

Press release

Brussels / Utrecht, 17 December 2008

Update on financial position following the ruling by the Court of Appeal of Brussels

On 14 November 2008, Fortis published an Interim Management Statement reflecting the pro forma financial position of Fortis at the end of September after completion of all the transactions announced early October. On 12 December, the Court of Appeal of Brussels suspended the decisions taken by the Board of Directors of Fortis on 3, 5 and 6 October and hence the execution of some of these transactions. This necessitated a new update on the financial position of Fortis. This update is entirely dependent on whether or not the ruling will be successfully challenged.

As a result of the ruling of the Court of Appeal, three major changes will influence the pro forma financial position of Fortis compared to the statement of 14 November:

- The execution of the intended sale of Fortis Insurance Belgium to BNP Paribas was suspended and therefore Fortis will fully reconsolidate Fortis Insurance Belgium, at least temporarily
- The envisaged structured credit portfolio entity, in which Fortis would hold a 66% interest, will not be accounted for by Fortis holding. This entity forms part of the agreement with BNP Paribas and the Belgian State and will therefore not be included for as long as that agreement is suspended
- The transactions related to the CASHES will not be accounted for as long as the agreement with BNP Paribas and the Belgian State is suspended (a further explanation is included on page 8 under the General Account)

The scope of Fortis' activities following the ruling of the Court of Appeal therefore includes Fortis Insurance Belgium, Fortis Insurance International and the General Account. As a result, the pro forma unaudited financial position at the end of September has changed compared to the figures published on 14 November:

- The impact on the pro forma net cash position of Fortis is EUR 0.5 billion positive. On 14 November, Fortis reported a cash position of EUR 3.5 billion. Taking into account the contemplated EUR 1.9 billion cash pledge for the structured credit portfolio entity, the net cash position amounted to EUR 1.6 billion. Giving effect to the ruling, the pro forma net cash position at the end of September amounted to EUR 2.1 billion.
- The pro forma net equity has decreased from EUR 7.7 billion to EUR 6.7 billion due to the suspension of the gain on the sale of Fortis Insurance Belgium of EUR 3.6 billion, partly offset by the non-inclusion of the negative impact of the transactions related to the CASHES of EUR 2.6 billion.
- The pro forma third quarter net profit attributable to shareholders in this new scope amounted to EUR 152 million compared to a pro forma net loss of EUR 135 million in the scope of 14 November. The difference is explained by the fair value development in the positions related to the CASHES of EUR 558 million and the net result of Fortis Insurance Belgium. Fortis Insurance Belgium's net result amounted to a loss of EUR 281 million in the third quarter of 2008 due to write-downs and investment losses of EUR 339 million after tax, as a result of the deterioration in capital markets.

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The remainder of this press release provides an overview of the transactions that have been executed and the transactions that were suspended resulting in a new scope for Fortis. It also provides an unaudited update of the third quarter Interim Management Statement as published on 14 November reflecting the new scope.

Overview of transactions following the Court of Appeal ruling

The ruling of the Court of Appeal does not affect the transactions that were already completed. These transactions were the following:

- On 29 September, the Belgian Government invested EUR 4.7 billion in Fortis Bank SA/NV in return for 49.9% of the common equity of this entity.
- On 3 October, Fortis Bank Nederland (Holding) N.V., Fortis Verzekeringen Nederland N.V. and Fortis Corporate Insurance N.V. (FCI) were sold to the Dutch State for a total consideration of EUR 16.8 billion, of which EUR 4 billion was allocated to the insurance companies and hence benefited Fortis directly, the remainder benefiting Fortis Bank SA/NV.
- On 6 October, Fortis announced the sale of the remaining 50% plus 1 share of Fortis Bank SA/NV to the Belgian State for EUR 4.7 billion. This sale was closed on 10 October.

The following transactions have been suspended as a result of the ruling by the Court of Appeal:

- The transfer of assets to a structured credit portfolio entity, of which Fortis would hold 66%, the Belgian State 24% and BNP Paribas 10%. This entity would have contained a structured credit portfolio to be acquired from Fortis Bank SA/NV with a pre-agreed carrying value of EUR 10.4 billion determined in accordance with the agreement with BNP Paribas and the Belgian State and based on exchange rates of 31 August. This amount could change as a result of a fluctuation of exchange rates between 31 August and the date of closing.
- The sale of 100% of Fortis Insurance Belgium to BNP Paribas, expected to generate EUR 5.7 billion subject to certain conditions precedent and to a potential final closing adjustment (minus EUR 0.2 billion).

