Press release

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Results first half-year 2008

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Fortis's first half year net profit of EUR 1,638 million

Net profit up 3% in second quarter 2008 to EUR 830 million, but environment is becoming more difficult

- **Fortis first half year 2008 net profit** of EUR 1,638 million, down 41% compared to a very strong first half of 2007. Excluding EUR 591 million net of tax impact of credit market turmoil, net profit decreased by 21%

- **First half year 2008 Fortis Banking**
  - Net profit of EUR 1,185 million. This is after EUR 409 million net of tax impact of credit market turmoil
  - Net profit, excluding impact of credit market turmoil, was 24% lower year-on-year mainly due to lower capital gains and an increase in impairments on loans
  - Reported total income 6% up. Excluding treasury and financial markets results and capital gains, total income increased by 4%
  - Total expenses 4% higher. Excluding integration costs and consolidation of ABN AMRO Asset Management, total expenses were slightly down

- **First half year 2008 Fortis Insurance**
  - First half year net profit of EUR 642 million. This is after EUR 182 million net of tax impact of credit market turmoil
  - Net profit, excluding net of tax impact credit market turmoil, 8% higher year-on-year. Windstorm Kyrill and floods impacted results in 2007
  - Stable inflow at Life, Non-Life gross written premiums increased by 5%
  - Operating costs up 3%, mainly driven by growth initiatives and inclusion of acquired Fortis Insurance Company Asia

- **First half year 2008 Acquired ABN AMRO businesses**
  - Pro-forma net profit of the acquired ABN AMRO businesses amounted to EUR 614 million
  - ABN AMRO Asset Management transferred and consolidated by Fortis

- **Second quarter net profit** of EUR 830 million, up 3% on first quarter. This is after EUR 362 million net of tax impact of credit market turmoil. Excluding the net of tax impact of credit market turmoil:
  - Net profit Fortis up 15% compared to first quarter
  - Net profit of the Bank largely unchanged
  - Net profit of Insurance higher due to better technical results

Fortis core equity stood at EUR 24.6 billion, well above Fortis target capital level of EUR 20.6 billion. **Fortis Bank Core tier 1 ratio** of 7.4% after consolidation of ABN AMRO Asset Management compared to a target of 6.0%. Fortis Insurance's core solvency ratio of 196.1% clearly exceeded the target of 175% of minimum regulatory requirement.

Key figures Fortis

in EUR million

	H1 2008	H1 2007	Change	Q2 2008	Q1 2008	Change
Net profit before results on divestments	**1,638**	**2,782**	**(41%)**	**830**	**808**	**3%**
- Banking	1,185	2,062	(43%)	465	721	(36%)
- Insurance	642	765	(16%)	423	219	93%
- General (incl eliminations)	(189)	(44)	*	(57)	(132)	(57%)
Results on divestments	**0**	**0**	*	**0**	**0**	*
Net profit Fortis	**1,638**	**2,782**	**(41%)**	**830**	**808**	**3%**
Weighted average number of ordinary shares (in million)	2,195	1,548	42%	2,198	2,191	0%
EPS (in EUR)	**0.75**	**1.80**	**(58%)**	**0.38**	**0.37**	**3%**
- Before results on divestments	0.75	1.80	(58%)	0.38	0.37	3%
Net equity per share (in EUR)	12.48	12.51	0%	12.48	14.08	(11%)
Return on equity	11% (1)	22% (2)	*	-	-	

(1) Rolling average, based on last four quarters
(2) Refers to full year

CEO Herman Verwilst*:*

In the first half of 2008 our businesses, including the acquired ABN AMRO activities, performed satisfactory in turbulent market conditions. Most of the commercial activities were still able to grow underlying revenues. At the same time, costs were well controlled. But we observe that the environment is becoming more difficult on different fronts.

Fortis continued to be impacted by the credit market turmoil. However, the capital position of Fortis remains sound. Our core equity of EUR 24.6 billion was EUR 4.0 billion above the target level on 30 June. The accelerated capital plan announced on 26 June is being executed step by step. Divestment of non core Fortis and ABN AMRO assets, the EC remedies and the creation of joint ventures are part of this plan to further strengthen our capital ratios. The resulting capital gains and losses of these exceptional events are expected to have a substantial impact on reported results. This will lead to increased volatility of the reported results in the second half of 2008. Execution of the capital plan will enable us to absorb the full consolidation of the ABN AMRO activities planned for end of 2009, and develop our business further.

The priorities for me and the senior management team are straightforward:

- *Diligent and full execution of the capital plan of 26 June, including the announced divestments*
- *Disciplined and focused implementation of our present strategy, including the swift integration of the ABN AMRO businesses*
- *Sustain commercial momentum and step-up the cost-saving efforts*

I consider it crucial to strengthen the communication with our stakeholders and will update the market in full transparency on progress made.

1. Fortis

A deterioration in credit market conditions in the second half of 2007 and the first half of 2008 led to various downgrades of investments within the structured credit portfolio. This resulted in impairments on the portfolio of Banking and impairments and changes in fair value through the P&L in the portfolio of Insurance. In addition, changes in credit spreads resulted in revaluation gains or losses on the credit hedging portfolio within Banking. The combined effect of the impact on the structured credit portfolio and the revaluations of the hedging portfolio are captured by the term 'impact of the credit market turmoil'.

1.1. Results

Net profit Fortis

Net profit before divestments was at EUR 1,638 million for the first half of 2008, compared with EUR 2,782 million for the first half last year. The net of tax impact of credit market turmoil, totalling EUR 591 million in the first half of 2008, impacted the results of both Bank and Insurance. The underlying commercial performance was satisfactory despite difficult market conditions. Cost-saving measures kept expenses well under control.

The reported pro forma profit of the acquired ABN AMRO businesses amounted to EUR 614 million. Including the impact of shared assets, purchase accounting, financing and integration costs, the net contribution to Fortis was EUR 115 million negative.

A net profit of EUR 830 million was achieved in the second quarter, compared with EUR 808 million in the first quarter, driven by a significantly better performance in Insurance while Banking was positively impacted in the first quarter by a large revaluation gain on the credit portfolio hedge. The total net of tax impact of the credit market turmoil in the second quarter was EUR 362 million, compared with EUR 229 million in the first quarter.

The reported pro forma net profit of the acquired ABN AMRO businesses was 20% higher quarter-on-quarter at EUR 335 million. Including the impact of shared assets, purchase accounting, financing and integration costs, the net contribution to Fortis was EUR 30 million negative in the second quarter.

Impact of various events on net profit in second half year 2008

One of the elements of the plan of 26 June to further strengthen Fortis's capital position is the divestment of non-core assets and creation of joint ventures. The sales will lead to a more focused business mix. The exact timing is not yet known. The divestments of non-core assets and EC remedies together with the creation of joint ventures are expected to result in substantial capital gains and losses. In addition, other events could have a significant impact on reported results. These events will increase volatility in the quarterly results in the second half of 2008. Diligent execution of the capital plan will enable full consolidation of the ABN AMRO activities and ensure sufficient financial flexibility.

Net profit Banking

First half net profit amounted to EUR 1,185 million, 43% down on the record performance of last year's first half. The net profit of the first half 2008 included a EUR 409 million net of tax negative impact of the credit market turmoil, compared with EUR 27 million net of tax negative impact in the first half of 2007. Net profit, excluding impact of credit market turmoil was 24% lower year-on-year mainly due to EUR 273 million lower capital gains and a EUR 149 million increase in impairments on loans. Underlying operational performance was slightly better compared to the first half of 2007, partly due to good cost control.

Net profit for the second quarter came in at EUR 465 million, compared with EUR 721 million in the first

quarter. The net of tax impact of the credit market turmoil was EUR 80 million negative in the first quarter and EUR 329 million negative in the second quarter. Underlying commercial revenues were virtually stable. Lower capital gains and higher impairments on the loan portfolio were partly offset by higher dividend income. Excluding the impact of ABN AMRO Asset Management, costs were essentially flat, underlining the effectiveness of the cost containment measures.

Net profit Insurance

Fortis Insurance's first half net profit decreased from EUR 765 million to EUR 642 million. The main reason for the decrease was the net of tax impact of the credit market turmoil (EUR 182 million, mainly at Life in the first quarter). Net profit at Life fell by 25% to EUR 417 million, while at Non-Life it increased by 8% to EUR 225 million, underpinned by an improved combined ratio of 96.2%.

In challenging market conditions, gross inflow ended up 1% higher at EUR 10.2 billion in the first six months of 2008. Life managed to maintain inflow at EUR 7.0 billion despite fewer marketing campaigns and competition from bank savings products. Non-Life gross written premiums increased by 5% to EUR 3.2 billion, driven by product innovation in all countries, while healthy margins were maintained in softening markets.

Net profit reached EUR 423 million in the second quarter of 2008, which was substantially higher than the net profit of EUR 219 million in the first quarter. This is largely explained by the difference between the net of tax impact of the credit market turmoil in the first quarter (EUR 149 million) and in the second quarter (EUR 33 million).

Net profit General

The net profit for the first half of 2008 was a negative EUR 189 million, compared with a negative result of EUR 44 million for the same period last year.

This result was due to higher financing charges related to the ABN AMRO transaction, the negative effect of fair-value changes on investments and the one-off positive impact of a capital gain on the sale of an equity investment in the first half of 2007.

The second quarter loss of EUR 57 million was EUR 75 million lower than the loss in the first quarter of 2008. This can be chiefly explained by an improvement in the fair value adjustment of the Assurant Mandatory Exchangeable Bond (MEB) and the fact that the valuation of derivatives more than offset the higher interest costs. The latter relates to the increased leverage at group level and higher interest rates.

1.2 Update on ABN AMRO

Status integration ABN AMRO activities

ABN AMRO received approval of its overall transition plan from De Nederlandsche Bank (DNB) on 10 March 2008, followed by the submission of a comprehensive integration plan to the DNB on 1 April, in line with the requirements set out in the Declaration of No Objection (DNO) issued in September 2007. Fortis has subsequently been providing additional information to the DNB, both in writing and orally, at several workshops and intensive talks.

