spread can be gained over the risk free rate by holding debt securities to maturity.

For further information on embedded value results and methodology we refer to the 2008 Embedded Value Report at www.fortis.com.

¹ Opening adjustments include divestment of Fortis Insurance Netherlands, deconsolidation of 50% of Fortis Insurance International Luxembourg, acquisition of FICA in Hong Kong and deduction of Result Related Commission for Fortis Insurance Belgium paid to Fortis Bank for value created through the bank distribution and which was previously reported under the look-through principle.

² Inclusion of an illiquidity premium of 50bp for European businesses and 100bp for Hong Kong in FY2008.

General

The net result of the General Account in 2008 amounted to EUR 629 million negative compared with a loss of EUR 446 million in 2007. The 2007 figures, as reported on 7 March 2008, have been restated for comparison purposes. The main difference from the published 2007 figures relates to intra-group eliminations. Eliminations relating to activities sold during 2008 have been excluded from the 2007 comparison base.

Higher realised and unrealised capital losses (EUR 118 million negative) and lower 'other income' (EUR 30 million negative) were the reasons for the main variance from 2007. The higher realised capital losses were due to a EUR 295 million loss incurred on the sale of US dollars and pounds sterling (in the context of the suspended closing of the transactions with BNP Paribas and the Belgian State, *see also press release of 24 December 2008*). In addition, a deterioration of the fair value adjustment to the mandatory exchangeable bond portfolio (EUR 50 million) and incurred losses related to the redemption of the EMTN programme (EUR 82 million) were recorded in 2008. 2007 included a capital gain of EUR 127 million on the sale of Fortis's stake in Munich Re. The drop in income in 2008 was partially offset by the positive accounting impact (EUR 415 million) of the relative performance note (RPN) related to the CASHES¹ financial instrument in 2008. The value of the RPN at the end of 2008 was EUR 30 million negative, compared with a negative value of EUR 223 million at the end of 2007.

'Other income' was EUR 29 million lower as a result of additional expenses related to the restructuring of Fortis, which could not be re-invoiced to the former group companies. The restructuring will further reduce the number of FTEs at holding level from 114 to an expected 40 to 50 in 2009.

Net interest charges remained nearly stable at EUR 301 million. The second half of 2008 showed an improvement as a result of the positive cash inflow of EUR 8.2 billion from the sale of the Banking and Insurance activities, of which EUR 4.7 billion related to the sale of the 50% of Fortis Bank and EUR 3.5 billion to Fortis Verzekeringen Nederland. The EUR 0.5 billion proceeds from the sale of Fortis Corporate Insurance was allocated to Fortis Insurance International. This positive impact was partially mitigated by a loss of EUR 50 million in interest margin due to the accelerated amortisation of premiums and discounts related to the redemptions of the EMTN programme.

Total expenses remained stable in 2008 on a comparable base to 2007. Staff expenses are in line with 2007 but are expected to decrease substantially in 2009 following the planned reduction in corporate staff.

General (in EUR million)	2008	2007	change
Total income	(432)	(286)	51 %
Change in impairments	(20)	0	-
Net revenues	(452)	(286)	58 %
Staff expenses	(44)	(49)	-10 %
Other expenses	(193)	(188)	2 %
Total expenses	(237)	(237)	0 %
Profit before taxation	(689)	(523)	32 %
Taxation	60	77	-22 %
Net profit	(629)	(446)	41 %
Net profit attributable to minority shareholders	0	0	-
Net profit attributable to shareholders	(629)	(446)	41 %

¹ The CASHES is a mandatory convertible bond issued by Fortis Bank and redeemable in Fortis shares, with the two Fortis holding companies as co-obligors. To hedge its obligation to deliver Fortis shares at the moment of redemption of the CASHES, Fortis Bank acquired at the time of issuance the required number of Fortis shares. To minimise the impact of the changes in fair value of the Fortis shares on the equity and / or the income statement, Fortis Bank decided to record both the CASHES and the Fortis shares at fair value through income statement. Fortis Bank has hedged the difference of the net fair value movements of the Fortis shares and the CASHES through a Relative Performance Note concluded with Fortis. This effectively transfers the net fair value movements of the Fortis shares and the CASHES from Fortis Bank to Fortis. The fair value of the Relative Performance Note is very volatile.

Analysis of shareholders equity

(in EUR million)	2008	2007
Cash and cash equivalents	2,509	1,171
Due from banks, short term	6,079	11
Due to banks, short term	(1,826)	(1,006)
Debt certificates	(4,812)	(7,920)
Net cash position	1,950	(7,744)
Due from customers	1,453	2,580
Due from banks, long term	6,661	2,750
Due to banks, long term	(4,750)	(1,750)
Subordinated liabilities	(2,946)	(1,760)
Other borrowings	(65)	(86)
Receivable on balance	353	1,734
Accruals and other	729	1,354
Equity General	3,032	(4,656)
Equity Fortis Insurance Belgium	2,785	3,176
Equity Fortis Insurance International	2,009	1,427
Elimination treasury shares and discount.	(1,031)	33,100
Shareholders' equity Fortis	6,795	33,047

The net cash position of Fortis on 31 December 2008 amounted to EUR 2.0 billion. This amount was composed of EUR 2.5 billion cash, net receivables from banks of EUR 4.2 billion, offset by EUR 4.8 billion in debt certificates. The latter refers to the remaining amount outstanding as per 31 December 2008 on the euro medium term note (EMTN) and commercial paper (CP) programmes.

On 8 December 2008, Fortis announced that bondholders under the EMTN programme, given the structural changes to the Fortis group, could ask for early redemption of their notes. Fortis started to redeem these notes on 16 December 2008. The total outstanding amount under this programme on 8 December 2008 was EUR 7.6 billion. On 31 March 2009, this was further reduced to approximately EUR 1.4 billion.

The main elements of the other assets and liabilities of the General Account are:

- Due from banks long term: relates to loans made to Fortis Bank SA/NV;
- Due to banks long term: relates to borrowing from Fortis Bank SA/NV;
- Due from customers: relates mainly to a loan provided to Fortis Insurance Belgium (EUR 900 million) and some other loans to (former) group companies;
- Subordinated liabilities: can be broken down into the amounts outstanding on the NITSH I & II (EUR 1.2 billion), FRESH (EUR 1.1 billion) and Hybrone (EUR 500 million) instruments.

Discontinued operations

Fortis agreed to a number of transactions on 29 September and 3 and 6 October, involving the sale of all banking activities and a large part of the Insurance activities.

On 29 September 2008, Fortis and the Belgian government entered into an agreement, whereby the Belgian government (via the SFPI/FPIM) subscribed to a capital increase in Fortis Bank SA/NV. The subscription price amounted to EUR 4.7 billion in return for which the SFPI/FPIM acquired 49.93% of the equity of Fortis Bank SA/NV. As the transaction was structured as a capital increase, the proceeds benefited Fortis Bank SA/NV.

On 3 October 2008, the Government of the Netherlands acquired Fortis Bank Nederland (Holding) N.V., including its stake in RFS Holdings B.V. (incorporating the activities acquired from ABN AMRO), Fortis Verzekeringen Nederland N.V. and Fortis Corporate Insurance N.V., for a total amount of EUR 16.8 billion. Of these proceeds EUR 12.8 billion were allocated to Fortis Bank SA/NV, related to the sale of Fortis Bank Nederland Holding) N.V., and EUR 4.0 billion was allocated to Fortis Insurance N.V., related to the sale of Fortis Verzekeringen Nederland N.V. and Fortis Corporate Insurance N.V.

On 6 October 2008 it was announced that the remaining Fortis stake of 50% + 1 share in Fortis Bank SA/NV was sold to the Belgian State (via SFPI/FPIM) for EUR 4.7 billion.

As required by IFRS 5, the subsidiaries sold and transferred by Fortis are reported as discontinued operations. The table below provides a breakdown of the net result after tax of the respective discontinued activities. A split of the net result into an operational result and a book result on sale could not be made.

The 2007 result of discontinued operations relates to CaiFor.

Discontinued operations: result

(in EUR million)	2008	2007
Fortis Bank NV/SA	(20,822)	491
Fortis Bank Nederland (Holding)	(8,591)	1,284
Fortis Verzekeringen Nederland	1,746	890
Fortis Corporate Insurance	255	64
Eliminations and minority interests	-	168
CaiFor	-	1,013
Result Discontinued operations	(27,412)	3,910

Investment portfolio and other exposures: an update

The profile of Fortis's investment portfolio has changed substantially as a result of the sale of Fortis Bank to the Belgian State and the sale of the Dutch banking and insurance activities to the Dutch State. The risk profile of the investment portfolio of Fortis Insurance has changed as a result of value decreases and the sale of equity investments.

The table below gives a breakdown of Fortis Insurance's available for sale (AFS) investment portfolio and its real estate exposure, both at market value.