In addition, the transactions related to the CASHES have also been suspended.

As a result of the completed transactions and the suspension of the intended transactions, Fortis today comprises of:

- Fortis Insurance Belgium, a leader in Life and Non-Life insurance in Belgium distributing its insurance products through the bank network of Fortis Bank SA/NV and independent insurance brokers.
- Fortis Insurance International (FII), with a presence in the UK, France, Hong Kong, Luxembourg (Non-Life), Germany, Turkey, Russia, Ukraine and with joint-ventures in Luxembourg (Life), Portugal, China, Malaysia, India and Thailand. The largest profit contributors are Fortis UK, Millenniumbcp Fortis (Portugal) and Fortis Hong Kong.
- Fortis General Account, which mainly contains various financial assets and liabilities of the different financing vehicles.

Impact of Court of Appeal ruling on net cash position of Fortis

The impact of the suspension on the pro forma net cash position of Fortis is an improvement of EUR 0.5 billion compared to the position reported on 14 November. On 14 November, Fortis reported a pro forma cash position of the General Account of EUR 3.5 billion. Taking into account the contemplated EUR 1.9 billion cash pledge for the structured credit portfolio entity, the pro forma net cash position announced on 14 November amounted to EUR 1.6 billion.

The exclusion of EUR 5.7 billion of proceeds from the sale of Fortis Insurance Belgium is more than compensated by the suspension of the EUR 2.35 billion payment related to the CASHES, and of the contemplated investment in the structured credit portfolio entity. This investment was expected to comprise of a EUR 2.0 billion equity investment and a further investment of EUR 1.9 billion by means of a cash pledge, in each case subject to adjustments to account for changes in exchange rates since 31 August and the final selection of the portfolio.

The pro forma net cash position of the General Account at the end of the third quarter 2008 amounted to EUR 2.1 billion.

Impact of Court of Appeal ruling on Fortis Group net equity reconciliation

The pro forma shareholders' equity of Fortis Group at the end of the third quarter of 2008 amounted to EUR 6.7 billion, compared to EUR 7.7 billion reported on 14 November. This can be broken down as follows (subject to rounding differences).

Analysis pro forma shareholders' equity 30 Sept 2008	Reported 17 Dec 08	Reported 14 Nov 08
Cash & cash equivalents	14.1	15.5
Due from banks	1.5	1.5
Due to banks	(4,5)	(4,5)
Debt certificates	<u>(9,1)</u>	<u>(9,1)</u>
Cash	2.1	3.5
Due from customers *	8.6	8.6
Subordinated liabilities	(2,6)	(2,6)
Other borrowings	<u>(4,8)</u>	<u>(4,8)</u>
On balance subordinated loans to Fortis Bank and FIB	1.2	1.2
Accruals and Other, primarily Treasury shares	<u>1.0</u>	<u>0.7</u>
Equity General account	4.3	5.5
Equity Structured Credit entity	-	2.0
Equity Fortis Insurance Belgium	2.1	-
Equity Fortis Insurance International	1.3	1.3
Elimination treasury shares	<u>(1,0)</u>	<u>(1,0)</u>
Pro forma shareholders' equity Fortis	6.7	7.7

* Out of the EUR 8.6 billion Due from customers, EUR 7.2 billion is funded back-to-back in subordinated liabilities (EUR 2.6 billion, amongst other NITSH I, NITSH II and Hybrone) and other borrowings (EUR 4.8 billion borrowed from Fortis Bank)

The EUR 1.0 billion decrease in pro forma shareholders' equity is explained by the suspension of the EUR 3.6 billion gain on the sale of Fortis Insurance Belgium, partly offset by the non-inclusion of the negative impact of the transactions related to the CASHES.

The EUR 2.6 billion impact of the transactions related to the CASHES comprises of a non-payment of EUR 2.35 billion by Fortis to Fortis Bank SA/NV and the reinstatement of the end of September value of the so called 'Relative Performance Note' (please refer to the General Account section on page 8) of EUR 0.2 billion (included in 'Accruals and Other, mainly Treasury shares').

A pro forma balance sheet is included in the Annex of this press release.

FORTIS INSURANCE BELGIUM

Net result for the first nine months amounted to a total loss of EUR 33 million, compared to a profit of EUR 403 million in the same period last year. The ongoing deterioration of the credit and equity markets generated substantial value write-downs and losses on investments, for a negative amount of EUR 359 million after tax, mainly impacting the Life business. Non-Life result suffered from an update of market reference tables in bodily injuries causing a EUR 22 million loss in the third quarter.