Fortis has specified to the DNB how it intends to integrate the ABN AMRO parts it has acquired, how risks will be managed and how certain control functions, such as finance and risk, will be reinforced once the acquired ABN AMRO activities are integrated into Fortis Bank. The information also contained supplementary details on specific technical aspects of the IT plan.

Meanwhile, Fortis continues to prepare for the implementation of its transition and integration plans and remains on track. The transfer and integration of ABN AMRO Asset Management into Fortis began, as scheduled, on 1 April.

Fortis made commitments to the European Commission (EC) on 3 October 2007, which aimed to address the EC's concerns regarding the concentration in the Dutch banking market resulting from Fortis's acquisition of certain ABN AMRO activities. On 2 July, Fortis announced the sale of parts of ABN AMRO's Dutch commercial banking activities to Deutsche Bank. This transaction remains subject to approval by the EC and DNB. The expected impact of this transaction on net profit and solvency in the third quarter is subject to the final structuring and completion of the transaction. However, currently it is expected that the total impact on the net result could amount to up to EUR 900 million negative. The impact will consist mainly of the following elements:

- A discount of EUR 300 million compared to the net asset value of the divested activities
- The write-down of the intangible assets related to the divested activities, as recognised by Fortis on the acquisition date. The expected impact of the write-down of these intangibles will be around 10% of the total intangibles recognised for the ABN AMRO acquired businesses (EUR 2.9 billion)
- A charge related to the recognition of the liabilities of the credit risk coverage provided on the divested loan portfolio (initially for around EUR 10 billion of risk-weighted assets, decreasing over time)

Immediately after the successful execution of the EC remedies in the fourth quarter of this year and subject to regulatory approval, Fortis plans to start transferring other activities. These activities encompass certain mono business line activities, such as Consumer Finance & Cards, Leasing and Factoring as well as Private Clients' activities in Germany and Switzerland.

Valuation of the investment in RFS Holdings B.V.

Fortis recently (17 October 2007) made an investment in RFS Holdings B.V., representing the ABN AMRO businesses that Fortis has acquired.

On 30 June 2008, Fortis assessed, whether the fair value of its stake (investment in an associate) in RFS Holdings B.V. still permits the recovery of the cost of that investment, taking into account the change in general economic conditions and more specifically the on-going financial market turmoil.

According to IFRS, the best evidence of an investment's fair value in the case of a recent acquisition is the consideration paid for that investment, adjusted for changes in economic circumstances occurring since the acquisition date.

In order to estimate the fair value of its investment in RFS Holdings B.V. as at 30 June 2008, Fortis has prepared an updated forecast of the results in future years, including an update of the expected synergies (revenue and cost) and integration costs related to the ABN AMRO acquired businesses. The updated forecast is based on the 2008 year-to-date actual results of these activities, taking into account the impact of the changed economic conditions.

The acquisition price of the investment in RFS Holdings B.V. as at 30 June 2008 can be substantiated on the basis of this assessment.

However, Fortis's ability to reach the goals set for the acquired ABN AMRO activities in terms of budgets, outlooks and synergies is subject to changes in general economic conditions and more specifically in financial market conditions in the quarters and years ahead. Furthermore, the level and timing of the implementation of integration plans can also impact budgets and forecasts. Fortis will reassess before year-end, and in line with IFRS requirements, whether it will be necessary to recognize an impairment loss on its investment in RFS Holdings B.V. The assessment will be based on the yearly budgeting process that takes place in the second half of the year. This process will also include a detailed review of the long-term targets and budgets of the acquired ABN AMRO activities and the related expected synergies and integration costs.

If an impairment on goodwill would have to be taken, it will not affect the look-through core equity.

Net profit contribution of acquired activities

Most of the ABN AMRO Asset Management activities were transferred to Fortis on 1 April 2008 and have been consolidated with Fortis's Asset Management activities.

The pro-forma net profit of the acquired ABN AMRO activities was EUR 614 million for the first half of 2008 (including EUR 83 million net of tax integration costs), compared with EUR 711 million for the same period last year. Shared assets amounted to a negative EUR 307 million in the first half. The contribution of the transferred Asset Management activities was EUR 27 million (including purchase price accounting).

Total financing costs were EUR 333 million pre-tax (EUR 271 million net of tax) in the first half, of which EUR 63 million (EUR 56 million net of tax) was booked to General. The remaining EUR 270 million of financing costs were booked at Fortis Bank. Total integration costs amounted to EUR 207 million pre-tax (EUR 152 million net of tax) of which EUR 83 million was recorded at ABN AMRO (net of tax). The total contribution of the acquired ABN AMRO activities to Fortis's net profit, including purchase accounting and impact of RFS Holdings (EUR 110 million), financing and integration costs, and the contribution of the transferred Asset Management activities was a negative EUR 115 million in the first half of 2008.

1.3 Update on investment portfolio and other exposures

Structured credit portfolio

Fortis's total structured credit portfolio net of write-downs amounted to EUR 41.7 billion at the end of the second quarter of 2008. The EUR 6.5 billion decrease compared to the end of 2007 and the EUR 1.6 billion decrease compared to the end of the first quarter of 2008 can be fully explained by repayments, changes in exchanges rates, some selective sales and additional write downs:

- US subprime CDO portfolio	EUR 1.9 billion
- Credit spread portfolio	EUR 37.6 billion
- Insurance ABS portfolio	EUR 2.2 billion
Total	**EUR 41.7 billion**

A further deterioration in credit market conditions in 2008 led to various downgrades of investment securities within the structured credit portfolio. This led to additional impairments on the investment portfolios of both Banking and Insurance. The total net of tax impact in the first six months amounted to EUR 722 million. The total net of tax impact was partly mitigated by a positive revaluation gain on the credit hedge portfolio in the first half of 2008 of EUR 132 million, bringing the total net of tax impact of the credit market turmoil to EUR 591 million. In the first half of 2007 the net of tax impact of the credit market turmoil was limited to a negative revaluation of the credit hedge of EUR 27 million.

The total after tax impact of the additional impairments on the structured credit portfolio in the second quarter amounted to EUR 342 million compared to EUR 380 million in the first quarter 2008. The total net of tax impact of the credit market turmoil, including the revaluation on the credit hedge portfolio, amounted to EUR 229 million in the first quarter and EUR 362 million in the second quarter.

During the second quarter of 2008 the unrealised loss of the structured credit portfolio recorded under 'available for sale' (AFS) increased by EUR 0.2 billion to EUR 2.7 billion. These unrealised gains/losses do not have an impact on either the P&L or on core equity.

Banking

Banking incurred EUR 845 million (EUR 540 million net of tax) impairments in the first half of 2008 of which EUR 479 million (EUR 309 million net of tax) in the second quarter. The majority of these impairments were taken on the super senior CDO portfolio with subprime exposure. A deterioration in the quality of the underlying assets led to additional impairments.

The impairments of EUR 479 million in the second quarter consist of:

- An impairment of EUR 340 million on super senior high grade CDOs with subprime exposure, increasing coverage as a percentage of the notional amount from 48% at the end of the first quarter to 57%
- An impairment of EUR 58 million with respect to super senior mezzanine CDOs with subprime exposure, leading to a coverage ratio of 74%, compared to 63% at the end of the first quarter
- An impairment of EUR 14 million on warehouse positions, leading to a coverage ratio 74% compared with 70% at the end of the first quarter
- An impairment of EUR 67 million primarily on downgraded sub- and midprime and Alt-A securities

The total net of tax impact of the credit turmoil (including the revaluations on the credit hedge portfolio) in Banking was EUR 409 million in the first half of 2008. The total net of tax impact of the credit turmoil in the second quarter was EUR 329 million compared to EUR 80 million in the first quarter.

Insurance

The total impact of the credit market turmoil on Insurance amounted to EUR 256 million net of shadow accounting (after tax EUR 182 million) in the first half of 2008, of which the vast majority was due to changes in fair value through the P&L with the remainder due to impairments.

The total impact of the credit market turmoil on Insurance amounted to EUR 47 million net of shadow accounting (after tax EUR 33 million) in the second quarter.

Exposure to equity markets

Fortis's total equity securities portfolio in Available for Sale (AFS) amounted to EUR 7.3 billion at the end of the second quarter 2008, down EUR 2.1 billion compared to the end of the first quarter. The decrease is the result of the sale of equity investments following a decision to lower the equity exposure, and the negative evolution of the equity markets. The remaining equity securities exposure has been largely hedged by a combination of futures and options.

1.4 Capital position

Introduction

Managing risks is the core operation of financial institutions. For Fortis these risks mainly relate to its credit risk at bank level, contract obligations at insurance level, asset and liability management risk and, to a lesser extent, market risk and operational risk.

Regulators require financial institutions to hold a minimum level of capital as a buffer against these risks. This buffer should be sufficient to cover the risk of potential unexpected losses in businesses and exposures (i.e. credit or equity exposures) while still allowing the institution to operate and meet obligations towards depositors, policyholders and other creditors.

In order to assess the solvency of a company, this required minimum level of capital should be compared with the available capital at company level. Available capital is defined as the sum of shareholders equity, non-innovative capital instruments, minority interests, innovative capital instruments and subordinated loans on which the following adjustments are made: revaluations on real estate, debt securities and equity securities, goodwill, value of participations in financial institutions and other prudential filters.

Fortis Capital Model

Besides the regulatory capital requirements, Fortis applies its own internal capital targets. Those targets are well above the required minimum levels of capital set by the regulators, which means that Fortis aims at maintaining a solvency buffer on top of regulatory requirements. The targets also reflect the expectations of the market, rating agencies, shareholders and our management with regard to Fortis's capitalisation.

Fortis's capital targets focus on the amount of the strongest form of capital recognised by regulators and which is often referred to as core equity by the financial markets. Core equity is defined as the sum of shareholders equity and non-innovative capital instruments on which the following adjustments are made: revaluations on real estate, debt securities and equity securities, goodwill, 50% of the value of participations in financial institutions and other prudential filters.

The solvency ratio's for Banking and Insurance related to core equity are named "core Tier 1 ratio" for Banking and "core solvency ratio" for Insurance.