Available for sale portfolio plus real estate at market value

	in EUR billion		in %	
	2008	2007	2008	2007
Fixed income securities	43.6	39.5	90%	82%
Equity securities	1.3	5.6	3%	12%
Real estate investment property	1.8	1.8	4%	4%
Real estate for own use	1.4	1.2	3%	2%
Total	48.1	48.1	100%	100%

Fixed income portfolio

The vast majority of the investment portfolio concerned fixed income securities. Government bonds represented 63%, corporate bonds 36% and structured credits only 1% (or EUR 418 million) of the total bond portfolio at the end of 2008. Investment in CDOs was limited to EUR 73 million. The average credit quality of the bond portfolio was very high, with 98% of the portfolio rated A or higher and 60% AA or higher. Only 1% was below investment grade or unrated. Of the bonds in the corporate debt portfolio, 98% were investment grade or higher. Hybrid debt issued by banks comprised EUR 410 million or 4% of the total corporate debt portfolio. The impact of spread widening remained limited. Unrealised gains and losses on the corporate debt portfolio were EUR 76 million in 2008.

Equity portfolio

Fortis's total equity securities portfolio classified as available for sale (AFS) amounted to EUR 1.3 billion at the end of 2008. The sharp decrease compared with the end of 2007 was the result of the fall in value as well as substantial sales in order to reduce to risk of the overall investment portfolio. Around 40% of the remaining EUR 1.3 billion was invested in shares and equity funds. The other 60% was invested in real estate funds, bond funds and money market funds.

Real estate portfolio

The total fair value of Fortis's real estate portfolio amounted to EUR 3.2 billion, split between EUR 1.8 billion in investment property and EUR 1.4 billion in buildings for own use. Fortis's real estate exposure is mainly geared towards office buildings, commercial assets and public car parks across Europe (Interparking).

The office portfolio is mainly located in the Brussels region, which is known for its relatively low volatility compared with other European markets thanks to the presence of the European Union. The commercial assets are almost exclusively situated within major shopping centres in Belgium. The public car parks are spread over seven European countries with proximity to city centres, hospitals, railway stations, airports and tourist attractions. Leases are often of long-term duration. The diversification strategy is designed to protect against the effects of downturns and should allow the seizure of any investment opportunities that may arise in the various real estate segments.

The unrealised gain after tax on this portfolio after profit sharing amounted to EUR 583 million at the end of 2008. This was not reflected in net equity, as real estate exposure is booked at amortised cost.

Capital position

Since the first quarter of 2007, Fortis has managed its consolidated capital base by focusing on the following core equity targets:

- a capital target for Fortis Bank equal to a 6% core equity ratio under Basel I;
- a core equity target for Fortis Insurance of 175% of the regulatory minimum;
- a group leverage target (at General) equal to 15% of the target core equity of Banking plus the target core equity of Insurance, implying that 15% of Banking and Insurance's combined target core equity could be financed by group debt;
- a group core equity target equal to the sum of the core equity targets of Banking and Insurance after deduction of the targeted group leverage.

Fortis's target core capital reflects the diversified nature of the group and the leverage at holding level. With no banking activities, an absence of diversification and positive net equity at holding level, the old target capital model is no longer appropriate.

Once the shareholders' meetings have voted on the revised agreement with the Belgian State and BNP Paribas, Fortis will have a better view on the final composition of its assets and liabilities. During the period thereafter, Fortis will assess its capital

requirements. Assuming the shareholders vote in favour of the agreement, the assessment of capital requirements will depend partly on the size of insurance liabilities, the risk profile of the insurance entities' assets, local solvency requirements and the various assets in the General Account. These assets comprise mainly various financial instruments issued by Fortis Bank SA/NV and a EUR 760 million investment in a special purpose vehicle for structured credits.

The assessment of required capital will form part of the overall strategy to be defined by the Board and Executive Management in the coming period. The strategy will also cover various other subjects related to capital management.

Capital ratios

Fortis's core equity amounted to EUR 7.9 billion at the end of 2008. Core equity exceeds the total minimum requirement of the insurance activities by EUR 5.4 billion.

The core equity of insurance operations stood at EUR 4.7 billion, while total available capital at the insurance entities amounted to EUR 5.1 billion, 202% of the regulatory required minimum. The solvency ratio of Fortis Insurance Belgium amounted to 189%. Based on local accounting and regulatory supervision, the solvency ratio of Fortis Insurance Belgium was 204%. Fortis Insurance International's total solvency ratio was 238% at the end of 2008. Fortis Insurance International benefited from the capital gain on the sale of Fortis Corporate Insurance to the Dutch State in the fourth quarter of 2008, which reinforced its solvency.

Key Capital Indicators (in EUR million, at year-end 2008)

	Insurance Belgium	Insurance International	Fortis Insurance	General (incl elim.)	Total Fortis
Core equity	2,890	1,767	4,657	3,225	7,882
Total available capital	3,535	1,555	5,090	3,079	8,169
Min. solvency requirements	1,871	654	2,525	-	-
Amount of total capital above minimum	1,664	901	2,565	-	-
Core solvency ratio	154%	270%	184%	-	-
Total solvency ratio	189%	238%	202%	-	-

Tangible equity

Intangible assets on Fortis's balance sheet are relatively low. They total EUR 1.8 billion, divided between goodwill (EUR 531 million), deferred acquisition costs (DAC, EUR 421 million), value of business acquired (VOBA, EUR 549 million) and other intangible assets such as parking management contracts of EUR 287 million. Taking into account taxation on intangibles and intangibles backed by minority interests, tangible net equity including unrealised gains after tax on real estate amounted to EUR 6.0 billion. This is EUR 0.8 billion below reported shareholders' equity of EUR 6.8 billion.

Pro forma net equity and cash position

Assuming the execution of the agreement with the Belgian State and BNP Paribas, Fortis's pro forma net equity amounted to EUR 7.5 billion, being net equity at the end of 2008 and the EUR 0.7 million capital gain on the sale of 25% of Fortis Insurance Belgium. The capital gain is 25% of the difference between Fortis Insurance Belgium's net equity of EUR 2.8 billion at the end of 2008 and the agreed sale price of EUR 5.5 billion.

Fortis's pro forma net equity of EUR 7.5 billion at the end of 2008 should be compared with the EUR 7.0 billion pro forma net equity reported in the shareholder circular dated 16 March 2009. The positive increase is explained by the increased book value of Fortis Insurance Belgium due to the positive yield evolution of its bond portfolio.

The pro forma net cash position of General at the end of 2008 amounted to EUR 3.6 billion compared with the net cash position of EUR 3.5 billion mentioned in the shareholder circular dated 16 March 2009. Of the EUR 3.6 billion pro forma net cash, EUR 0.3 billion will be used to improve the funding position and eliminate the leverage of Fortis Insurance International N.V. (the holding of the operating entities outside Belgium) in the course of 2009, thereby reducing the pro forma net cash position to EUR 3.3 billion. This amount is in line with the net cash position of EUR 3.4 billion mentioned in the shareholder circular published on 16 March 2009. The difference is explained amongst others by payments of expenses and interest.

This circular provides an overview of the financial implications of a negative vote on the proposed transaction.

Consolidated balance sheet (before appropriation of profit)

(in EUR million)	31 December	
	2008	2007
Assets		
Cash and cash equivalents	5,933	26,360
Assets held for trading	237	74,800
Due from banks	13,893	119,036
Due from customers	2,511	316,308
Investments:		
• held to maturity	-	4,234
• available for sale	44,704	164,089
• held at fair value through profit or loss	191	6,193
• investment property	1,290	3,656
• associates and joint ventures	431	28,108
	46,616	206,280
Investments related to unit-linked contracts	18,040	31,120
Reinsurance and other receivables	1,154	9,718
Property, plant and equipment	1,135	4,004
Goodwill and other intangible assets	1,366	3,339
Accrued interest and other assets	1,985	80,214
Total assets	92,870	871,179
Liabilities		
Liabilities held for trading	165	89,589
Due to banks	8,759	192,431
Due to customers	148	262,298
Liabilities arising from insurance and investment contracts	47,751	64,732
Liabilities related to unit-linked contracts	18,078	31,788
Debt certificates	4,670	102,073
Subordinated liabilities	2,908	21,925
Other borrowings	179	3,018
Provisions	71	899
Current and deferred tax liabilities	684	2,490
Accrued interest and other liabilities	2,147	65,742
Total liabilities	85,560	836,985
Shareholders' equity	6,795	33,047
Minority interests	515	1,147
Total equity	7,310	34,194
Total liabilities and equity	92,870	871,179

Consolidated income statement

(in EUR million)	2008		2007	
Income				
Insurance premiums	8,448	9,227		
Interest income	3,089	2,737		
Dividend and other investment income	571	582		
Share in result of associates and joint ventures	27	56		
Realised capital gains (losses) on investments	(130)	459		
Other realised and unrealised gains and losses	(378)	(299)		
Fee and commission income	432	417		
Income related to investments for unit-linked contracts	(3,191)	506		
Other income	354	349		
Total income	9,222	14,034		
Expenses				
Insurance claims and benefits	(8,418)	(9,440)		
Charges related to unit-linked contracts	3,219	(641)		
Interest expense	(1,343)	(1,280)		
Change in impairments	(558)	(49)		
Fee and commission expense	(912)	(915)		
Depreciation and amortisation of tangible and intangible assets	(174)	(163)		
Staff expenses	(644)	(645)		
Other expenses	(869)	(780)		
Total expenses	(9,699)	(13,913)		
Profit before taxation	(477)	121		
Income tax expense	(108)	21		
Net profit for the period	(585)	142		
Net result on discontinued operations	(27,412)	3,910		
Net profit before minority interest	(27,997)	4,052		
Net profit attributable to minority interests	25	58		
Net profit attributable to shareholders	(28,022)	3,994		

The consolidated balance sheet and income statement are from Fortis's financial statements for the year ended 31 December 2008. In order to thoroughly understand these figures, we refer to the Financial Statements which include the accounting policies and more details.