Total gross inflow in the first nine months amounted to EUR 4.9 billion, a 15% decrease compared with the same period last year. Life inflow went down by 20% to EUR 3.8 billion. Gross written premiums at Non-Life increased 8% compared with last year, reaching EUR 1.1 billion.

The net loss in the third quarter was EUR 281 million, compared to a profit of EUR 130 million in the second quarter. The third quarter result was severely impacted by the global markets unrest leading to significant value write-downs and losses on investments of EUR 339 million after tax, in addition to the change in Non Life reference tables of a negative amount of EUR 22 million.

Life inflow in the fourth quarter continues to be under pressure due to adverse market conditions and the news around Fortis. Non-life inflow remains strong. The equity exposure was further reduced to limit the impact of continued turbulence of financial markets. Nevertheless, the fourth quarter net profit of 2008 is expected to be impacted by further impairments and capital losses, although to a lesser extent than in the third quarter.

Life

Individual Life inflow declined by 25% in the first nine months. Unit-linked inflow suffered from the negative market sentiment and savings were impacted by fierce competition from high-yielding bank deposits and the uncertainty surrounding Fortis. A 7% year-on-year growth in Group Life partly offset the decline in Individual Life.

The net loss of Life in the first nine months of 2008 was EUR 79 million, compared to a profit of EUR 340 million in the same period last year, as the ongoing credit and equity market turmoil affected the results (after tax impact of EUR 363 million). The retail business was badly hit by the credit market turmoil and value adjustments on segregated accounts whereas Group Life's results suffered less and continued to see a solid growth generated by the existing portfolio.

The third quarter net loss amounted to EUR 271 million, compared to a profit of EUR 101 million in the previous quarter, as the third quarter result was impacted by value write-downs and losses on investments (EUR 330 million after tax).

Non-Life

Non-Life inflow grew by 8% in the first nine months reaching EUR 1.1 billion, driven by all business lines, especially in the SME segment, outperforming the 3% overall Non-Life market growth.

The net profit in the first nine months was EUR 46 million, down from EUR 63 million in the same period last year. The profit was negatively impacted by an update of market reference tables in bodily injuries claims for a negative amount of EUR 22 million. Excluding the one-off adjustment for the reference tables and the workers' compensation business, the combined ratio remained just below 100%.

The third quarter loss was EUR 10 million, compared to a profit of EUR 29 million in the second quarter, due to the aforementioned update of reference tables and additional impairments (EUR 9 million after tax).

FORTIS INSURANCE INTERNATIONAL

The pro forma result of Fortis Insurance International is unchanged compared to the publication of 14 November 2008.

The Fortis Insurance International scope excludes Fortis Corporate Insurance which was bought by the Dutch State and 50% of profits from the Luxembourg Life Business which is owned by Fortis Bank. The comparison with the 2007 results excludes the results of the Spanish joint venture Caifor, which was sold in the fourth quarter of 2007.

Despite challenging market conditions in the first nine months of 2008, overall underlying performance was resilient with significant growth in sales. This reflected the successful implementation of multi-channel development (Turkey, UK, Thailand and China), product innovation (UK Life, Portugal) and further geographic diversification (India).

Pro forma net profit for the first nine months of 2008 increased to EUR 40 million from EUR 20 million for the same period in 2007. The 2008 result was affected in particular by capital losses and value write-downs on investments of EUR 55 million after tax and minority interests (losses were mainly in Life), due to adverse market conditions and by adverse currency movements. The 2007 result was affected by major weather related claims in the Non-Life business partially offset by realised capital gains.

In the third quarter a pro forma net loss after minority interests of EUR 30 million was recorded as a result of the aforementioned negative impact on the investment portfolio of the Life activities of EUR 45 million after tax and minority interests. Under current market conditions, additional write-downs and capital losses are expected to be recorded in the fourth quarter 2008.

Life

Consolidated gross inflow of the Life business in the first nine months was higher compared to the same period of last year, driven by a strong performance in Portugal and Hong Kong. The Life activities reported year-to-date a pro forma net loss after minority interests of EUR 18 million due to capital losses and impairments on the investment portfolio. Based on current market conditions, additional losses on investments are expected in the fourth quarter.

Life consolidated gross inflow reduced in the third quarter, compared to the previous quarter due to adverse market conditions and uncertainty around Fortis. The reduction in sales has continued in the fourth quarter. The third quarter recorded a pro forma loss after minority interests of EUR 40 million as a result of capital losses and impairments on investments.