Since the first quarter of 2007, Fortis has managed its consolidated capital base with a focus on the following

core equity targets:

- a capital target for Fortis Bank equal to a ratio of 6% core equity to Basel I risk-weighted commitments
- 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 allowed group leverage

Solvency - two approaches: equity and look-through method

To assess the solvency of the company after the acquisition of selected ABN AMRO activities and the phased integration of those activities, Fortis applies two different approaches: the equity-method and look-through method.

The equity method approach is the basis for assessing Fortis solvency 'as-is'. Under this approach Fortis's available capital is computed in line with regulatory rules whereby the businesses acquired – but not yet transferred – from ABN AMRO are considered as part of the RFS Holdings participation. This means that 50% of the value of our stake in RFS Holdings, the entity that owns the ABN AMRO activities, is deducted from core equity and the other 50% from total capital.

The look-through method is the basis for assessing Fortis solvency 'to-be'. Under this approach Fortis's available capital is computed in line with regulatory rules whereby all the businesses acquired from ABN AMRO are considered transferred and consolidated. As a result, the goodwill related to these ABN AMRO activities is deducted from available core equity. Moreover, the risk-weighted commitments related to these activities are consolidated and included in the computation of the target core equity. The impacts of the announced transactions of the capital build-up plan are also taken into account.

During the transition phase, every time an ABN AMRO activity is transferred to Fortis, subject to regulatory approval, the goodwill and intangibles relating to that activity are deducted from Fortis's available core equity and the related risk-weighted commitments are consolidated and included in the computation of the target core equity. In relation to this, the amount of the participating interest previously deducted from core equity and total capital is reduced following the reimbursement of the payment in the form of a dividend by RFS Holdings to Fortis.

Assessment of the solvency position

Solvency position: applying the equity method
Under the equity method, Fortis Group, Bank and Insurance core equity were well above their respective targets at the end of June 2008.

Solvency position: applying the look-through method
Applying the look-through method today, before the completion of the announced capital plan, would result in core equity levels below target at both Fortis Group and Bank levels.
The look-through core equity for Fortis Group, bank and insurance after the implementation of the capital plan are projected to be above their respective targets at the moment of full integration of the acquired ABN AMRO activities. Moreover, future generation of retained earnings and strict management of capital requirements will give Fortis additional financial flexibility.

Key Equity Method capital indicators

Under the equity method, Fortis Group core equity of EUR 24.6 billion at the end of June 2008 stood well

above its target of EUR 20.6 billion. It exceeded the target by EUR 4.0 billion. Bank and Insurance core equity ratios were above target with a core Tier 1 ratio of 7.4% and core solvency ratio of 196.1% respectively. Group leverage at 15.3% was in line with target. Insurance total solvency was slightly below its target at 223.2%.

Key Capital Indicators

in EUR million

	H1 2008 [2]	H1 2008 [1]	FY 2007 [1]
Fortis			
Core equity	24,538	24,590	26,063
Core equity target	-	20,639	19,892
Amount of core equity above target	-	3,950	6,171
Group leverage on core equity	-	15.3%	18.2%
Total available capital	26,442	26,434	27,999
Minimum solvency requirements	24,683	-	25,725
Amount of total capital above minimum solvency requirements	1,759	-	2,274
Bank			
Core equity	20,958	21,009	-
Extended core equity (tier 1)	23,400	23,451	-
Risk-bearing capital	27,774	27,765	27,231
Risk-weighted commitments	257,409	285,405	270,207
- Credit risk	228,369	261,535	249,280
- Market risk	13,172	23,869	20,927
- Operational risk	15,868	-	-
Core tier 1 ratio	8.1%	7.4%	8.6%
Target core tier 1 ratio	-	6.0%	-
Tier 1 ratio	9.1%	8.2%	9.5%
Target tier 1 ratio	-	7.0%	-
Total capital ratio	10.8%	9.7%	10.1%
Insurance			
Risk-bearing capital	9,129	9,129	9,656
Regulatory Minimum Margin (in EUR million)	4,090	4,090	4,108
Core solvency ratio	196.1%	196.1%	209.2%
Target core solvency ratio	-	175.0%	-
Total solvency ratio	223.2%	223.2%	235.1%
Target total solvency ratio	-	225.0%	-

(1) Based on RWCs and capital under Basel I for Bank and Group
(2) Based on RWCs and capital under Basel II for Bank and Group

Equity method core equity roll-forward

The table below illustrates the main elements of the movements in core equity in the first half of 2008.

Core equity roll forward

in EUR billion

	Group	Bank	Insurance	General
Core equity at 31 December 2007	**26.1**	**23.3**	**8.6**	**(5.8)**
Half year net profit	1.6	1.2	0.6	(0.2)
Goodwill and intangibles related to ABN AMRO Asset Management (1 April 2008)	(3.6)	(3.6)	-	-
Equity raised via Accelerated Book Offering (26 June 2008)	1.5	-	-	1.5
Other capital instruments (NITSH I and NITSH II)	1.1	0.8	0.3	-
Other (including impact of equity markets and translation differences)	(2.1)	(0.7)	(1.5)	0.1
Core equity at 30 June 2008	**24.6**	**21.0**	**8.0**	**(4.4)**

Fortis's core equity decreased from EUR 26.1 billion at the end of 2007 to EUR 24.6 billion at the end of June 2008. The EUR 1.6 billion of net profit in the first half of 2008 was offset by the consolidation of EUR 3.6 billion of goodwill and intangibles related to the Bank's acquisition of ABN AMRO Asset Management activities on 1 April 2008. This EUR 3.6 billion impact on core equity will be reduced after the reimbursement of the purchase price in the form of a dividend by RFS Holdings to Fortis. This dividend payment will decrease the value of Fortis's participation in RFS Holdings accordingly, and hence will result in a lower deduction from core equity (50%) and total capital (50%). Core equity was further impacted by other events including the equity market downturn and foreign exchange differences.

During the first half of 2008 Basel I risk-weighted commitments increased from EUR 270.2 billion to EUR 285.4 billion. The 6% growth is in line with Fortis's strict adherence to risk-weighted commitment growth limited to 10%. Growth traditionally is faster in the first half of the year. The increase was due to business growth reflected by the increase in credit risks from EUR 249.3 billion to EUR 261.5 billion, partially mitigated by securitisation measures. Market risks progressed by EUR 2.9 billion as a result of increased market volatility.

At Insurance, the required minimum margin remained stable at EUR 4.1 billion during the first half of 2008.

Look through method capital

When assessing the 'to-be' solvency situation of Fortis, the look-through approach has to be applied. In this approach the future transfer and consolidation of all the acquired ABN AMRO activities are taken into account along with the impact of the announced transactions in the capital build-up plan.[1]
The following core equity movements and changes in core capital target will need to be taken into account:

Core equity movements:
- Reversal of the 50% deduction in the value of Fortis's stake in RFS Holdings (EUR 12.1 billion)
- Deduction of goodwill of all the acquired activities of ABN AMRO (EUR 19.4 billion)
- Deduction of the intangible assets of all the acquired activities of ABN AMRO (EUR 2.9 billion)
- Reversal of goodwill and intangibles related to ABN AMRO Asset Management (EUR 3.6 billion) already taken into account under reported equity method
- Inclusion of capital support by consortium partners as stipulated in the Consortium Shareholders Agreement (EUR 2.5 billion). The capital support can be structured in the form of an exchange of capital relief transactions or a subscription to core equity instruments. A condition related to the capital support is the acceptance of these transactions or instruments as core equity by the home regulators.
- Deduction of estimated capital loss on EC remedies (EUR 0.3 billion)
- Addition of estimated future impact of already announced joint ventures and divestments such as the Interparking joint venture with VINCI, the Asset Management joint venture with Ping An and the intended acquisition of the 51% stake in ABN AMRO Verzekeringen from Delta Lloyd (total impact of EUR 2.4 billion)

[1] The look-through approach is visualized in the results presentation available on www.fortis.com/ir

Core equity - look through

in EUR billion

	Group	Bank	Insurance	General
Core equity at 30 June 2008	**24.6**	**21.0**	**8.0**	**(4.4)**
Reversal of the deduction of our participation in RFS Holding	12.1	12.1	-	-
Deduction of goodwill related to all ABN AMRO acquired activities	(19.4)	(19.4)	-	-
Deduction of intangibles assets borne in ABN AMRO acquired activities	(2.9)	(2.9)	-	-
Correction for goodwill and intangible assets linked to AAAM already booked	3.6	3.6	-	-
Capital Support provided by Consortium partners	2.5	2.5	-	-
Impact of sale of assets under the EC remedies	(0.3)	(0.3)	-	-
Impact of JV Interparking, Asset Management and ABN AMRO verzekeringen	2.4	2.3	0.1	-
Look through core equity at 30 June 2008	**22.6**	**18.9**	**8.1**	**(4.4)**

Fortis's *look-through* core equity after inclusion of the impact of the various future events described above is estimated at around EUR 22.6 billion versus EUR 24.6 billion under the equity method.

The current core capital target under the equity method is EUR 20.6 billion. When assessing the core capital target under the look through approach, the following future events also need to be taken into account:

- Increase of EUR 4.9 billion in capital requirements related to consolidation of EUR 95 billion of ABN AMRO's risk-weighted commitments, of which EUR 10 billion relates to EC remedies
- Increase in capital requirements related to intended acquisition of 51% stake in ABN AMRO Verzekeringen from Delta Lloyd (EUR 0.2 billion)

This brings Fortis's *look-through* core capital target after inclusion of the mentioned future events to EUR 25.7 billion.

The resulting difference between *look-through* core equity and the core equity target of EUR 3.1 billion will be covered by the remaining elements of the capital plan announced on 26 June. Transactions of over EUR 5 billion in the capital plan, related to non-core asset disposals, capital relief programmes and non-dilutive capital instruments such as preference shares and non-innovative capital instruments, are being prepared and, subject to regulatory approval, will be announced in the coming quarters. The sum of the elements included in this capital plan is sufficient to bring current look-through capital above the capital target. Diligent execution of the capital plan will enable full consolidation of the ABN AMRO activities and ensure sufficient financial flexibility.

Fortis capital plan

In line with the time line of the transition and integration process of the acquired activities of ABN AMRO, Fortis will continue to strengthen its core equity position by means of the measures in its capital plan announced on 26 June together with continued earnings generation and strict management of growth in capital requirements.