General Statement

The Fortis Financial Statements 2008, together with the Annual Review 2008, constitute the Fortis Annual Report 2008. The Annual Review should be considered the Report of the Board of Fortis on the Fortis Consolidated Financial Statements 2008 in compliance with article 119 of the Belgium Companies Act.

The Fortis Annual Report is prepared on a going concern basis. Although Fortis incurred exceptionally large losses in 2008 and as a consequence has lost a significant part of its capital (see note 8 Solvency in the Fortis Consolidated Financial Statements), the remaining capital and liquidity position is reasonable (see note 7 Risk Management in the Fortis Consolidated Financial Statements).

However, Fortis is faced with uncertainties related to the agreement of 12 March 2009 between various Fortis entities (i.e. Fortis SA/NV, Fortis N.V., Fortis Brussels SA/NV, Fortis Utrecht N.V. and Fortis Insurance N.V.), BNP Paribas S.A., the Belgian State, the Federal Participation and Investment Corporation (Société Fédérale de Participations et d'Investissement/Federale Participatie- en Investeringsmaatschappij SA/NV or the SFPI/FPIM), Fortis Bank and Fortis Insurance Belgium, which set out the terms and conditions of the transfer of a majority of the shares in Fortis Bank by the SFPI/FPIM to BNP Paribas and the transfer of 25% + 1 of the shares in Fortis Insurance Belgium by Fortis Insurance N.V. to Fortis Bank, as well as the terms and conditions of the strategic partnership resulting from these transactions (the 'Agreement').

The uncertainties can briefly be summarised (details of the Agreement are provided in note 55 of the Fortis Consolidated Financial Statements) as follows.

The Agreement will (if accepted by the shareholders of Fortis):

- generate EUR 1,375,000,000 in cash for the sale of 25% + 1 of the shares in Fortis Insurance Belgium to Fortis Bank;
- require a cash investment of EUR 760 million, representing Fortis's share in the equity of the special purpose vehicle (SPV);
- mean that the Relative Performance Note (RPN) will remain in place and that, in addition, Fortis (or, in certain more unlikely scenarios, Fortis Bank) will be required to make quarterly interest payments under the RPN, calculated at a rate of EURIBOR 3 months plus 20 basis points on the then outstanding amount;
- recognise the fair value of the call option granted by the SFPI/FPIM in respect of the upside on the BNP Paribas shares above EUR 68. Assuming that the option extends to 121,218,054 BNP Paribas shares and based on market information of 12 March 2009, this option is estimated to have a market value of EUR 504 million.

The future value of the stake of Fortis in the SPV is dependent on the quality of the toxic assets to be acquired by the SPV and conditions of the funding to be received by the SPV. The toxic assets are still under examination and the funding is subject to negotiation. In any case, the maximum downside risk of Fortis related to the SPV is the initial investment of EUR 760 million.

In the case of a vote against the proposed resolution to the shareholders' meetings of 8 and 9 April 2009, Fortis would continue to be legally bound by a fallback provision in the Share Purchase Agreement of 10 October 2008 with the SFPI/FPIM (as amended) relating to the financing of the SPV. This agreement provides for the financing of the SPV only by Fortis and the SFPI/FPIM in the event that the Agreement (with BNP Paribas) does not come into effect. Should the fallback provision be enforced, Fortis would be required to fund EUR 6.86 billion out of a total amount of EUR 9.36 billion (less any redemptions and subject to currency adjustments). To secure such obligation, Fortis granted a pledge over 100% of its shares in Fortis Insurance Belgium.

Although, in the case Fortis has to fund EUR 6.86 billion, an agreement is in place with the SFPI/FPIM that they will fund EUR 3 billion, a negative vote could have a severe negative impact on Fortis' liquidity position. Fortis is confident based on the current discussions and the agreements reached in the last months, it will be able to negotiate a funding plan that will leave sufficient liquidity to continue the current operations and to fulfill the obligations resulting of a negative vote.

Fortis is fully aware of the uncertainties it faces with regard to the legal proceedings started as a result of the events and developments occurred between May 2007 and October 2008 (see note 52 Contingent liabilities of the Fortis Consolidated Financial Statements), the approval of the transactions agreed with BNP Paribas and SFPI/FPIM by the shareholders (see note 55 Post balance sheet events of the Fortis Consolidated Financial Statements) and the funding of the SPV (see above). Although Fortis is confident it will be able to manage these uncertainties and has taken all measures necessary to contain the effect of a negative outcome, it can never be excluded that the existence of these uncertainties may cast significant doubt on the ability of Fortis to continue to operate on a going concern basis.

Fortis was not able to value its obligation resulting from the commitment to fund the SPV, which was established to acquire the portfolio of structured credit instruments at transaction date nor at year end 2008, because of the various uncertainties mentioned above in respect of the arrangements made between parties concerned. If the obligation could have been valued it could have had an impact on the result on sale of Fortis Bank nv-sa, and the results for the year.

Like any other financial institution, Fortis is involved as a defendant in various claims, disputes and legal proceedings arising in the ordinary course of its business, which since the divestment of its banking activities in October 2008 is limited to insurance activities.

In addition, as a result of the events and developments occurred between May 2007 and October 2008 (capital increase and acquisition of parts of ABN AMRO in October 2007, announcement of the accelerated solvency plan in June 2008, divestment of banking activities and Dutch insurance activities in September/October 2008, etc.), Fortis is involved or may still become involved in a number of legal proceedings as well as administrative and judicial investigations in Belgium, the Netherlands and the USA, some of which could result in substantial but currently unquantifiable future liabilities for Fortis (see note 52 and 7 of the Fortis Consolidated Financial Statements for details).

Note 7 of the Fortis Consolidated Financial Statements provides details of the type of risk Fortis is facing in its daily operations and the way risk is managed within Fortis including risk policies.

Due to circumstances beyond the control of the Board of Directors, Fortis was not able to apply IFRS in all its detail for 2008, since the discontinued subsidiaries were not able to provide auditable figures on the operating result up to the moment of sale. Therefore Fortis could not provide the IFRS required split for 2008 of the result of discontinued operations into a result on divestment and operating result 2008 as well that Fortis was not able to provide the cash flows related to discontinued operations for 2008.

The shareholders of Fortis SA/NV voted in accordance with article 633 of the Belgium Code of Companies at the shareholders meeting of 2 December 2008 that the activities of Fortis SA/NV should be continued. Consequently the financial statements of Fortis SA/NV are prepared based on the going concern principle.

Governance at Fortis

Fortis experienced the most turbulent year in its history in 2008. The transactions with the governments of Belgium, the Netherlands and Luxembourg and BNP Paribas that were announced on 29 September, 3 October and 6 October, fundamentally altered the composition and character of the group. This naturally had significant implications for corporate governance.

The new situation has brought about rapid changes in the composition and duties of the group's key administrative bodies. The Fortis Governance Statement describes corporate governance at Fortis prior to the sale of important corporate entities in the Netherlands and Belgium. It remains unclear at this point how the composition of the group will develop in the future. As soon as greater clarity has emerged in that regard, Fortis will draw up a new Governance Statement for all its stakeholders. Until then, differences will remain between the Governance Statement and the actual governance of the company.

In spite of the events of the past year and the prevailing uncertainty, Fortis continues to attach great importance to good corporate governance. Fortis will continue in its efforts to adhere to the applicable corporate governance codes.

Fortis's structure and shares

Fortis was created in 1990 by the cross-border merger – Europe's first – of Belgian insurer AG Group with Dutch bancassurance group AMEV/VSB. Our overall legal structure has been adapted regularly in the intervening years. Fortis has two parent companies (a Belgian one, Fortis SA/NV, and a Dutch one, Fortis N.V.), shares in which have been twinned to form one Fortis share. Fortis shares are ordinary shares in every respect, including voting rights and dividend entitlement.