Non-Life

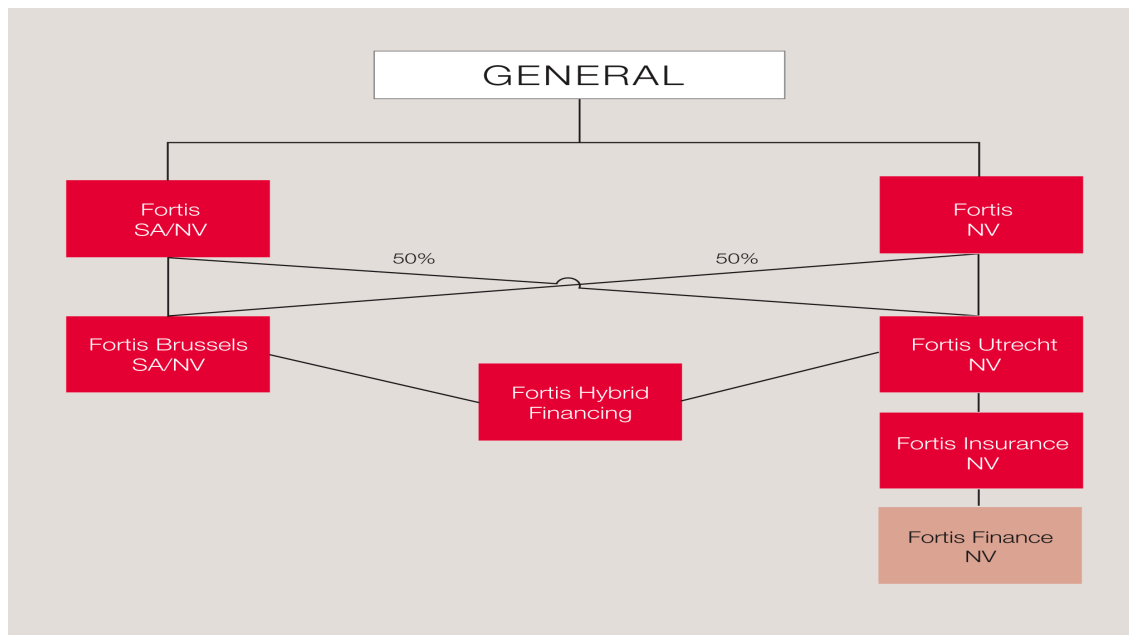
Non-Life consolidated gross written premiums in constant exchange rates were higher in the first nine months compared to the same period in 2007. Pro forma net profit after minority interests increased to EUR 58 million as the 2007 result (net loss of EUR 33 million) was negatively impacted by natural disasters (Windstorm Kyrill and floods in the United Kingdom). The combined ratio improved to a level below 100%.

Gross written premiums in constant exchange rates were higher quarter-on-quarter. Sales in the first weeks of the fourth quarter indicate that premium income in the fourth quarter remained stable. The pro forma net profit after minority interests in the third quarter amounted to EUR 10 million.

GENERAL ACCOUNT

The pro forma result of the General Account has changed compared to the publication of 14 November 2008 due to the non-inclusion of the transactions related to the CASHES.

The General Account contains the holding companies and various financing vehicles that issued debt to finance the banking and insurance activities now sold. The General Account created negative net equity (so called leverage) at Group level by injecting equity into the operating entities that was (partly) financed by debt issued by the General Account (primarily through Fortis Finance N.V.).



The profile of the General Account will change as a result of the recent transactions. The General Account will no longer create leverage at Group level in the future, but it will manage shareholders' equity and provide back-to-back funding to the operating entities. The negative net equity of the General Account (equity minus investments in operating companies by the General Account) amounted to EUR 4.8 billion at the end of June 2008. Including the transactions not affected by the suspension order of the Court, the equity of the General Account amounts to positive EUR 4.3 billion.

The pro forma net profit for the third quarter amounted to EUR 458 million. This result included a EUR 558 million revaluation gain on a Relative Performance Note related to the CASHES, partly offset by a loss on the Mandatory Exchangeable Bond portfolio of EUR 18 million and the normal funding cost of the negative equity and head office expenses.

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

The fair value of the Relative Performance Note is very volatile. As per 30 September 2008, the fair value was EUR 238 million positive for Fortis, compared to a negative fair value of EUR 320 million as per 30 June 2008. If the suspension of the agreement with BNP Paribas and the Belgian State would be lifted, the Relative Performance Note will be cancelled.