Fortis expects, subject to market conditions, its core equity to be above its capital targets after the successful implementation of its capital plan every time an activity of ABN AMRO is transferred and consolidated.

The solvency plan is well on the way to achieving its targets:

- On 26 June, a capital increase of EUR 1.5 billion was executed
- On 27 June, Fortis executed a real-estate sale-and-lease-back transaction, resulting in EUR 60 million of core equity relief
- On 30 June, Fortis securitised lease assets resulting in a core equity relief of EUR 115 million
- On 9 July, Fortis announced the sale of International Asset Management generating EUR 40 million of

core equity relief

The decision not to pay an interim dividend this year conserved EUR 1.4 billion of capital, bringing the total impact of the measures to EUR 3.1 billion.

Furthermore, future retained earnings and strict management of capital requirements will provide Fortis with the financial flexibility required in the current market environment.

Fortis's regulatory capital

Since the first quarter of 2008, the bank's capital requirements have been calculated under Basel II. The CBFA as home regulator has approved Fortis Bank's use of the advanced internal rating approach to credit risk (AIRB) and the advanced measurement approach (AMA) to operational risk.

At the end of June 2008, Fortis's eligible capital amounted to EUR 26.4 billion and was more than sufficient to cover the EUR 24.7 billion consolidated capital requirements of the banking and insurance businesses.
The Bank's total capital ratio amounted to 10.8% (11.0% at the end of the first quarter), well above the 8% regulatory minimum, while Insurance's solvency was more than twice the regulatory minimum (223% compared to 219% at the end of the first quarter).

During the second quarter of 2008 Basel II risk-weighted commitments increased from EUR 253.1 billion to EUR 257.4 billion. The 1.1% increase in credit risks (from EUR 225.9 billion to EUR 228.4 billion) reflects the following three main factors:

- business growth
- further downgrade of certain ABS securities held by Fortis
- integration of ABN AMRO Asset Management activities

Market risk remained stable at EUR 13.2 billion. Operational risk increased from EUR 14.0 billion to EUR 15.9 billion, mainly due to the integration of the acquired ABN AMRO Asset Management activities on 1 April 2008, which were temporarily calculated using the less advanced Basic Indicator Approach.

1.5 FTE development

Key figures

	H1 2008	H1 2007	Change	H1 2008	FY 2007	Change
Banking	**47,737**	**46,080**	**4%**	**47,737**	**46,861**	**2%**
Insurance	**15,019**	**14,467**	**4%**	**15,019**	**14,967**	**0%**
General	**178**	**192**	**(7%)**	**178**	**181**	**(2%)**
Fortis Total	**62,934**	**60,739**	**4%**	**62,934**	**62,010**	**1%**
- Benelux	62%	64%	*	62%	63%	*
- Outside Benelux	38%	36%	*	38%	37%	*

Approximately 3,800 FTEs left the company in the first half of 2008 while only around 3,100 FTEs were hired. The outflow was in line with the first half of last year, although fewer people were hired than in the first six months of 2007. The FTE growth in the first half of 2008 was mainly due to the integration of the majority of the activities of ABN AMRO Asset Management (1,248 FTEs). At the end of the second quarter of 2008, 38 % of the workforce was based outside the Benelux countries.

2. Banking

Key figures

in EUR million

	H1 2008	H1 2007	Change	Q2 2008	Q1 2008	Change
Total income	6,090	5,752	6%	2,912	3,178	(8%)
Total expenses	(3,483)	(3,334)	4%	(1,793)	(1,690)	6%
Change in impairments	(1,088)	(36)	*	(640)	(448)	43%
Profit before taxation	1,520	2,383	(36%)	479	1,041	(54%)
Net profit for the period	1,176	2,071	(43%)	451	725	(38%)
Results on discontinued operations	24	-	*	24	-	*
Net profit attributable to minority interests	15	9	66%	11	4	*
Net profit attributable to shareholders	**1,185**	**2,062**	**(43%)**	**465**	**721**	**(36%)**
Cost / Income ratio	57.2%	58.0%	*	61.6%	53.2%	*
Operating leverage	1.4%	(9.8%)	*	-	-	*
No. of FTEs	47,737	46,080	4%	47,737	47,219	1%
Credit loss ratio (basis points) (1)	83	2	*	97	68	43%
Basel I						
RWCs - End of period (in EUR million)	**285,405**	**274,597**	**4%**	**285,405**	**284,010**	**0%**
- Credit RWCs	261,535	254,272	3%	261,535	257,489	2%
- Market RWCs	23,869	20,325	17%	23,869	26,521	(10%)
Basel II						
RWCs - End of period (in EUR million)	**257,409**	-	*	**257,409**	**253,145**	**2%**
- Credit RWCs	228,369	-	*	228,369	225,860	1%
- Market RWCs	13,172	-	*	13,172	13,271	(1%)
- Operational risk	15,868	-	*	15,868	14,014	13%
Tier 1 ratio	8.2%	6.7%	*	8.2%	9.3%	*
Funds under management (in EUR billion)	**283.0**	**209.3**	**35%**	**283.0**	**198.8**	**42%**
- Net inflow	(0.5)	10.3	*	(2.3)	1.8	*
- Other movements	88.7	0.0	*	88.7	0.0	*

(1) As a % of average Credit Risk-Weighted Commitments

- **First half year 2008 net profit of EUR 1,185 million, down 43% compared with the record performance of the first half 2007 partly due to EUR 409 million net of tax impact of the credit market turmoil**
- **Total income growth of 6% due to solid treasury and financial markets results, supported by high volatility and widening spreads. Underlying net interest income higher and net commissions and fees only slightly lower in difficult market conditions**
- **Cost containment measures kept underlying expenses virtually stable**
- **Net profit contribution of the ABN AMRO acquired businesses of EUR 198 million; including integration and financing costs, impact on Fortis Bank's net profit of EUR 85 million negative. Majority of ABN AMRO Asset Management activities integrated with Fortis Investments in the second quarter**
- **Second quarter net profit of EUR 465 million; net interest income and commissions and fees in line with first quarter**

Several changes to Fortis financial reporting have been made in 2008 to reflect the new organisational structure announced in November 2007. Merchant Banking is reported as a separate entity and Private Banking and Asset Management are reported together. Following the adoption of Basel II as from 2008, risk-weighted commitments under both Basel I and II are stated for Fortis Bank business lines. Key capital indicators are also stated based on risk-weighted commitments under both Basel I and II.

Most of ABN AMRO's Asset Management activities were transferred to Fortis on 1 April 2008 and are now reported as part of Private Banking and Asset Management, whereas in the first quarter of the year they were still part of the acquired ABN AMRO activities. Historical figures have not been restated.

A deterioration in credit market conditions in the second half of 2007 and the first half of 2008 led to various downgrades of investments within the structured credit portfolio. This resulted in impairments on the portfolio of Banking. In addition, changes in credit spreads resulted in revaluation gains or losses on the hedging portfolio. The combined effect of the impact on the structured credit portfolio and the revaluations of the hedging portfolio is captured by the term 'impact from the credit market turmoil'.

The impact of the acquisition of the ABN AMRO activities in the second half of 2007 distorts the year-on-year comparison, especially in items such as net interest income, dividend income and expenses. The consolidation of the majority of the Asset Management activities as of the second quarter 2008 distorts the comparison of the quarter-on-quarter developments of especially net commissions and fees, net interest income and expenses.

Banking reported net profit of EUR 1,185 million for the first half, down 43% year-on-year. The net profit of the first half 2008 included a EUR 409 million net of tax impact of the credit market turmoil, EUR 215 million (net of tax) of financing costs and EUR 69 million (net of tax) of integration costs related to ABN AMRO. The first half of 2007 included a EUR 27 million net of tax negative impact of the credit market turmoil, related to the credit hedge portfolio. Higher income was more than offset by the impact of integration and financing charges related to the acquired ABN AMRO activities, higher impairments on the loan portfolio and higher taxes. Underlying commercial revenues remained strong, with higher underlying net interest income more than offsetting lower underlying net commissions and fees, the latter being impacted by the financial market turmoil. The cost containment measures deployed since the beginning of this year kept expense growth to 4% year-on-year. Excluding ABN AMRO-related integration costs (EUR 100 million pre-tax) and the first time inclusion of ABN AMRO Asset Management (EUR 85 million), expenses came in 1% below last year's level.

Net profit for the second quarter came in at EUR 465 million, compared with EUR 721 million in the first quarter. The net of tax impact of the credit market turmoil was EUR 80 million negative in the first quarter and EUR 329 million negative in the second quarter. Underlying commercial revenues were virtually stable. Lower capital gains and higher impairments on the loan portfolio were partly offset by higher dividend income. Excluding the impact of ABN AMRO Asset Management, costs were essentially flat, underlining the effectiveness of the cost containment measures.

The **acquired activities of ABN AMRO** contributed EUR 198 million to net profit, after purchase accounting, in the first half year of 2008. Including the financing and integration costs booked at Fortis Bank, the net profit contribution of the acquired ABN AMRO activities was EUR 85 million negative. The total impact of the acquired ABN AMRO activities on Fortis's first half net profit, including financing costs recorded in General and the net profit (EUR 27 million) of the transferred ABN AMRO Asset Management business in the second quarter including purchase accounting adjustments amounted to a negative EUR 115 million.

Net interest income on interest margin products was EUR 2,417 million, down 8% on the first half of 2007. Net interest income was impacted by ABN AMRO-related financing costs of EUR 270 million and by interest expenses arising from the payment made to ABN AMRO during the second quarter for the transfer of ABN AMRO Asset Management to Fortis (EUR 65 million). These interest expenses were offset in treasury and financial markets (EUR 22 million) and dividend income (EUR 43 million). Excluding this and the effect

of the reclassification of fees related to unused credit lines as commissions and fees instead of net interest income, and other one-offs, underlying growth was 4% compared with last year.

Solid customer-related volume growth in loans and deposits at Retail Banking contributed positively, while savings margins improved in Belgium, supported by rising market interest rates. Merchant Banking benefited from strong volumes, which drove net interest income up slightly despite the negative effect of income denominated in US dollars and pounds sterling.