Each Fortis share carries a single vote at the shareholders' meetings of Fortis SA/NV and Fortis N.V. Fortis shareholders are thus entitled to attend and cast their votes at the general meetings of both companies. The two shareholders' meetings basically deal with the same matters. The Articles of Association specify that for certain resolutions to be valid they must be passed by both meetings.

There were 2,516,657,248 Fortis shares issued as at 31 December 2008. Additional information on Fortis's structure and shares is set out in Chapter 2 of the Fortis Governance Statement and note 4 of the Fortis Financial Statements.

Board of Directors

The Fortis Board of Directors operates within the framework defined by Belgian and Dutch legislation, normal practice in the two countries and the Articles of Association. The role and responsibilities of the Board of Directors and its composition, structure and organisation are described in detail in the Fortis Governance Statement. That document also includes the independence criteria applying to non-executive members of the Fortis Board.



Composition

Maurice Lippens was reappointed at the Annual General Meetings of Shareholders on 29 April 2008 as a non-executive director for a term of four years, until the end of the Annual General Meetings of Shareholders in 2012. Jacques Manardo, Rana Talwar (both non-executive directors) and Jean-Paul Votron (executive) were reappointed for three years. Louis Cheung Chi Yan joined the Board of Directors as a new non-executive director. He too was appointed for three years.

On 11 July, Fortis announced that the Board of Directors and Jean-Paul Votron had decided, by mutual agreement and in the interest of the group, to terminate his mandate as Fortis CEO. He was succeeded by Herman Verwilt, previously Deputy CEO and executive member of the Board.

Fortis announced on 29 September that Maurice Lippens was stepping down as Chairman of the Board of Directors. Deputy Chairman Jan-Michiel Hessels subsequently assumed the duties of Acting Chairman.

The Board of Directors decided on 31 October that a smaller Board was required with a new, non-executive Chairman. It therefore proposed the appointment at the shareholders' meetings of 1 and 2 December 2008 of Etienne Davignon. In the interests of continuity, it also decided to propose the appointment of Jan-Michiel Hessels, Louis Cheung and Philippe Bodson. Karel De Boeck was proposed as an executive director.

On 1 and 2 December 2008, shareholders of Fortis SA/NV and Fortis N.V. respectively approved the appointment of Karel De Boeck as executive director and that of Louis Cheung as non-executive director. They were appointed until the end of the Annual General Meetings of Shareholders in 2010 and 2009 respectively. Herman Verwilt stepped down as executive director on 2 December. Since shareholders only approved two of the proposed directors, a new, lawfully constituted Board of Directors could not be installed, which meant that the incumbent Board remained in place provisionally, together with Karel De Boeck and Louis Cheung. The latter resigned his position as non-executive director on 1 February 2009.

On 11 and 13 February 2009, shareholders of Fortis SA/NV and Fortis N.V. respectively approved the appointment of Jozef De Mey, Georges Ugeux and Jan Zegering Hadders as non-executive directors until the end of the Annual General Meetings of Shareholders in 2011. The Board of Directors elected Jozef De Mey as its Chairman. Georges Ugeux resigned on the date of his appointment.

All incumbent Board Members, with the exception of Karel De Boeck, stepped down on 13 February 2009: Jan-Michiel Hessels, Philippe Bodson, Richard Delbridge, Clara Furse, Reiner Hagemann, Jacques Manardo, Alois Michielsens, Ronald Sandler, Rana Talwar and Klaas Westdijk.

The Board of Directors comprises three persons as at 31 March 2009: Jozef De Mey (Chairman), Karel De Boeck (CEO) and Jan Zegering Hadders.

Meetings

The Board of Directors met on 25 occasions in 2008. Eight meetings were planned as part of the normal meeting schedule. Four of them lasted one full day and three lasted half a day, while the annual Board off-site meeting was for one and a half days. Attendance details can be found on page 38. As from 26 September, the Board met 14 times to discuss issues related to the developments from September 2008 onwards. Three additional meetings were held in view of the solvency situation.

The regular meetings dealt with the following matters:

- The strategy pursued by Fortis as a whole and by each Fortis business;
- Strategies pursued by Human Resources, Technology, Operations & Process Services, and Facilities & Purchasing;
- Ongoing development of each of the Fortis businesses;
- The 2008 budget;
- Quarterly balance sheets and income statements, with additional information provided by the CFO and external auditors;
- Investor relations and corporate communications;
- Reports of Board committees following each of their meetings;
- Fortis's structure and risk management;
- Nomination of directors for appointment or re-election by the Annual General Meetings of Shareholders;
- The remuneration of non-executive Board Members, the CEO and the Executive Committee members and the stock option plan for selected members of senior management and Fortis employees;
- The economic and monetary environment;
- Regulatory and legislative developments in the Benelux countries and their impact on Fortis.

Remuneration

The remuneration of non-executive Board Members consists of a basic annual salary plus attendance fees for Board committee meetings. Non-executive Board Members do not receive any variable or profit-related incentives, option rights, shares or other fees. Total remuneration paid to non-executive Board Members in 2008 was EUR 1.8 million. The remuneration paid to non-executive Board Members was substantially reduced on 1 October 2008 on the recommendation of the Nomination and Remuneration Committee, bringing it in line with the new scale and composition of the group. Further information in this regard can be found in note 11 of the Fortis Financial Statements.

The Board mandate as such is not remunerated in the case of executive directors, who receive a remuneration linked to the executive functions they perform within Fortis. Details of the remuneration paid to Jean-Paul Votron, Herman Verwilt and Karel De Boeck, who were the only executives serving on the Board in 2008, are provided in note 11 of the Fortis Financial Statements.

Several members of the Board of Directors hold Fortis shares. In accordance with Dutch and Belgian law and regulations, details and updates of stock options and shares held by all Board Members are reported to the Banking, Finance and Insurance Commission in Belgium and the Authority for the Financial Markets in the Netherlands. On 31 December 2008, members of the Board held a total of 161,254 shares, 206,686 options and 29,206 restricted shares.

→ See note 11 of the Fortis Financial Statements for a review of remuneration policy, actual remuneration of the Board Members and Fortis options and shares held by Board Members.

Board committees

In accordance with the Fortis Governance Statement, three committees have been set up within the Board of Directors: the Nomination and Remuneration Committee, the Risk and Capital Committee and the Audit Committee.

The composition and functioning of the Board committees is currently under review. According to the terms of reference of the Board committees, which are incorporated in the Fortis Governance Statement, each committee is composed of non-executive Board Members and has a minimum of three and a maximum of five members. All committee members have to satisfy the independence criteria set by the Board. In view of the current composition of the Board these terms are not met.

On 26 September, the Board decided to establish a Special Board Committee, consisting of Jan-Michiel Hessels, Philippe Bodson and Klaas Westdijk, and assigned the following tasks:

- Organise an orderly process of managing the crisis situation;
- Support the CEO, when needed;
- Ensure an adequate flow of information to the Board Members;
- Be available for discussions with the authorities.

The Special Board Committee was disbanded on 2 December 2008.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee advises the Board of Directors on the appointment and re-election of members of the Board and the appointment of executive managers; on remuneration policy and the remuneration of members of the Board and the executive management; and on Fortis's employee and management stock and option plans. The Nomination and Remuneration Committee consisted of Maurice Lippens (Chairman, until 29 September 2008), Jan-Michiel Hessels, Jacques Manardo and Rana Talwar. The CEO and the Deputy CEO used to attend the meetings, except when matters were discussed relating solely to their personal interests.

The Committee met on nine occasions in the year under review. Five meetings took place after the end of September, mainly to deal with Board nominations and with changes in the Executive Committee. Attendance details can be found on page 38. The matters discussed by the Nomination and Remuneration Committee in 2008 included:

- Nominations to the Board of Directors;
- Performance appraisal of the members of the Board of Directors proposed for re-election;
- Composition of the Board Committees;
- Remuneration of non-executive directors;
- Targets of the CEO and Executive Committee members;
- The remuneration of the CEO, the Deputy CEO and the other members of the Executive Committee;
- Severance terms for members of the Executive Committee;
- Disclosures regarding remuneration and the activities of the Nomination and Remuneration Committee in the Annual Report.

The Chairman of the Nomination and Remuneration Committee reported on the aforementioned matters to the Board of Directors after each meeting and advised the Board on decision-making when required.

Risk and Capital Committee

The Risk and Capital Committee assists the Board of Directors in three ways:

- (i) In understanding Fortis's exposure to risks inherent to banking and insurance activities;
- (ii) In overseeing the proper management of these risks;
- (iii) In ensuring the adequacy of Fortis's capital relative to these risks and to those inherent in its overall operations.