The completion of all the transactions that were closed and not suspended has changed the profile of the General Account. As a result, net equity has become positive and the net interest margin for the General Account should improve over time. The change in profile of the General Account will also allow for substantial cost reductions going forward. This could lead to a restructuring charge in the fourth quarter.

Hybrid instruments

Fortis acts as a co-obligor for a number of hybrid instruments issued by former subsidiaries. An overview of these instruments can be found in the press release of 14 October 2008.

Contingent liabilities

Fortis SA/NV and Fortis N.V. (together "Fortis") currently are subject to certain investigations, court proceedings and litigation. Fortis is confident about the outcome of these proceedings. However, it is inherently difficult to predict the outcome of these proceedings. It cannot be excluded that such proceedings may have significant effects on Fortis' financial position or profitability.

Disclaimer

The information on which the statements in this press release are based may be subject to change and this press release may also contain certain projections or other forward looking-statements concerning Fortis. These statements are based on current expectations of management of Fortis and are naturally subject to uncertainties, assumptions and changes in circumstances. The financial information included in this press release is unaudited.

The forward-looking statements are not guarantees of future performance and involve risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond Fortis' ability to control or estimate precisely, such as future market conditions and the behaviour of other market participants. Other unknown or unpredictable factors beyond the control of Fortis could also cause actual results to differ materially from those in the statements and include but are not limited to consents required from regulatory and supervisory authorities and the outcome of pending and future litigation involving Fortis. Therefore undue reliance should not be placed on such statements. Fortis assumes no obligation and does not intend to update these statements, whether as a result of new information, future events or otherwise, except as required pursuant to applicable law.

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Fortis holding (Fortis SA/NV and Fortis N.V.) include only (1) Fortis Insurance Belgium (2) Fortis Insurance International, and (3) financial assets and liabilities of various financing vehicles. The international insurance activities (Fortis Insurance International) are located in UK, France, Hong Kong, Luxembourg (Non-Life), Germany, Turkey, Russia, and Ukraine, and in joint ventures in Luxembourg (Life), Portugal, China, Malaysia, India and Thailand. Fortis holding is therefore no longer involved in any banking activities.

Annex: Pro forma balance sheet and equity reconciliation

Pro forma balance sheet 30 September 2008							
	General	Proceeds sales	General pro forma	FIB	FII	Eliminations	Total Fortis
Assets							
Cash and cash equivalents	5.4	8.7	14.1	2.8	0.6		17.6
Due from banks	1.5		1.5	0.0	0.9	(0.0)	2.4
Due from customers	8.6		8.6	2.1	0.1	(2.0)	8.9
Investments:	1.1		1.1	36.3	9.5	(1.2)	45.7
Other assets	0.8		0.8	10.5	15.6	(0.1)	26.8
Total assets	17.5	8.7	26.2	51.8	26.7	(3.3)	101.4
Liabilities							
Due to banks	4.5		4.5	1.5	0.7		6.7
Due to customers	0.0		0.0	0.1	0.1		0.1
Debt certificates	9.1		9.1			(0.1)	8.9
Subordinated liabilities	2.6		2.6	0.9	0.0	(1.0)	2.5
Other borrowings	4.8		4.8	0.1	1.2	(1.1)	5.0
Accrued interest and other liabilities	0.9		0.9	47.1	23.0	(0.1)	71.0
Total liabilities	21.9		21.9	49.7	25.0	(2.3)	94.2
Shareholders' equity	(4.4)	8.7	4.3	2.1	1.3	(1.0)	6.7
Minority interests				0.1	0.4		0.5
Total equity	(4.4)	8.7	4.3	2.2	1.7	(1.0)	7.2
Total liabilities and equity	17.5	8.7	26.2	51.8	26.7	(3.3)	101.4

Figures are subject to rounding differences

Equity reconciliation	Shareholders' Equity	Minority interest	Total equity
Fortis 30 June 2008	29.2	1.2	30.4
Net asset value Bank & Insurance	-36.7	-1.2	-37.9
Adjusted equity before eliminations	<u>-7.4</u>	<u>0.0</u>	<u>-7.5</u>
Eliminations	2.6		2.6
General 30 June 2008	-4.8	0.0	-4.9
Profit General third quarter 2008	0.4		0.4
Sales Proceeds	8.7		8.7
General pro forma 30 September 2008	4.3	0.0	4.3
Equity Fortis Insurance International	1.3	0.4	1.7
Equity Fortis Insurance Belgium	2.1	0.1	2.2
Eliminations	<u>-1.0</u>		<u>-1.0</u>
Fortis pro forma 30 September 2008	6.7	0.5	7.2

Figures are subject to rounding differences