Second quarter net interest income on interest margin products was 7% below the first quarter figure. Excluding the interest expenses related to the transfer of the ABN AMRO asset management activities and the impact of reclassified items, net interest income remained almost flat.

The duration of equity increased to 5.7 years compared to 5.3 years for the first quarter hereby optimizing the risk profile in line with the current market evolution.

Credit risk-weighted commitments under Basel I stood at EUR 262 billion, up 5% on year-end 2007. The increase was fuelled by underlying loan volume growth (+7%) mainly at Merchant Banking. At EUR 24 billion, market risk-weighted commitments were up 14% versus year-end 2007, due primarily to higher market volatility. Total risk-weighted commitments, including market risk-weighted commitments, amounted to EUR 285 billion, an increase of 6% on year-end 2007 and flat on the first quarter of 2008.

Funds under management increased to EUR 283 billion, up 36% on the EUR 207.8 billion reported at year-end 2007. The increase is mainly explained by the transfer of the funds under management of ABN AMRO Asset Management (EUR 88.7 billion), partially offset by a total net outflow of EUR 0.5 billion and a negative market impact of EUR 13 billion.

Net commissions and fees of EUR 1,506 million were 1% up on the first half of last year, benefiting from the inclusion of ABN AMRO Asset Management (EUR 68 million). The reclassification of fees on unused credit lines was offset by the ceding of trading revenues to ABN AMRO. Underlying commissions and fees were EUR 42 million or 3% below the level of the first half of 2007. Higher net commissions and fees on payment services and better fees on loans were more than offset by lower income from corporate finance, securities brokerage and asset management activities, which were hit by the slump in equity markets.

Net commissions and fees increased by 8% (EUR 60 million) in the second quarter of 2008 compared with the previous quarter as a result of the inclusion of ABN AMRO Asset Management. Excluding this, net commissions and fees were nearly in line with the previous quarter despite the persistently challenging market conditions.

Capital gains on the investment portfolio amounted to EUR 247 million in the first half of 2008, 41% below the same period last year (EUR 416 million). Capital gains on bonds and real estate were partly offset by capital losses caused by the reduction in equity exposure. Capital gains in the same period last year were realised mainly on equity participations.

Capital gains declined to EUR 65 million in the second quarter, EUR 117 million lower than in the first quarter, which benefited from significant capital gains on bonds. The capital gains in the second quarter were realised mainly on real estate.

At EUR 1,404 million, **Treasury and financial markets** results exceeded the level of the first half of 2007 by 39%. Adjusted for the negative effect of grossing up (EUR 117 million in the first half 2008 compared with EUR 162 million positive in the first half 2007) due to non-deductible losses on equities, the year-on-year result increased 10% to EUR 1,287 million. The increase related mainly to a positive contribution of EUR 183 million in the first half of 2008 and a negative contribution of EUR 37 million in the first quarter of 2007 from a revaluation gain on credit hedge positions. Treasury and financial markets can be divided into trading and non-trading activities.

Non-trading revenues (mainly Private Equity, Global Securities & Financing Group, Credit Hedging and Other Banking) ended the first half of 2008 at EUR 803 million, up EUR 164 million, driven mainly by a EUR 220 million positive contribution from a credit portfolio hedge.

- Private Equity's contribution was EUR 98 million in the first half of 2008, mainly due to gains on ABX and Panavi. This compares with a very high EUR 143 million base in the first half of 2007. Despite the challenging market environment, valuations remained resilient, supported by a solid operational performance.

- GSFG (Global Securities & Financing Group) recorded revenues of EUR 268 million, up 2% despite less favourable market conditions and the negative impact of the liquidity crisis. This highly seasonal client-driven business entails very limited credit and market risks and continues to benefit from increased volumes.

- Credit Portfolio Management recorded a positive revaluation gain of EUR 183 million in the first half of 2008, benefiting from widening credit spreads in the first quarter. In the first half of 2007 a negative revaluation of EUR 37 million was recorded. Despite highly volatile spreads during the second quarter, active portfolio management substantially contained the negative revaluation. The Credit Portfolio Management team converted the entire hedging portfolio into single-name credit default swaps in the last quarter of 2007. They covered an average total notional amount of EUR 13 billion, divided between counterparties that are all highly rated European and US investment banks.

- Other Banking income showed a decrease of EUR 78 million, mainly due to the valuation of derivative positions that did not qualify for hedge accounting and a lower return on the seed money portfolio on the back of lower equity markets.

Trading revenues (adjusted for grossing up) were down 9% to EUR 484 million, which is still a high level. The performance of money markets, fixed income and equity trading remained solid in the first half of 2008. Although the Global Markets activities had to contend with higher funding costs, they benefited from active management of the yield curve and highly volatile equity markets. This performance was offset by the negative contributions of the credit derivative, structured credit and energy businesses, which remained weak due to difficult market conditions and low commercial activity.

Quarter-on-quarter, treasury and financial markets results decreased by 30% to EUR 579 million. Adjusted for grossing up, they were down 19% (or EUR 132 million) to EUR 578 million. The decrease is explained by the EUR 238 million lower contribution of the credit hedge portfolio (positive EUR 210 million impact in the first quarter, followed by a negative EUR 28 million impact in the second quarter). Grossed up trading revenues were down 38% to EUR 186 million, remaining on a high level despite extremely difficult market conditions, mainly in Fixed Income and in Structured Credits. Among non-trading activities, the negative impact of the credit hedge portfolio was partially offset by higher divestment results in Private Equity and income in GSFG (high seasonal activity in the second quarter).

Dividend and other investment income in the first half of 2008 increased from EUR 148 million to EUR 390 million year-on-year. The main reason for this increase was the inclusion of the net profit contribution of the ABN AMRO acquired businesses of EUR 198 million.

The change in provisions for impairments for the first half of the year reached EUR 1,088 million before tax with an additional impairment of EUR 640 million in the second quarter. EUR 845 million relates to impairments on the structured credit portfolio of which EUR 479 million was booked in the second quarter (EUR 309 million impact on net profit). In the second quarter an impairment of EUR 340 million was recorded on super senior high grade and EUR 58 million on super senior mezzanine. An additional impairment of EUR 14 million was taken on warehouse positions. This brought the coverage ratios to 57% for super senior high grade and 74% for both super senior mezzanine and warehousing. The balance (EUR 67 million) was recorded on the credit spread portfolio, primarily on downgraded sub- and mid-prime and Alt-A securities. The remaining impairments of EUR 243 million are largely related to specific provisions on the loan book, due to the addition of a number of small files. This compared to the exceptional low level of EUR 36 million in the first half last year, which benefited from significant reversals.

The credit loss ratio (calculated as a percentage of average credit risk-weighted commitments) amounted to 83 basis points in the first half of 2008. Excluding impairments on the structured credit portfolio, the overall credit loss ratio was 19 basis points.

The level of non-performing loans remained stable during the second quarter. However, the increase in impairments not related to structured credits, reflects the first signs of deteriorating economic conditions. After four years of very low level of provisions, we expect to move closer to through-the-cycle provisioning levels of around 25 basis points of credit risk-weighted commitments.

Total expenses went up 4% to EUR 3,483 million in the first half of 2008. Excluding ABN AMRO integration costs (EUR 100 million) and the impact of the first time inclusion of ABN AMRO Asset Management (EUR 85 million), underlying costs were 1% below last year's level thanks to strong cost containment measures. A hiring freeze kept the underlying increase in staff expenses limited to 2%, whereas other expenses decreased by 5%.

Expenses reached EUR 1,793 million in the second quarter, up 6% or EUR 103 million on the previous quarter. Excluding the impact of the consolidated ABN AMRO Asset Management activities in the second quarter (EUR 85 million) and EUR 11 million higher integration costs quarter-on-quarter, total expenses remained virtually flat.

Staff expenses amounted to EUR 2,060 million for the first half year, up EUR 126 million or 6%. Excluding costs related to the ABN AMRO integration (EUR 61 million) and the impact of ABN AMRO Asset Management (EUR 29 million), underlying staff expenses increased by 2% or EUR 36 million. The total number of Banking FTEs rose to 47,737, up 4% on the same period last year. Excluding the impact of ABN AMRO Asset Management, FTEs increased by only 1%, mainly because of growth in Turkey and Poland. The mature markets showed a net FTE decrease thanks to the hiring freeze.

Quarter-on-quarter staff expenses remained flat. Excluding the impact of ABN AMRO Asset Management, staff expenses ended lower than in the previous quarter (2% or down EUR 24 million) partly due to the 1% FTE decrease in mature markets.

Other expenses were EUR 1,423 million in the first half of 2008, up EUR 23 million or 2% on the same period last year. Excluding costs related to the ABN AMRO integration (EUR 39 million) and the impact of ABN AMRO Asset Management (EUR 55 million), other expenses decreased by EUR 71 million or 5% as a result of cost containment measures.

Other expenses in the second quarter were 15% or EUR 99 million higher than the previous quarter, mainly as a result of the transfer of ABN AMRO Asset Management activities (EUR 55 million) and higher integration costs (EUR 15 million). Excluding these items, other expenses increased by 4%, mainly because of the timing of marketing campaigns.

The **effective tax rate** for the first half of the year was 23%, compared with 13% for the same period last year. The specific tax treatment of trading results lifted both pre-tax results and taxes in the first half of 2008. Tax-exempt capital gains on equities lowered the tax rate for 2007, whereas taxable capital gains on government bonds have been realised in 2008.