The Risk and Capital Committee comprised the following members in 2008: Philippe Bodson (Chairman), Louis Cheung (from 9 May 2008), Clara Furse and Aloïs Michielsens.

The Risk and Capital Committee met on seven occasions in 2008. Attendance details can be found on page 38. The meetings were attended by the CEO, the Deputy CEO, the Chief Financial Officer and the Chief Risk Officer. The Risk and Capital Committee last met on 1 October. From then on, topics that are usually dealt with by the Risk and Capital Committee have been put on the agenda of the meetings of the Board of Directors.

The Risk and Capital Committee met more frequently than usual in 2008 in response to the solvency and liquidity situation. The latter was discussed in detail on several occasions. The following matters were also dealt with:

- Fortis's risk structure and risk governance, including the organisational structure of the risk management function and its main procedures. Monitoring of the risk management and control system was based on reports by management (management control statements and their follow-ups). The Committee also discussed the outcome of the 2008 risk management focal point audit, which was performed by Fortis Audit Services;
- The dividend policy and the 2007 dividend;
- Fortis's risk profile. A quarterly risk dashboard provided the Committee with a detailed overview of the risks to which Fortis is exposed in areas such as credit risk and liquidity risk and of the way these risks are measured and managed;
- Fortis's position with regard to Basel II and Solvency II;
- The Insurance Risk Framework;
- The Structured Credit Portfolio and exposure to subprime CDOs;
- The valuation of RFS Holdings.

The Chairman of the Risk and Capital Committee reported on these topics to the Board of Directors after each meeting and submitted the Committee's recommendations to the Board for final decision.

Audit Committee

The Audit Committee supports the Board of Directors in fulfilling its supervision and monitoring duties in the area of internal control in the broadest sense within Fortis. That includes internal control over financial reporting.

The Audit Committee was assisted by Fortis's external auditors – KPMG and PwC – and, until October, by certain Fortis support functions, including Fortis Audit Services, Compliance, Risk Management and the Reporting Office. These support management functions are currently being re-established at group level.

The Audit Committee comprised the following members in 2008: Klaas Westdijk (Chairman), Richard Delbridge, Reiner Hagemann and Ronald Sandler. Each member of the Audit Committee has considerable financial or accounting experience, gained as either CEO or CFO of a large financial institution or other major listed company.

The Audit Committee met on nine occasions in 2008. Attendance details can be found on page 38. The five regular meetings were attended by the CEO, the CEOs of the Bank and of Insurance, the General Auditor and the external auditors. The Audit Committee also met in closed session individually with the CEO, the CFO, the General Auditor and the external auditors, while the Committee Chairman held regular meetings with the General Auditor.

Four additional meetings were held in November and December. In view of the developments since the end of September, Fortis decided not to publish the regular third-quarter results. Instead, an interim management statement was issued on 14 November. This statement was discussed by the Audit Committee and consequently approved by the Board. The same goes for the updated interim management statement which was issued on 17 December, following the ruling of the Belgian Court of Appeal.

Fortis café

The Couleur Café festival, which Fortis has sponsored for 14 years, was held from 27 to 29 June 2008 at Brussels' Tour & Taxis, a converted industrial warehouse. Some 70,000 visitors attended the three-day festival, all fans of hiphop, R&B, reggae and world music, aiming to reflect the cultural diversity of Brussels. Some 20 Fortis Ambassadors were on hand for the occasion.

During the regular meetings, the following matters were considered:

- Monitoring of the integrity of quarterly and annual financial statements, including the disclosures, consistent application of the valuation and accounting principles, consolidation scope, quality of the closure process, and significant issues brought forward by the CFO or the external auditors. The Committee also reviewed the press releases on the first and second-quarter results and the other press releases Fortis issued regarding its financial position;
- Monitoring of the risk management and control system, based on reports by management (management control statements and their follow-ups), the compliance function and Fortis Audit Services;
- Monitoring of the external audit process. This included the review of the external audit plan and the quarterly Auditors' Letters. The Audit Committee monitored the independence of the external auditors, based on factors such as their declaration of independence and fees, and by tracking the volume and nature of non-audit services preapproved in line with Fortis's independence policy;
- Reviewing the terms of reference of the Committee and executing an annual self-assessment of its performance.

The Chairman of the Audit Committee reported on the outcome of all meetings to the Board of Directors after each meeting and presented the recommendations of the Audit Committee to the Board for decision-making.

Executive management

As stated in the Fortis Governance Statement, the Executive Management of Fortis consists of the Chief Executive Officer (CEO) and the Group Executive Committee. Fortis has been headed since 2 December 2008 by CEO Karel De Boeck. With the exception of Peer van Harten, who is responsible for the insurance operations, all the members of the Executive Committee have left the Executive Committee. They are Jean-Paul Votron (left 11 July 2008), Gilbert Mittler (1 August 2008), Camille Fohl (31 October 2008), Lex Kloosterman (31 October 2008), Filip Dierckx (21 November 2008), Herman Verwilt (2 December 2008) and Alain Deschênes (31 December 2008). Details of the remuneration of these persons and their exit payments can be found in note 11 of the Financial Statements.

Remuneration

The remuneration of executive managers consists of a fixed base salary, a variable annual incentive and a variable long-term incentive, which in 2008 was received as a combination of option rights, cash and restricted shares. The variable remuneration depends on such factors as individual performance, performance of the business relative to predefined targets and Fortis's performance relative to several of its peers in the financial sector.

Stock and option plans

Options on Fortis shares have once again been granted, but to a very selected group of members of senior Fortis management. In 2008, Fortis recorded EUR 1 million staff expenses with respect to the option plans (2007: EUR 19 million). When option rights granted under this plan are exercised, new Fortis shares will be issued or previously repurchased shares will be used. Note 10 of the Fortis Financial Statements contains a review of the stock and option plans.

Internal control

The description of the processes and procedures given below were in full operation for the period until end of September 2008, the date the Dutch, Belgian and Luxembourg governments intervened. Since many of the key managers at group level left Fortis at that time, the system of internal control was impacted and the central monitoring and follow-up have not continued as before. However, at the operating company level, local management and boards have remained in place and continued to be responsible for their businesses. Once the new scope of Fortis group has been finalised, the full system of internal control and monitoring will be re-established.

Responsibility

Ultimate responsibility for implementing and maintaining internal control and for reviewing its effectiveness lies with the Fortis Board of Directors. Management Teams at the individual businesses, legal entities, support functions and subsidiaries carry out these functions in practice. It is management's task to:

- Set the example;
- Establish clear objectives;
- Maintain a strong awareness of internal control;
- Create appropriate organisational structures;
- Identify, assess and monitor risks;
- Ensure the effectiveness of all processes;
- Report on all this and take corrective action where necessary.

Internal control, in accordance with the COSO ERM framework, is firmly embedded within our organisation. It relies on the contribution of all our employees, as it is their combined efforts that ultimately determine whether our systems and procedures are functioning as intended.

Policies and standards

The Board of Directors sets company policy on key operational areas such as business conduct, private investments and the independence of external auditors. We have also instituted a whistleblower procedure. The Management Teams then establish specific operational and reporting standards for application across the whole of Fortis, a particular business or within a geographical region. Together, these policies and standards form an integral part of our internal control system. They are regularly reviewed and updated, set out clearly in the form of manuals, and publicised using internal communications. The frequency of review depends on the specific risk profile of the activity in question.

Management's responsibility extends to the formulation of second-level controls; in other words, control procedures to ensure that the primary controls are functioning effectively and that significant failings are reported at the appropriate hierarchical and/or supervisory level and acted upon.

Operations

The Management Teams at each of our businesses are responsible for internal control, which entails the correct processing, execution and recording of all transactions carried out within their respective front, middle and back office systems. Automated systems are a particular focus in this regard, with adequate access and application controls as an integral part. These are scrupulously tested before any new system is put into place. Strict routines are also in place to ensure operational and system security.

Safeguarding assets

Additional standards and controls are delivered by our support functions. These are independent of the businesses and report to the CEO, CFO, Chief Operating Officer or Chief Risk Officer as appropriate.

The role of Central Risk Management is to ensure that systems and procedures are in place to identify, control and report on major risks, including investment risk (credit, market and liquidity risk), insurance risk and operational risk. The unit independently monitors the risks incurred and reports on them via a Risk Committee structure flowing upwards to the Risk and Capital Committee and to the Board. Our risk management framework is described in further detail in the Financial Statements.

Financial reporting

The Board sets and endorses the accounting policies adopted by Fortis. The CFO Office then ensures that comprehensive internal controls are in place for the preparation and publication of our periodic financial statements and ad-hoc financial bulletins.

Legal, Compliance, Investigations and Tax

Our Legal, Compliance, Investigations and Tax departments advise on and monitor all legal, compliance, fraud and tax aspects of Fortis's activities and regularly report on the risks they identify and on outstanding litigation in their respective fields.

