

Consolidated Interim Financial Statements for the first half-year of 2009

Brussels/Utrecht, 27 August 2009

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All amounts reported in these Consolidated Interim Financial Statements are denominated in millions of euros, unless stated otherwise.

Report of the Board of Directors of Fortis

Report of the Board of Directors of Fortis

General

Fortis SA/NV and Fortis N.V. are the two parent companies of Fortis. They head Fortis, which in turn comprises a number of subsidiary companies engaged in Insurance.

Developments

The first half of 2009 was marked by renewed negotiations and the subsequent approval and closing of the transactions with BNP Paribas, Fortis Bank and the Belgian State's company SFPI/FPIM. The renewed negotiations involved the sale of Fortis Bank and part of the Belgian insurance activities as well as the establishment of Royal Park Investments SA/NV (RPI), a special purpose vehicle which has acquired a portion of the structured credits portfolio of Fortis Bank and in which Fortis made an equity investment of EUR 760 million, representing a stake of 44.7%.

The original agreement, dating from 5 and 6 October 2008, to sell Fortis Bank and the Belgian insurance activities was renegotiated following a court ruling on 12 December 2008 and the publication of a report by a panel of Belgium experts. The revised transaction, announced on 31 January 2009, was rejected by the shareholders' meeting of Fortis SA/NV on 11 February 2009. On 6 March 2009, an agreement was reached on revised terms for the transaction. On 28 April and 29 April 2009, the general meetings of respectively Fortis SA/NV in Ghent, Belgium, and Fortis N.V. in Utrecht, the Netherlands, approved the transactions, which were then closed on 12 May 2009. Based on the approval of the shareholders on 28 April and 29 April 2009 the doubt on Fortis' ability to continue on a going concern basis doesn't exist any longer in Fortis' view.

As a result of the agreement finalised on 12 May 2009 related to the funding of Royal Park Investments and the purchase of part of the structured credit portfolio of Fortis Bank, the risk to Fortis relating to the fall back provision, which Fortis was not able to value at the end of 2008, in the Share Purchase Agreement with the SFPI/FPIM of 10 October 2008 (as amended) regard to the financing of the SPV has since that date ceased to exist. The total exposure for Fortis is limited to equity investment of EUR 760 million in Royal Park Investments, representing a stake of 44.7%. For further details of the transactions, please refer to the shareholder circular published on 16 March 2009 and press release published on 13 May 2009 on www.holding.fortis.com.

Since 12 May 2009, Fortis consists of:

- 75% - 1 share of AG Insurance (previously Fortis Insurance Belgium);
- Fortis Insurance International which consists of a number of Life and Non-Life insurance activities in Europe and Asia, some of which are fully owned by Fortis, while others are in the form of subsidiaries and affiliates with local partners;
- General segment comprises: (i) the holding companies and various financing vehicles that have been used to issue debt to finance Fortis' (former) banking and insurance activities; (ii) the equity stake in Royal Park Investments SA/NV (RPI) mentioned above; (iii) the liability related to the quarterly interest payments on the relative performance note (RPN(I)) related to the CASHES, and (iv) the value of the call option linked to the BNP Paribas shares, granted by SFPI/FPIM.

Fortis is fully aware of the uncertainties it faces with regard to the legal proceedings started as a result of the events and developments occurred between May 2007 and October 2008 and the approval of the transactions agreed with BNP Paribas and SFPI/FPIM by the shareholders. In the event that any of these proceedings were to result in the annulment of (part of) the decisions taken by the Fortis Board and/or court decisions ordering Fortis to pay monetary damages, this could have a severe negative impact on the financial position of Fortis.

Results

Fortis' first half 2009 net profit after minority interests amounted to EUR 886 million, including a EUR 228 million net profit of the insurance activities. Minority interests in the first half amounted to EUR 35 million, including EUR 10 million related to the stake of AG Insurance acquired by Fortis Bank on 12 May 2009. Net profit before minority interests amounted to EUR 921 million. The net result after minority interests compares with a net profit of EUR 1,638 million in the same period last year, which included a profit on discontinued operations of EUR 1,613 million, related to the banking operations and the Dutch insurance activities sold in the second half of 2008.

The net profit of Insurance activities includes a one-off tax recovery of EUR 94 million, relating to dividend received deduction for the period 2003 to 2008. This compensated the impact of the financial turmoil which amounted to a loss of EUR 84 million (2008: a loss of EUR 2 million).

Fortis' General segment reported a net profit of EUR 658 million driven by a number of events related to the closing of the transactions with the Dutch State, BNP Paribas, the Belgian State and Fortis Bank. This net profit (after eliminations) includes (i) a capital gain of EUR 697 million related to the sale of 25% + 1 share of AG Insurance to Fortis Bank; (ii) a charge of EUR 301 million net-of-tax related to the legal dispute on the Class A1 Preference shares issued by Fortis Capital Company Ltd (FCC) in 1999, and the subsequent ruling on this matter by a Dutch court in summary proceedings on 25 June 2009; (iii) a charge of EUR 344 million related to the fair value of the expected quarterly interest payments, based on the value of the Relative Performance Note (related to CASHES), and (iv) a gain of EUR 482 million on the first time valuation of the call option net-of-tax, linked to the BNP Paribas shares, granted by SFPI/FPIM.

Amendments to the Articles of Association of Fortis SA/NV

Fortis SA/NV had end 2008 carried forward losses of EUR 22,507 million. These losses resulted from an impairment of the participating interests of Fortis SA/NV. As a consequence, the company's net assets fell below the sum of the subscribed capital and the non distributable reserves, prohibiting the payment of any dividend. Moreover, as the par value of the Fortis SA/NV share was fixed at EUR 4.284, i.e. substantially higher than the market value of the Fortis share at that time, the Board of Directors of Fortis SA/NV was barred from using the authorised capital pursuant to article 606 2° of the Belgian Companies' Code, which prohibits the use of authorised capital for issuing shares at a value below their par value.