2.1. Performance per Banking Business (For full details see Financial and Operational Review)

2.1.1. Retail Banking

Key figures

in EUR million

	H1 2008	H1 2007	Change	Q2 2008	Q1 2008	Change
Total income	**2,228**	**2,233**	**0%**	**1,095**	**1,133**	**(3%)**
Total expenses	(1,437)	(1,457)	(1%)	(719)	(718)	0%
Net profit attributable to shareholders	**497**	**583**	**(15%)**	**227**	**270**	**(16%)**
Cost / Income ratio	64.5%	65.3%	*	65.7%	63.4%	*
Operating leverage	1.1%	(7.9%)	*	-	-	*
No. of FTEs	18,541	18,026	3%	18,541	18,725	(1%)

- **Retail Banking net profit was EUR 497 million for the first half of 2008, down EUR 86 million or 15% year-on-year. Excluding ALM results, net profit was EUR 310 million, up 34% year-on-year**
- **Higher net interest income (up 7%) resulting from improved margins in mature markets and higher volumes in growth markets, with commissions and fees stable despite difficult market conditions**
- **Expenses down 1% year-on-year, thanks to strict cost control**
- **Strong commercial activity in the Benelux countries during the second quarter resulted in EUR 1 billion growth in deposits and heightened Eurobond activity**

Retail Banking's net profit for the first half of 2008 amounted to EUR 497 million compared with EUR 583 million for the same period last year, down 15% year-on-year. This decrease is entirely due to the negative impact of lower ALM allocations, which depressed net profit by EUR 165 million year-on-year. Excluding ALM allocations, net profit went up by 34% to EUR 310 million.

Total income remained stable year-on-year at EUR 2,228 million; the lower ALM allocations were offset by an increase in net interest income (up EUR 94 million), EUR 42 million higher capital gains and stable commissions and fees.

Net interest income rose to EUR 1,399 million in the first half of 2008, up EUR 94 million year-on-year, supported by positive developments in various geographies, particularly in Belgium.

Net commissions and fees remained almost flat at EUR 540 million in the first half of 2008 compared with the same period last year, despite the difficult market conditions.

Customer deposits stood at EUR 94 billion or EUR 1 billion down on the first half of 2007, as the seasonality effect of higher current accounts in the second quarter was less in 2008 than in 2007. Compared with year-end 2007, retail deposits were up EUR 0.5 billion. Excluding an internal securitisation of EUR 15 billion, **loans to customers** rose by EUR 8 billion or 10% year-on-year, driven mainly by mortgage growth in the Netherlands (up EUR 2.8 billion) and Belgium (up EUR 1.9 billion).

Total expenses amounted to EUR 1,437 million in the first half of 2008, 1% or EUR 20 million lower than in the first half last year. The decline was achieved on the back of a steep drop in costs in the Benelux countries (down EUR 65 million), which more than compensated for the cost growth related to ongoing investments in Turkey and Poland.

2.1.2. Merchant Banking

Key figures

in EUR million

	H1 2008	H1 2007	Change	Q2 2008	Q1 2008	Change
Total income	**3,308**	**2,856**	**16%**	**1,490**	**1,818**	**(18%)**
Total expenses	(1,461)	(1,425)	3%	(732)	(729)	0%
Net profit attributable to shareholders	**674**	**1,305**	**(48%)**	**220**	**453**	**(51%)**
Cost / Income ratio	44.2%	49.9%	*	49.1%	40.1%	*
Operating leverage	13.3%	(17.6%)	*	-	-	*
No. of FTEs	14,101	14,135	0%	14,101	14,295	(1%)

- **Net profit of EUR 674 million in the first half of 2008, including a EUR 406 million net impact of credit market turmoil**
- **Good underlying growth in net interest income and net commissions and fees offset by the strong euro, higher funding costs and some pressure on margins**
- **High treasury and financial markets results despite difficult market conditions**
- **Underlying increase in total expenses contained by tight cost control**

Net profit for the first half of 2008 amounted to EUR 674 million, a decline of 48% (or EUR 631 million). The first half of 2008 included a net of tax impact of the credit market turmoil of EUR 405 million, whereas the first half of 2007 included a EUR 27 million negative impact. Excluding these impacts, net profit was down 19% to EUR 1,080 million. The underlying commercial performance remained solid despite difficult market conditions and higher funding costs, while growth in total expenses was limited to 3%.

Total income was up 16% to EUR 3,308 million in the first half of 2008, supported by the strong performance of treasury and financial markets as well as good underlying growth in net commissions and fees and net interest income, despite difficult market conditions. These positive elements were partly offset by the strong euro, higher funding costs and some margin pressure. Adjusted for the impact of the credit portfolio hedge and for grossing up, total income was down 2% to EUR 3,008 million in the first half of 2008.

The **change in provisions for impairments** reached EUR 981 million in the first half of 2008, of which EUR 842 million related to structured credit exposure (total impact of EUR 538 million on net profit) and EUR 139 million related largely to the loan book.

Total expenses increased by 3% to EUR 1,461 million in the first half of 2008, driven by a 4% increase in staff expenses and stable non-staff expenses. Non-staff expenses remained stable on lower travel, marketing, consultancy and legal costs.

The effective **tax rate** at Merchant Banking was 22% in the first half of 2008, up from a low 10% in the first half of 2007. This was mainly the result of higher non-deductible losses on equities in the first quarter of 2008.

2.1.3. Private Banking & Asset Management

Key figures

in EUR million

	H1 2008	H1 2007	Change	Q2 2008	Q1 2008	Change
Total income	**611**	**610**	**0%**	**329**	**283**	**16%**
Total expenses	(516)	(384)	34%	(296)	(220)	35%
Net profit attributable to shareholders	**95**	**190**	**(50%)**	**48**	**47**	**1%**
Cost / Income ratio	84.3%	63.1%	*	90.0%	77.8%	*
Operating leverage	(33.9%)	0.8%	*	-	-	*
No. of FTEs	3,912	2,788	40%	3,912	2,834	38%
Funds under management (in EUR billion)	**288.5**	**216.7**	**33%**	**288.5**	**205.6**	**40%**
- Net inflow	(0.7)	9.5	*	(3.3)	2.6	*
- Other movements	88.7	0.0	*	88.7	0.0	*

- **Combined profit of Private Banking & Asset Management down to EUR 95 million from EUR 190 million**
- **Net profit at Private Banking was EUR 71 million, 48% lower year-on-year, as a result of lower revenues, and integration costs related to the acquisition of ABN AMRO activities**
- **Net profit of EUR 23 million at Fortis Investments, which includes ABN AMRO Asset Management in the second quarter**
- **Assets under management impacted by lower equity markets, but Private Banking still achieved inflow of EUR 1.8 billion in the first half of 2008; Asset Management suffered outflows**

Net profit at Private Banking & Asset Management came to EUR 95 million in the first six months of 2008. The net profit was impacted by integration costs related to ABN AMRO (EUR 28 million net of tax). Challenging market conditions lead to a decrease in underlying funds under management.

Private Banking achieved net profit of EUR 71 million in the first half of 2008, a decrease of 48% on the same period last year. The year-on-year fall was influenced not only by the turmoil in the capital markets, but also by specific elements such as a capital gain in the first half of 2007 (EUR 22 million), the integration costs of ABN AMRO and lower ALM revenues. Second quarter net profit was 20% down on the first quarter. This quarter-on-quarter decrease can be attributed to lower revenues, which were partially offset by lower expenses. Funds under management declined from EUR 82.3 billion at the end of 2007 to EUR 79.3 billion, due to lower equity markets. Net inflow amounted to EUR 1.8 billion in the first half of 2008. Second quarter inflow amounted to EUR 0.7 billion.

Asset Management recorded a net profit of EUR 23 million in the first half of 2008 (or EUR 59 million excluding ABN AMRO integration-related costs and purchase price adjustments). The financial performance was impacted by the negative market environment combined with net outflows. Funds under management stood at EUR 209.2 billion at the end of the first half of 2008. Fortis Investments started the year with EUR 132.9 billion in assets under management. On 1 April 2008, EUR 88.7 billion of funds under management were added from AAAM. Lower equity markets and currency effects (EUR 9.9 billion) and net outflows (EUR 2.5 billion) reduced underlying funds under management in the first six months of 2008.

2.1.4. Acquired ABN AMRO activities

Key figures

in EUR million

Pro forma	H1 2008	H1 2007	Change	Q2 2008	Q1 2008	Change
- Retail and Commercial/Corporate activities Netherlands	435	436	0%	229	206	11%
- Private Clients activities	142	165	(14%)	69	72	(4%)
- Asset Management activities	37 (1)	110	(66%)	37 (1)	0	*
Net profit acquired ABN AMRO activities (pro forma)	**614**	**711**	**(14%)**	**335**	**279**	**20%**
- Shared assets	(307)	(67)	*	(163)	(144)	14%
Reported net profit acquired ABN AMRO activities (pro forma)	**307**	**644**	**(52%)**	**173**	**135**	**28%**
Total adjustments to reported net profit	**(109)**	**(644)**	**(83%)**	**(59)**	**(51)**	**16%**
Net contribution of ABN AMRO activities to Fortis net profit	**198**	**-**	*****	**114**	**84**	**36%**

(1) Q2 limited to France and Argentina

- **Net profit of acquired businesses, excluding EUR 83 million in integration costs, down 2% year-on-year to EUR 697 million**
- **Net profit of Dutch Retail and Commercial/Corporate activities 11% higher quarter-on-quarter**
- **Net profit of Private Clients activities 4% lower quarter-on-quarter; net profit, excluding EUR 12 million in integration costs, 13% higher quarter-on-quarter**
- **Majority of Asset Management activities transferred to Fortis as per the second quarter**

Net profit of the activities acquired was EUR 614 million compared with EUR 711 million a year ago. Excluding EUR 83 million net of tax integration costs, net profit was 2% lower at EUR 697 million, due to significantly decreased Asset Management results. Second quarter net profit of the activities acquired was up 20% quarter-on-quarter at EUR 335 million. Excluding integration costs (EUR 43 million net of tax in the second quarter and EUR 40 million net of tax in the first quarter), net profit in the second quarter was up 18%.

First half net profit of the **Dutch Retail and Commercial/Corporate activities** was unchanged year-on-year at EUR 435 million. Excluding EUR 53 million (net of tax) integration costs, net profit increased by 12% year-on-year mainly due to higher treasury and financial markets results. Second quarter net profit was 11% higher than in the first quarter at EUR 229 million. Excluding EUR 31 million in integration costs in the second quarter and EUR 22 million in the first quarter, net profit increased 14% quarter-on-quarter due to lower expenses and a revised allocation of interest income between Royal Bank of Scotland and Fortis.