Monitoring

As a distinctive part of our reporting and monitoring cycle, senior managers up to the Executive Committee sign annual internal management control statements. These follow on from a Control Risk Self Assessment process, including the drafting of action plans to remedy identified weaknesses. Key observations are reported to and discussed by the Business Risk Committees, the Banking and Insurance Risk Committees (see the risk management framework in our Financial Statements), the Executive Committee and ultimately by the Audit Committee. Developments in internal control quality are also factored into our senior managers' variable remuneration.

Fortis Audit Services (FAS), which is centrally organised, monitors the effectiveness of governance, risk and control processes across the whole of Fortis. Auditors evaluate the safeguarding of assets, the effectiveness of operations, compliance with applicable laws and regulations, and the reliability of financial and management information. They then present recommendations and follow them up to ensure they are implemented correctly. The General Auditor also has direct access to the Chairman of the Board.

As a consequence of the disruption of Fortis group, the annual Control Risk Self Assessment cycle was not completed at the Executive group level, and stopped at the local business level. For the year 2008, the Management Control Statement has been signed by all insurance operating companies.

The corporate governance reference codes

Fortis's 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 Belgo-Dutch context in which Fortis operates, we have developed our own 'single tier' governance structure. The structure is described in detail in the Fortis Governance Statement, which will be revised as soon as there is greater clarity regarding the future and scale of the group.

Those aspects of corporate governance at Fortis that require additional explanation in the light of the Dutch or Belgian codes (the Tabaksblat Code and Belgian Corporate Governance Code respectively) can be found below.

Fortis and the Belgian Corporate Governance Code

The Belgian Corporate Governance Code was published on 9 December 2004 (the 2004 Code) and 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 report.

In 2008, the Corporate Governance Commission announced proposals to amend the Belgian Corporate Governance Code. The proposed changes were presented for public consultation. The final version of the amended Code was published on 12 March 2009 (the 2009 Code) and applies to reporting years beginning on or after 1 January 2009.

As already explained in the Fortis Annual Reviews of previous years, Fortis applies all the 2004 Code's main principles.

Two items require more detailed explanation:

- Principle 2.3: Independence of directors. The Belgian Corporate Governance 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 interests such as to affect that director's independent judgement." 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 Belgian Corporate Governance Code, the Tabaksblat Code, Article 524 of the Belgian Companies Act 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, as defined in our Governance Statement. These match those of the Belgian Corporate Governance Code, with the exception that Fortis considers it necessary to limit to listed companies the restrictions on cross-directorships.
- The Annual General Meetings of Shareholders in April 2008 endorsed the view that the proposed reappointment of Count Maurice Lippens as non-executive Board Member for a period of four years would be in Fortis's interest and that this reappointment, leading to a total term of directorship of more than the twelve years laid down in the Fortis Governance Statement, would not affect Maurice Lippens' independence.

Fortis and the Tabaksblat Code

Since 2004, listed companies incorporated under Dutch law have been legally required to declare in their annual reports that they have adhered to the Tabaksblat Code, or to explain any instances in which they have deviated from it. Accordingly, Fortis stated in its Annual Reports for 2004, 2005, 2006 and 2007 that the principles and best practice provisions of the Tabaksblat Code had been met in those financial years, with certain substantiated exceptions. Fortis's respective statements were discussed at the Annual General Meetings of Shareholders in May 2005, May 2006, May 2007 and April 2008.

By re-electing Count Maurice Lippens for a period of four years (i.e. until the close of the Annual General Meetings of Shareholders in 2012), the Annual General Meetings of Shareholders of April 2008 endorsed the view of the Board of Directors that the re-election was in Fortis's interest. The Annual General Meetings of Shareholders thus resolved not to abide by the maximum term of directorship (twelve years) generally recommended by the Tabaksblat Code (Best Practice provision III.3.5). The Annual General Meetings of Shareholders in May 2007 had taken a similar position with regard to the re-election of Baron Piet Van Waeyenberge as non-executive Board Member for a period of one year (i.e. until the close of the Annual General Meetings of Shareholders in 2008).

Bearing in mind the points expressed above, we hereby declare that Fortis complied with the principles and best practice provisions of the Tabaksblat Code in 2008 – subject to the following qualifications and exceptions which have remained unchanged since the financial year 2006.

Qualifications

Our aim at Fortis is to comply with the Tabaksblat Code to the maximum possible extent. We cannot, however, meet all of the Code's provisions. Some of them conflict with the internal coherence of our governance structure, which has been carefully developed over the years to meet the challenges facing a bi-national group. What is more, our single-tier board structure creates a specific framework that is not customary in the Netherlands and which did not act as the primary frame of reference when the Tabaksblat Code was drafted.

When applying the Code, therefore, we have been obliged to translate the various provisions to fit our single-tier structure. Provisions aimed at the Supervisory Board or the management board have thus been applied to Fortis's Board of Directors, while provisions for individual members of the supervisory board have been applied to our non-executive directors and provisions for individual members of the management board to Fortis's CEO and Deputy CEO.

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' (respectively III.6.6 and III.6.7 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 should 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's Chairman and co-founder, Maurice Lippens, was Co-Chairman of both the Board and Executive Committee until 2000. Until the end of September 2008, he was a non-executive Board Member and Chairman of the Board.

Several provisions of the Tabaksblat Code do not, moreover, apply to Fortis. This is the case with the following sections: II.2.1 (share options as a conditional remuneration component for management board members – Fortis does not offer such options), III.2.1 (all supervisory board members, with the exception of one person only, must be independent – III.8.4 sets out the rule as it applies to Fortis), IV.1.2 (voting right on financing preference shares – Fortis does not have this type of preference share) and IV.2–IV.2.8 (depository receipts for shares – Fortis does not issue this type of depository receipt). These provisions have not, therefore, been taken into consideration.

With regard to section III.3.5, the view has been taken that Fortis's rule that nobody may serve as a director for more than twelve 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.

Exceptions¹

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 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 disclosure 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 executive Board members. They 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 termination of their relationship with Fortis.

BP II.2.6: *The Supervisory Board will draw up regulations concerning ownership of and transactions in securities by management board members, other than securities issued by their own company. The regulations are published on the website. The Compliance Officer is notified at least quarterly of private investments in securities of Dutch listed companies.*

- As explained to the Annual General Meetings of Shareholders in May 2006, Fortis has drawn up and issued the required regulations on insider trading but contrary to Best Practice II.2.6 these regulations are not published on the Fortis website, since 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 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.

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's 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.

Stichting Continuïteit Fortis

The Board of Directors of the Stichting Continuïteit Fortis (SCF) has decided on 13 March 2009 to discontinue and liquidate the SCF after prior approval of the Board of Directors of Fortis N.V. Due to the recent developments and the significant changes in the organization of the Fortis group, it was deemed no longer in Fortis's interest to maintain the corporate structure set up around the SCF.

The purpose of the SCF was to guarantee the continuity and maintain the identity of Fortis N.V. and, more generally, the companies belonging to the Fortis group. To achieve this goal, the SCF had entered into a call option agreement enabling it to subscribe to preferred shares in the share capital of Fortis N.V. and hence to exercise the rights attached to such shares, including voting rights. The agreement between Fortis N.V. and the Stichting has been terminated.

Promoting insurance with humour

Since its operational launch in March 2008, our Indian joint venture IDBI Fortis has become the country's most successful new life insurer in the private sector. The company sold over 49,000 policies in its first nine months, and recorded premium income of EUR 29 million. To promote its innovative 'Wealthurance' product, IDBI Fortis created a new distribution platform featuring a hip and very funny animation. The initiative has become the most watched branded viral video in India, with over 200,000 views in three months and great success in terms of lead generation.

¹ 'BP' refers to the 'Best Practice' sections of the Tabaksblat Code

Board of Directors



Karel De Boeck

(1949 – Belgian)
Chief Executive Officer

First appointed 2008. Term runs until 2010.
Positions held with other listed companies : none
Other positions held : none

Company Secretary

Dimitri van Eenoo (Fortis SA/NV),
Hendrik Jan Eijpe (Fortis N.V.)