Excluding the revised allocation, net interest income increased 2% quarter-on-quarter as a result of higher income from savings and loan products. The change in impairments of EUR 145 million in the second quarter was EUR 59 million higher than the change in impairments in the first quarter, mainly due to two major additions to the corporate loan portfolio. The incurred but not reported (IBNR) risk provision included a large release in the first quarter that did not recur in the second quarter. Excluding the integration charges booked in both quarters, expenses fell by 6% as a result of strict cost control, lower consultancy fees and lower communication costs.

Net profit of the **Private Clients activities at** EUR 142 million for the first half of 2008 was 14% lower than for the first half of 2007. Excluding EUR 12 million (net of tax) integration costs, net profit decreased by 7% to EUR 154 million. Second quarter net profit was 4% lower quarter-on-quarter at EUR 69 million. Excluding integration costs of EUR 12 million net of tax in the second quarter, net profit increased by 13% to EUR 81 million, thanks to a sharp decline in operating expenses.

Total income was down 3% quarter-on-quarter, mainly as a result of the year-to-date adjustment for divestments. Funds under management decreased from EUR 127.8 billion in the first quarter of 2008 to EUR 124.4 billion in the second quarter. This decrease was caused by developments in financial markets, which had an impact of EUR 1.7 billion, divestments which had a total impact of EUR 1.1 billion, and total net outflow of EUR 0.6 billion. Expenses were 2% lower quarter-on-quarter in the second quarter. Excluding integration expenses, costs were down 10%, underpinned by strict control, postponement of IT projects, lower marketing costs and lower consultancy fees and divestments.

The EUR 37 million net profit of **Asset Management activities** was significantly lower year-on-year. The majority of the ABN AMRO Asset Management activities were transferred to Fortis as per 1 April 2008 and were fully consolidated by Fortis Investments as of the second quarter. Activities in two countries, France and Argentina, were not transferred to Fortis and have remained in acquired ABN AMRO activities. It is expected that these activities will be transferred to Fortis in due course. Historical figures have not been restated for the transfer of the majority of ABN AMRO Asset Management to Fortis.

Profit in the second quarter of 2008 included the profit contribution from the French and Argentinean activities as well as the interest on the proceeds received by ABN AMRO from the transfer of the Asset Management activities. Fortis paid an amount of EUR 3.7 billion to ABN AMRO for the Asset Management activities. These proceeds are still within ABN AMRO and the interest generated (EUR 43 million pre-tax) is recorded in acquired ABN AMRO Asset Management activities. Reimbursement of the purchase price in the form of a dividend paid by RFS Holdings to Fortis is expected in due course.

The net loss of **Shared Assets** increased significantly year-on-year and quarter-on-quarter. The main factors impacting the increase in year-on-year net loss were higher funding costs of the group ALM portfolio, significantly lower Private Equity results, a negative revaluation of the stake in Unicredit and the costs of running down Shared Assets. Private Equity results were lower year-on-year as 2007 included high returns on exited investments and fair market value changes, whereas 2008 recorded losses on fair market value changes and an expected loss on the potential divestment of one of the portfolios.

3. Insurance

Key figures

in EUR million

	H1 2008	H1 2007	Change	Q2 2008	Q1 2008	Change
Net profit attributable to shareholders	**642**	**765**	**(16%)**	**423**	**219**	**93%**
- Life	417	556	(25%)	255	162	58%
- Non-Life	225	209	8%	167	58	*
- Other	0	0	(95%)	0	0	(34%)
Operating leverage [1]	(6.7%)	(1.9%)	*	-	-	*
No. of FTEs	15,019	14,467	4%	15,019	15,131	(1%)
Life						
Gross written premiums	5,159	5,326	(3%)	2,002	3,157	(37%)
Investment contracts without dpf	1,828	1,678	9%	944	884	7%
Gross inflow Life	6,987	7,004	0%	2,946	4,041	(27%)
Technical result	155	367	(58%)	167	(12)	*
Operating margin	284	439	(35%)	196	88	*
Non-Life						
Gross written premiums Non-Life	3,233	3,072	5%	1,377	1,856	(26%)
Technical result	264	197	34%	157	107	46%
Operating margin	284	204	39%	181	103	76%
Combined ratio	96.2%	99.0%	*	95.8%	96.6%	*

(1) Excluding CaiFor

- **Life gross inflow stable at EUR 7.0 billion in continuing challenging market conditions**
- **Non-Life gross written premiums up 5% to EUR 3.2 billion, despite softening markets**
- **Net profit down to EUR 642 million (-16%) due to turmoil in capital markets**
- **Fortify strategy pursued further including several new initiatives such as the launch of Life activities in UK, the rollout of Non-Life insurance to SME clients in Portugal and the promising start of business in India**

Fortis Insurance's **net profit** for the first six months decreased from EUR 765 million in 2007 to EUR 642 million in 2008. The effect of the credit market turmoil (EUR 182 million impact on net profit, mainly at Life and in the first quarter; pre-tax impact of EUR 255 million) was the main reason for this fall. **Life** net profit dipped 25% to EUR 417 million as a consequence of the turmoil, while the **Non-Life** result increased by 8% to EUR 225 million on the back of an improvement in the combined ratio to 96.2%.

Net profit reached EUR 423 million in the **second quarter of 2008**, which was substantially higher than the net profit of EUR 219 million in the first quarter. This is largely explained by the difference between the impact of the credit market turmoil in the first quarter (EUR 149 million) and in the second quarter (EUR 33 million).

Despite the challenging market conditions, **gross inflow** ended up 1% higher at EUR 10.2 billion in the first six months of 2008. **Life** managed to maintain inflow at EUR 7.0 billion. Robust growth at Insurance International (+30%) and in the Netherlands (+9%) compensated for lower inflow in Belgium (-20%). Annualised premium equivalent (APE) was up 3% to EUR 719 million in the first half of 2008. **Non-Life** gross written premiums increased by 5% to EUR 3.2 billion, driven by product innovation in all countries, while healthy margins were maintained in the softening markets.

Total gross inflow in the **second quarter of 2008** was down 27% on the strong previous quarter. The latter was influenced by highly successful pension-related sales at Life in the Netherlands, seasonality in Accident & Health (the Netherlands) and SME-related inflow (Belgium) at Non-Life.

The continuous implementation of various efficiency programmes in all countries was reflected by low year-on-year **cost** growth of 3%. This slight increase was mainly driven by growth initiatives (e.g. the launch of UK Life) and scope change (inclusion of Hong Kong-based subsidiary Fortis Insurance Company (Asia), FICA, since May 2007).

The CPPI protection programmes and additional disposals have significantly reduced Fortis Insurance's exposure to downward movements in equity market valuations. Fortis Insurance's total solvency ratio of 223.2% as at 30 June 2008 exceeds minimum regulatory requirements.

Fortify strategy

Fortis Insurance's Fortify strategy aims to create cost and revenue synergies by applying the 'optimise locally by sharing globally' principle, i.e. sharing proven skills across borders and across businesses. The goal 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.

The second quarter of 2008 featured a further rollout of multi-channel distribution initiatives. 'Ditzo', the Dutch direct distribution channel, added legal assistance and travel insurance to its Non-Life product portfolio. Fortis Insurance Belgium's VIP concept, applicable to Non-Life products for SMEs, was rolled-out and builds on synergies between Fortis Bank and brokers specialising in enterprises. New and upgraded Non-Life products were introduced in the bank and broker channels in Belgium, following the harmonisation of the two channels. Both channels now offer the same products on a common IT platform. IDBI Fortis and the Manappuram Finance, based in Thrissur, a city in the Indian state of Kerala, signed a distribution agreement to provide wealth-building and insurance products to local customers. After entering the agency channel in the first quarter of this year, Fortis Insurance Turkey launched new internet tools for agency clients.

Fortis Insurance Belgium continues to focus on product/market innovation and has introduced Pension@work. This new product offers specific group insurance to employees of SMEs with a workforce of 10 to 50 people. Successful collaboration between Fortis Insurance and Fortis Bank in the Netherlands led to the launch of a joint marketing campaign to strengthen the position in the Dutch mortgage market. Early July, Fortis Insurance UK launched its new Life business. The company will initially pilot its products through a selective group of protection-focused IFAs, followed by a gradual roll-out into the wider protection market.

The focus on operational excellence led to further improvements in the second quarter. Fortis Insurance Netherlands finalised its programme at the Life and Health departments of Fortis ASR. Lead-time, productivity and response time have improved, while a customer satisfaction survey by Dutch market research firm IG&H showed that Health had improved its position (from 14th to fourth ranking). The integration of the bank and broker Non-Life platforms at Fortis Insurance Belgium was finalised in May. This will facilitate similar product offerings and more efficient service to customers. An IT platform was implemented at FICA, enhancing workflow processing and leading to greater operational efficiencies. Fortis Corporate Insurance further pursued its international expansion strategy by commencing operations in France and thereby leveraging on the existing business of Fortis Assurances and Fortis Bank.

Life

The first half of 2008 was affected by developments in global capital markets, which put pressure on the financial industry. Fortis Insurance managed to contain the effects of the commercial downturn, achieving stable Life **gross inflow** of EUR 7.0 billion, thanks to its diverse product portfolio. Belgian inflow lagged, ending up 20% below the first half of 2007, due to fewer marketing campaigns this year. Inflow in the Netherlands increased by 9% compared with 2007, driven by pension-related activities and, despite lower sales of unit-linked products. Growth of 30% at International related mainly to Portugal (+69%), which benefited from the upgraded product offering and compensated for lower Luxembourg and French inflow due to a decline in unit-linked sales.

Inflow in the **second quarter of 2008** came in 27% below the strong first quarter, which was boosted by the underwriting of some large pension-related contracts in the Netherlands.

The Life **technical result** lagged the first six months of 2007, decreasing from EUR 367 million to EUR 155 million. The turmoil in global credit markets depressed the 2008 result by EUR 196 million. However, technical result recovered sharply in the second quarter when the impact of the credit market turmoil lessened (impact of EUR 41 million) compared with the first quarter (impact of EUR 155 million).

Net profit decreased to EUR 417 million from EUR 556 million in the first six months of 2007 due to the conditions in global credit market turmoil (impact of EUR 162 million on net profit).

Net profit amounted to EUR 255 million in the **second quarter of 2008**, well above the figure for the previous quarter (EUR 162 million), which was more heavily impacted by the turmoil in global credit markets (EUR 26 million in the second quarter compared with EUR 136 million in the first quarter).

Non-Life

Non-Life **gross written premiums** increased 5% to EUR 3.2 billion, on the back of profitable underwriting. Belgium posted a very sound 7% rise, supported by a comprehensive product offering combined with continuous product innovation. Moreover, the bancassurance and broker Non-Life platforms were successfully integrated in May, allowing Fortis Insurance Belgium to exploit further cost synergies and reduce the time to market for product innovation. In the Netherlands, Accident & Health contributed particularly to the reported 12% growth, thanks to a strong commercial performance and product innovation in the medical expenses and disability businesses. Gross written premiums at Fortis Insurance International decreased by 4% owing to the pound sterling's depreciation against the euro. Excluding this exchange rate effect, International's gross written premiums increased by 3%, mainly due to the focus on profitable growth in the highly competitive UK market.

Gross written premiums were lower (down 26%) in the **second quarter of 2008** than in the first quarter due to seasonal effects, particularly in the Dutch Accident & Health market and at the Belgian SME business line, as well as difficult market conditions.

The technical result improved substantially, rising by 34% from EUR 197 million to EUR 264 million, underpinned by a combined ratio of 96.2% and driven by cost control and the focus on profitable underwriting, despite softening markets. The technical result thus exceeded the EUR 197 million for the first six months of 2007, which was impacted by Windstorm Kyrill and floods in the UK. The impact of the global credit market depressed the technical result by EUR 7 million in the first half of 2008.

Net profit reached EUR 225 million, up 8% on a year-on-year basis, driven by a strong technical performance, which was partly offset by lower capital gains and higher taxes. Conditions in the global credit markets had a negative impact of EUR 20 million on net profit.

Net profit went up to EUR 167 million in the **second quarter of 2008** from EUR 58 million in the first quarter. The improvement was due to the seasonally lower technical performance in the first quarter and higher financial income in the second quarter.

3.1. Performance per Insurance business (for full details see Financial and Operational Review)

3.1.1. Insurance Belgium

Key figures

in EUR million

	H1 2008	H1 2007	Change	Q2 2008	Q1 2008	Change
Net profit attributable to shareholders	**249**	**285**	**(13%)**	**130**	**119**	**10%**
Gross inflow Life	2,695	3,386	(20%)	1,164	1,531	(24%)
Gross written premiums Non-Life	774	721	7%	344	430	(20%)
Combined ratio	101.2%	104.6%	*	100.0%	102.4%	*
Operating leverage	(9.1%)	(6.4%)	*	-	-	*
No. of FTEs	5,358	5,071	6%	5,358	5,359	0%

- **Life gross inflow amounts to EUR 2.7 billion, down 20%, due to fewer marketing campaigns plus price competition from bank savings products**
- **Non-Life gross written premiums increase 7% to EUR 774 million, supported by a strong product range**
- **Net profit of EUR 249 million (-13%) impacted by turmoil in global capital markets**
- **Integration of Non-Life IT platforms is an important driver of further cost efficiencies and reduces time to market for product innovation**

Net profit for the first six months amounted to EUR 249 million, compared with EUR 285 million last year. Net profit continues to be hit by the turmoil in global credit markets, although the impact in the second quarter 2008 was less severe than in the first quarter. The effect of the credit market situation on net profit stands at EUR 66 million (pre-tax impact of EUR 100 million) which affects only Life results. Increased funds under management (Savings and Group Life) and tax-exempt capital gains in the first quarter of 2008 could not fully offset the impact of the credit market. Portfolio protection techniques (CPPI) triggered the realisation of capital gains and a reduction in equity exposure. As a consequence, received dividends were limited and second quarter's financial income could less enjoy the upwards effect related to the 'dividend season'.

Net profit reached EUR 130 million in the **second quarter of 2008**, up 10% on the previous quarter, benefiting from the natural seasonality in dividend income.

Total **gross inflow** at the end of the first half of 2008 was EUR 3,469 million, a 16% decrease compared with the same period last year. Life inflow went down by 20% due to fewer marketing campaigns and competitive yields in the market for short-term bank savings accounts. Gross written premiums at Non-Life climbed 7% compared with last year, reaching EUR 774 million. This strong performance in a competitive market was thanks to the focus on specific product market combinations.

Operating **costs** showed limited growth of 2% to EUR 199 million. They benefited from tight cost control and the *operational excellence/lean management* programme, which is currently underway.

3.1.2. Insurance Netherlands

Key figures

in EUR million

	H1 2008	H1 2007	Change	Q2 2008	Q1 2008	Change
Net profit attributable to shareholders	**291**	**379**	**(23%)**	**223**	**68**	*
Gross inflow Life	2,089	1,918	9%	681	1,408	(52%)
Gross written premiums Non-Life	1,405	1,255	12%	540	864	(37%)
Combined ratio	91.7%	89.6%	*	93.9%	89.5%	*
Operating leverage	(13.3%)	8.6%	*	-	-	*
No. of FTEs	4,601	4,439	4%	4,601	4,651	(1%)

- **Life gross inflow improves to EUR 2.1 billion (up 9%), while market conditions remained challenging**
- **Non-Life gross written premiums up 12% to EUR 1.4 billion, as a result of a strong commercial performance by Accident & Health**
- **Net profit decreases to EUR 291 million (down 23%) due to the negative impact of the turmoil in the global capital markets, amounting to EUR 111 million, especially in the first quarter**
- **Several business lines deliver above-market growth thanks to multi-channel distribution and product innovation**

The **net profit** of Fortis Insurance Netherlands came in at EUR 291 million in the first half of 2008 (compared with EUR 379 million in the first half of 2007). The turbulence in the credit markets turmoil had an impact of EUR 111 million on the 2008 result (pre-tax impact of EUR 150 million). Net profit improved to EUR 223 million in the **second quarter of 2008** compared with EUR 68 million in the first quarter. The impact on net profit of the credit market turmoil was EUR 94 million (pre-tax impact of EUR 126 million) in the first quarter and EUR 17 million (pre-tax impact of EUR 24 million) in the second quarter. The improvement was mainly driven by higher investment results.

Gross inflow increased by 10% to EUR 3,494 million in the first half of 2008. In the challenging Life market, gross inflow grew 9% to EUR 2,089 million, mostly driven by new pension-related contracts concluded in the first quarter. Gross inflow in the competitive Non-Life market increased by 12% to EUR 1,405 million. This strong commercial performance was mainly generated by Accident & Health.

Operating costs increased by 2% to EUR 272 million. Cost-saving programmes partly compensated for investments in process improvements and multi-channel distribution. The operational excellence programme has been further rolled out within the organisation. A strong focus on cost management in the form of selective hiring led to a decrease in FTEs (down 1%) compared with year-end 2007.

On 20 May, Fortis announced that it had begun talks on acquiring Delta Lloyd's 51% stake in ABN AMRO Verzekeringen. On 20 June, Fortis Insurance Netherlands disclosed its intention to sell majority stakes in two of its Dutch insurance divisions, 'De VerzekeringsUnie' (tied agents) and 'Poliservice' (third party management of insurance portfolios) as they are considered non-core.

3.1.3. Insurance International

Key figures

in EUR million

	H1 2008	H1 2007	Change	Q2 2008	Q1 2008	Change
Net profit attributable to shareholders	**102**	**101**	**1%**	**69**	**33**	*
Gross inflow Life	2,203	1,700	30%	1,101	1,101	0%
Gross written premiums Non-Life	1,054	1,097	(4%)	492	562	(12%)
Combined ratio	97.6%	105.7%	*	94.5%	100.8%	*
Operating leverage [(1)]	13.4%	(13.7%)	*	-	-	*
No. of FTEs	5,060	4,957	2%	5,060	5,121	(1%)

(1) Excluding CaiFor

- **Life gross inflow up 30% to EUR 2.2 billion, with Portugal and Hong Kong as main contributors**
- **Non-Life gross written premiums down 4% at EUR 1.1 billion. Gross written premiums are up 3%, excluding the effect of the pound sterling's depreciation against the euro**
- **Net profit up 1% to EUR 102 million. Net profit excluding CaiFor in 2007 up 56% following strong results at both Life and Non-Life and a good performance by the Asian joint ventures**
- **Several new initiatives launched: sale of Non-Life insurance to the SME market via the broker channel in Portugal, installation of insurance corners in Fortis Bank branches in Turkey, promising commercial start to IDBI Fortis in India and the successful completion of the amalgamation of Muang Thai insurance Co Ltd and Phatra Insurance in Thailand**

The **net profit** of Fortis Insurance International reached EUR 102 million in the first half of 2008, slightly above the first six months of 2007. Excluding the profits related to Spanish joint venture CaiFor, divested at the end of 2007, net profit increased by 56%. The increase was mainly attributable to Non-Life. In the Life business the main contributions came from Portugal and the Asian joint ventures. The negative impact of the global credit market turmoil on net profit was EUR 4 million in the first half of 2008 (pre-tax impact of EUR 6 million).

Net profit ended up 109% higher in the **second quarter of 2008** than in the previous quarter. Both Fortis UK and Fortis Corporate Insurance (FCI) drove up Non-Life results after experiencing losses at the beginning of the year.

Gross inflow at consolidated companies went up 16% to EUR 3,257 million from EUR 2,797 million, driven by new product development, especially in Portugal, and the rollout of multi-channel distribution in several countries in Europe and Asia. The inclusion of FICA, which was consolidated as from the second quarter of 2007, added a further EUR 137 million to gross inflow. Gross inflow at non-consolidated joint ventures (on a 100% basis) increased by 17% to EUR 1,568 million, driven by growth in China and Thailand. Annual premium equivalent (APE) advanced 43% to EUR 272 million.

Operating costs increased by 4% to EUR 219 million. On a comparable basis (excluding FICA), operating costs remained flat compared with the first half of 2007.

Please see the *Financial and Operational Review*,
the *Analyst Presentation* and the *Consolidated Quarterly Financial Report*
for a detailed analysis of the first half 2008 results.
These documents are available on our website: www.fortis.com

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