Jozef De Mey

(1943 – Belgian)
Chairman of the Board of Directors

First appointed 2009. Term runs until 2011.
Positions held with other listed companies : none
Other positions held : Member of the Board of Directors of Credimo Holding N.V., Credimo N.V., De Eik N.V., Muang Thai Fortis Holding Co., Ltd. and NV J. Zinner



Jan Zegeering Hadders

(1946 – Dutch)
Independent Director

First appointed 2009. Term runs until 2011.
Positions held with other listed companies : Member of the Supervisory Board of Grontmij N.V.
Other positions held: Member of the Supervisory Board of GET Holding and E-concern

Attendance at Directors' meetings

2008	Board of Directors Meetings		Audit Committee Meetings		Risk and Capital Committee Meetings		Nomination and Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Maurice Lippens	10	10	-	-	-	-	4	4
Jan-Michiël Hessels	25	25	-	-	-	-	9	9
Jean-Paul Votron	8	8	-	-	-	-	-	-
Karel De Boeck	4	4	-	-	-	-	-	-
Philippe Bodson	25	23	-	-	7	7	-	-
Louis Cheung	22	17	-	-	4	3	-	-
Richard Delbridge	25	24	9	9	-	-	-	-
Clara Furse	25	19	-	-	7	5	-	-
Reiner Hagemann	25	24	9	9	-	-	-	-
Jacques Manardo	25	21	-	-	-	-	9	9
Aloïs Michiels	25	23	-	-	7	6	-	-
Ronald Sandler	25	19	9	6	-	-	-	-
Rana Talwar	25	19	-	-	-	-	9	9
Piet Van Waeyenberge	3	3	-	-	2	2	-	-
Herman Verwilt	21	20	-	-	-	-	-	-
Klaas Westdijk	25	23	9	9	-	-	-	-

Investor Relations

Share information and volume

The Fortis share represents one unified share in the Belgian and Dutch parent companies Fortis SA/NV and Fortis N.V. respectively. The share replaces the former Fortis (B) and Fortis (NL) shares and was first listed on 17 December 2001. At the end of 2008 the number of outstanding Fortis shares carrying voting rights and entitled to dividend was 2,351,661,425. The increase of 150 million shares compared to year-end 2007, is the result of an accelerated bookbuilding offering on 26 June 2008 at EUR 10 per share, as part of an updated capital plan.

At year-end 2008, the total number of Fortis shares issued was 2,516,657,248, the difference compared to the aforementioned number of outstanding shares being 164,995,823 shares. This consists of 39,682,540 treasury shares held by Fortifinlux S.A. in respect of FRESH capital securities and the Fortis shares held by Fortis Bank Belgium (125,313,283) in respect of CASHES capital securities. These shares have no voting rights and are not entitled to dividend.

In 2008, the daily average number of Fortis shares traded on both Euronext Brussels and Euronext Amsterdam was 30 million (up 74 % from 2007), representing an average amount of EUR 313 million.

Major shareholders

(at year-end 2008)

Ping An Insurance		4.81 %
Fortis Bank ¹		4.98 %
Other shareholders in ² :	Belgium/Luxembourg	18 %
	The Netherlands	12 %
	United Kingdom	23 %
	Germany	8 %
	Rest of World	30 %
Total (rounded figures)		100 %

¹ The 125 million shares linked to CASHES that are included in the Fortis holding company will not be entitled to voting and dividend rights until the CASHES are exchanged for the underlying instruments.

² Based on an extrapolation from a 65 % identified shareholders' base.

Stock exchange listings

Fortis has a primary listing on both Euronext Brussels and Euronext Amsterdam, and has a secondary listing in Luxembourg. In the United States, Fortis has a sponsored ADR programme.

Euronext has introduced a single order book as of 14 January 2009, as a result of which companies with a dual listing have had to choose a market of reference. Fortis has chosen Euronext Brussels. However, Fortis investors can still perform transactions on both markets: Euronext Brussels and Euronext Amsterdam.

The Fortis share continues to be quoted in the Belgian BEL20 index. Euronext Amsterdam decided to withdraw the Fortis share from the AEX index as of 2 March 2009.

Ticker symbols	Bloomberg	Reuters
Euronext	FORB BB	FOR.BR
ISIN code BE0003801181		

Dividend

The General Meeting of Shareholders on 29 April 2008 approved the proposal to pay a final dividend for 2007 of EUR 0.59 per share, bringing the total cash dividend to EUR 1.18. In September 2007, an interim dividend of EUR 0.70 per share was paid, which represented a restated EUR 0.59 when account is taken of the dilutive effect of the rights issue in October 2007.

As part of the accelerated capital plan launched on 26 June 2008, it was decided not to pay an interim 2008 dividend. On 15 March 2009, Fortis announced that the statutory loss carried forward of EUR 22.5 billion at Fortis SA/NV had resulted in a depletion of the amounts available for distribution at year-end 2008. Consequently, the Board of Directors concluded that no dividend would be proposed for the 2008 financial year. The special Board report, published on 16 March 2009, specifies the impact of this decision on the different Tier 1 instruments issued by (former) Fortis entities.

Dividend election procedure

Each Fortis share represents one share in each of the two Fortis parent companies, i.e. Fortis N.V. and Fortis SA/NV. Shareholders can decide from which parent company they wish to receive the dividend. They can choose Fortis N.V. and receive the dividend from the Dutch source, or Fortis SA/NV and receive the dividend from the Belgian source. Shareholders must make their choice known before the given deadline.

Share price performance

During the first quarter of 2008, the Fortis share dropped from EUR 18 to around EUR 13, due to continued negative market rumours about the company. Following publication of an intermediate trading update on 27 January 2008 in which Fortis confirmed its sound capital and solvency position and an unchanged dividend policy, the share price stabilised in the range EUR 13-15.

The Fortis share rose in the period March–April on publication of the 2007 results on 7 March and the announcement on 19 March of a Memorandum of Understanding to form a global asset management partnership with Ping An. It peaked on this occasion at EUR 17.50.

The Fortis share then began to slide again towards the end of May. On 26 June, Fortis announced its accelerated capital plan, which included a capital increase of 150 million shares at a subscription price of EUR 10 per share. At the same time, Fortis indicated that it would cancel the interim dividend and that it intended to pay any 2008 dividend in shares. Following this announcement, the share consolidated at around EUR 10 and remained between EUR 8.80 and EUR 10.20 throughout the summer.

In September 2008, events were abruptly unleashed that no one could have anticipated. The impact of the credit crisis made itself felt in full at global level. The financial difficulties of a number of large US and UK financials, emanating from the bankruptcy of Lehman Brothers in the US had a severe impact on the financial markets, financials in general and Fortis in particular, leading to a new wave of speculation and negative rumours. The share price fell to around EUR 5 per share, prompting the intervention of the Belgian, Dutch and Luxembourg governments at the end of September/beginning of October.

Fortis share performance



On 14 October 2008, Fortis issued a press release containing detailed financial information on Fortis's structure and pro forma financials in the wake of the October transactions. Trading in the share resumed, having been suspended for a week, to close at EUR 1.21. Following the persistent uncertainty surrounding Fortis, the share price continued to fluctuate significantly in the range from EUR 0.57-1.15. The share closed on 31 December 2008 at EUR 0.93.

Fortis's share performed in line with the Dow Jones Euro Stoxx Banks and the Dow Jones Euro Stoxx Insurance indices for most of the first half of the year. The announcement of the accelerated capital plan at the end of June and subsequent events to the beginning of October resulted in underperformance in the second half of the year.

Key figures

(year-end)	2008	2007	2006	2005	2004
Price/earnings	(0.1)	7.8	9.6	8.8	8.7
Price/equity	0.3	1.2	2.0	1.8	1.7
Earnings per share (in EUR) ¹	(12.21)	2.30	2.83	2.57	1.97
Shareholders' equity per share (in EUR) ¹	2.70	15.08	13.38	12.35	10.02
Gross dividend per share (in EUR) ¹	0.00	1.18	1.17	0.97	0.87
Number of shares (in millions):					
• Issued	2,517	2,367	1,343	1,341	1,341
• Carrying voting rights, entitled to dividend	2,352	2,202	1,303	1,301	1,301
Volume traded:					
• Average daily (in million shares)	30.0	17.2	5.9	5.6	5.4
• Average daily (in EUR million)	313	420	173	130	101
Share price (in EUR) ¹ :					
• Year high	18.17	29.59	28.05	22.73	17.27
• Year low	0.57	16.22	21.03	17.04	13.73
• Year average	10.45	24.39	24.75	19.32	15.55
• At year-end	0.93	18.05	27.06	22.54	17.04

¹ 2006 figures and before: on an adjusted basis

2009 Financial calendar

Annual results 2008	31 March 2009
Trading update first quarter 2009	14 May 2009
Results for the first half-year 2009	27 August 2009
Trading update first nine months 2009	17 November 2009

Annual General Meeting of Shareholders

In Brussels, Belgium	28 April 2009
In Utrecht, The Netherlands	29 April 2009

Ratings

	Long-term debt rating Fortis holding		Insurance Financial Strength rating Fortis Insurance Belgium SA/NV	
	Feb. 2009	Feb. 2008	Feb. 2009	Feb. 2008
Moody's	Baa2	Aa3	A2	Aa3
Standard & Poor's	BB	AA-	A	AA-
Fitch Ratings	BB	AA-	A+	AA

Fortis's ratings have been subject to substantial changes as a result of the turmoil in the financial markets. The rating effects for the Fortis holding companies differed, however, from those for the Fortis operating entities. Ratings for the Fortis holding entities and the group's core operating entities previously displayed little or no difference, reflecting the high level of integration that had been achieved.

By contrast, the rating assessment of the regulated core operations now differs substantially from the ratings of the Fortis holding entities. This is best illustrated by comparing the ratings of the Fortis holding companies with those of Fortis Insurance Belgium, as shown in the above table.

Please note that the above ratings for the Fortis holding companies do not reflect the fact that their senior debt bonds have been redeemed early at the first request of security-holders.

Information

The Investor Relations (IR) department ensures that information flows continuously to the investor community. In July 2008, the website www.fortis.com/yourquestions (and equivalents in Dutch and French) was created to enable anyone to submit their questions to Fortis. In August, Fortis organised three shareholder information sessions in Amsterdam and Brussels, at which the company provided information on the state of its business, the reasons behind the capital plan and its implementation.

The IR department can be reached at:

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For debt investor information, please mail debtinvestorinfo@fortis.com or visit www.fortis.com/debtinvestors.

Glossary

ABS

Asset-Backed Security. Security of which the principal and interest are financed with the cash flows of an underlying portfolio of financial assets (considered as collateral).

ADR shares

American Depository Receipt shares. These represent shares of a foreign company that can be purchased in the U.S., with transactions settled and dividends paid in dollars.

Annual premium equivalent (APE)

A broadly comparable measure across companies to allow for differences between regular and single premium business. APE is calculated as total new business regular premium plus 10% of new business single premium.

CASHES

Convertible and Subordinated Hybrid Equity-linked Securities. A EUR 3 billion financial instrument issued by Fortis Bank at the end of 2007 in the context of the financing of the acquisition of ABN AMRO assets.

CDO

A Collateralised Debt Obligation (CDO) is a type of asset-backed security and structured credit product. CDOs provide exposure to a portfolio of fixed-income assets and divide the credit risk among different tranches with different credit ratings. A CDO can comprise Collateralised Loan Obligations (CLOs), Collateralised Bond Obligations (CBOs) and Collateralised Synthetic Obligations (CSOs).

Combined ratio

The ratio between the insurer's total expenses (claims burden, commissions and general expenses) and premiums received. The combined ratio is only applied to non-life insurance.

DPF

Discretionary Participation Feature. This relates to the right of holders of certain insurance contracts and/or financial instruments to receive a supplemental return (in addition to guaranteed benefits). Its amount and/or term is contractually at the discretion of the issuers.

Embedded Value and Market Consistent Embedded Value

Embedded Value represents the present value of shareholders' interests in the earnings distributable from assets allocated to the life business after sufficient allowance for the aggregate risks. Only value arising from the in-force business with existing policyholders is included, value from potential future business is excluded. Market Consistent Embedded Value is the term applied to the embedded value when the valuation techniques used for the assets and liabilities (including the allowance for risk) are consistent with how the market would value them.

FICO

FICO is an acronym for 'Fair Isaac Corporation'. FICO score is the most widely used borrower credit score model in the US, summarising the information on a consumer's credit file. (A credit score is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.) A FICO score is a single three-digit number ranging from 300–850, which ranks consumers according to risk. Higher scores equate to lower future risk of default. In general, the FICO score evaluates five main categories of information: payment history, amounts owed, length of credit history, new credit and type of credit used.

FRESH

Floating Rate Equity-linked Subordinated Hybrid capital securities. A EUR 1.25 billion financial instrument issued by Fortinflux S.A. in 2002.

Gross inflow

Sum of gross written premiums and investment contracts without DPF (Discretionary Participation Feature).

Gross written premiums

Total premiums (whether or not earned) for insurance contracts written or assumed during a specific period, without deduction for premiums ceded.

HELOC

Home Equity Lines of Credit (HELOC) refers to a loan in which the lender agrees to lend a maximum amount within an agreed period. Home Equity Lines of Credit allow borrowers to draw for a fixed period, up to a maximum amount, after which a payment is calculated to amortise the loan, which is a revolving, open-end loan extended under a line of credit and secured by the borrower's residential property.

IFRS

International Financial Reporting Standards, previously International Accounting Standards (IAS), used as a standard for all listed companies within the European Union as of 1 January 2005 to ensure transparent and comparable accounting and disclosure.

Impairment

A decline in value whereby the carrying amount of the asset exceeds the recoverable amount. In such a case, the carrying amount will be reduced to its recoverable amount through the income statement.

Mid-prime

Loan characteristics strongly resemble subprime loans, but borrowers have a higher personal credit score (FICO > 625).

NITSH

Non-Innovative Tier-1 Hybrid Securities. This instrument is a non-equity-linked, perpetual and subordinated debt, and is non-dilutive. In 2008, Fortis issued NITSH I and NITSH II for a total amount of EUR 1.3 billion.

Operating margin

Operating income divided by net premium. Operating income is the profit or loss stemming from all operations, including underwriting and investments.

Reserves/Premium ratio

In non-life insurance, the ratio of reserves to premiums. It can be calculated gross or net of reinsurance, and is a measure of reserve strength.

RFS Holdings

An entity jointly owned by Fortis, RBS and Santander set up specifically to acquire ABN AMRO in 2007. On 3 October 2008, Fortis sold its stake as part of the overall transaction concerning the Dutch banking and insurance activities to the Dutch government.

RMBS

A Residential Mortgage-Backed Security (RMBS) is a type of security whose cash flows come from residential debt such as mortgages, home-equity loans and subprime mortgages.

Special purpose vehicle (SPV)

Legal entity created solely to serve a particular function, such as facilitation of a financial arrangement or creation of a financial instrument.

Structured credits instruments

Securities created by repackaging cash flows from financial contracts and encompassing Asset-Backed Securities (ABS), Mortgage-Backed Securities (MBS) and Collateralised Debt Obligations (CDO).

Subprime loan

A loan offered to an individual who does not qualify for a loan at the prime rate due to their credit history. If a lender thinks that there is an above-average risk involved in giving a loan to a certain individual, they will sometimes offer them a subprime loan, which has an interest rate higher than the prime rate. An asset is considered as subprime within Fortis if it relates to US mortgages loans with a FICO < 625.

Technical result

The result generated by the underwriting of insurance contracts including financial revenues and capital gains related to these contracts. Only used in the insurance business.

UK non-conforming mortgages

UK non-conforming mortgages refer to mortgages that do not meet the underwriting criteria of traditional 'high street' banks. There is no exact industry definition, but non-conforming mortgage lenders generally apply more conservative underwriting criteria, such as loan-to-value ratios and income cover. There are three main reasons that result in borrowers being classified as non-conforming, namely credit history, occupancy status of the property, and individuals who, for instance, are self-employed or have recently moved to the UK.

Value Added by New Life Business (VANB)

The discounted present value of the future distributable shareholder net cash flows expected from the block of new business written in a specified period.

Together, the Annual Review 2008 and the Financial Statements 2008 constitute the Annual Report of Fortis. The Financial Statements contain the financial statements of Fortis and the statutory accounts of Fortis SA/NV and Fortis N.V. The Annual Report is published in English, Dutch and French. In case of any discrepancy between these versions, the French and Dutch texts shall prevail. Fortis has taken every precaution to ensure that there are no differences between the French and the Dutch versions. The Annual Report is also available on our website: www.fortis.com.

Op uw verzoek zenden wij u graag het Jaaroverzicht 2008 in het Nederlands. Het Jaaroverzicht 2008 en de Jaarrekeningen 2008 vormen samen het Jaarverslag van Fortis. Het deel 'Jaarrekeningen' bevat de jaarrekening van Fortis en de statutaire jaarrekening van Fortis SA/NV en Fortis N.V. Het jaarverslag is verkrijgbaar in het Nederlands, Frans en Engels. In geval van verschillen tussen deze versies hebben de Nederlandse en Franse versie de voorrang. Fortis heeft alles in het werk gesteld om zich ervan te vergewissen dat er geen verschillen zijn tussen de de Nederlandse en Franse versie. Het Jaarverslag is ook te vinden op internet: www.fortis.com.

Sur simple demande, nous vous enverrons volontiers le Synopsis de l'année 2008 en français. Le Synopsis de l'année 2008 et les Comptes annuels 2008 constituent ensemble le Rapport annuel de Fortis. La partie "Comptes annuels" présente les états financiers de Fortis et les Comptes statutaires de Fortis SA/NV et de Fortis N.V. Le Rapport annuel est publié en français, en néerlandais et en anglais. En cas de divergence entre ces versions, les versions française et néerlandaise feront foi. Fortis a veillé à assurer, dans la mesure du possible, la concordance entre les versions française et néerlandaise. Vous pouvez également consulter le Rapport annuel sur Internet: www.fortis.com.

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