In order to restore Fortis SA/NV' capacity to pay dividends in the future and to re-allow the Board to make use of the authorised capital, it was proposed to reduce the par value of the Fortis SA/NV shares to EUR 0.42 to the General meeting of shareholders of 28 April 2009. The shareholders of Fortis SA/NV voted in favour of reducing the par value of the shares.

Due to the reduction of the par value the share capital and share premium reserve of Fortis SA/NV were reduced with respectively EUR 9,724 million and EUR 9,240 million.

Dividend

On 15 March 2009, Fortis announced that it would not pay a dividend for the 2008 calendar year due to a significant statutory loss carried forward by Fortis SA/NV, based on Belgian accounting standards. On 27 May 2009, Fortis confirmed its intention to resume dividend payments as from the 2009 financial year.

Fortis Board of Directors and Executive Committee

On 1 February 2009, Fortis announced that Louis Cheung Chi Yan would resign from the Board of Directors with immediate effect.

On 11 and 13 February 2009, the General Meetings of Shareholders of Fortis SA/NV and Fortis N.V. elected Jozef De Mey, Georges Ugeux and Jan Zegering Hadders as non-executive members of the Board of Directors until the close of the Annual General Meeting in 2011. Jozef De Mey was appointed Chairman. Georges Ugeux decided to step down the same day. All incumbent Board members, with the exception of Karel De Boeck, stepped down on 13 February 2009:

Jan-Michiel Hessels, Philippe Bodson, Richard Delbridge, Clara Furse, Reiner Hagemann, Jacques Manardo, Aloïs Michielsens, Ronald Sandler, Rana Talwar and Klaas Westdijk.

On 28 and 29 April 2009, the General Meetings of Shareholders of Fortis SA/NV and Fortis N.V. elected Frank Arts, Guy de Selliers de Moranville, Roel Nieuwdorp, Lionel Perl and Jin Shaoliang as non-executive members of the Board of Directors until the close of the Annual General Meeting in 2011.

On 8 May 2009, the Board of Directors announced the appointment of Mr Guy de Selliers de Moranville as Vice-Chairman. At the same time the Board announced the composition of three Board committees, the Audit Committee, the Remuneration Committee and a Governance Committee.

On 15 June 2009, Fortis announced its intention to appoint Bart De Smet as Chief Executive Officer with effect from 1 July 2009. Karel De Boeck, who was elected CEO by the Shareholders' Meetings of 1 and 2 December 2008, stepped down as CEO on 1 July 2009 and resigned from the Board. Bart De Smet was co-opted by the Board of Directors of Fortis SA/NV in Belgium with effect from 1 July 2009. A proposal to elect Bart De Smet as executive member of the Board of Directors of Fortis SA/NV for a period of three years will be submitted to the next General Meeting of Shareholders of Fortis SA/NV. An Extraordinary General Meeting of Shareholders of Fortis NV will be convened on 18 September 2009 to elect Bart De Smet as executive member of the Board of Fortis N.V. with effect from 1 July 2009 until the close of the Annual General Meeting of Shareholders in 2013. Fortis also announced the step down of Peer van Harten, CEO Insurance.

In order to allow Bart De Smet to concentrate his energies on managing the insurance business and developing strategies for future growth, two internal task forces are created to deal with the legacy issues of the old Fortis. One task force covers financial aspects, the other task force covers legal aspects. Both task forces involve members of the Board and report directly to the Board. Their work is co-ordinated by Jozef De Mey, Chairman of the Group.

On 12 August, Fortis announced the appointment of Bruno Colmant as Deputy Chief Executive Officer. He will be responsible for Finance, Legal and the management of the legacy issues of the former Fortis. His appointment takes effect as of 1 September 2009.

Outlook

For the entire year, and based on the most recent data, we expect our inflow levels to be at least in line with last year. Nevertheless we expect the market environment to remain challenging with an economic situation impacting customer behaviour across Life and Non-Life businesses.

Brussels/Utrecht, 26 August 2009

Board of Directors

Consolidated Interim Financial Statements for the first half-year of 2009

Consolidated balance sheet

	Note	30 June 2009	31 December 2008
Assets			
Cash and cash equivalents	5	6,118	5,933
Assets held for trading		137	237
Due from banks	6	2,235	13,893
Due from customers	7	2,276	2,511
Investments:	8		
- Available for sale		48,422	44,704
- Held at fair value through profit or loss		241	191
- Investment property		1,464	1,290
- Associates and joint ventures		1,261	431
		51,388	46,616
Investments related to unit-linked contracts		18,436	18,040
Reinsurance and other receivables	9	1,128	1,154
Property, plant and equipment		1,058	1,135
Goodwill and other intangible assets		1,337	1,366
Current and deferred tax assets		299	190
Accrued interest and other assets	10	2,582	1,795
Total assets		86,994	92,870
Liabilities			
Liabilities held for trading		77	165
Due to banks	11	2,237	8,759
Due to customers	12	81	148
Liabilities arising from insurance and investment contracts	13	49,938	47,751
Liabilities related to unit-linked contracts		18,484	18,078
Debt certificates	14	967	4,670
Subordinated liabilities	15	2,870	2,908
Other borrowings		166	179
Provisions		61	71
Current and deferred tax liabilities		980	684
Accrued interest and other liabilities	16	2,124	2,147
Total liabilities		77,985	85,560
Shareholders' equity		7,686	6,795
Minority interests		1,323	515
Total equity		9,009	7,310
Total liabilities and equity		86,994	92,870

Consolidated income statement

	Note	First half-year 2009	First half-year 2008
Income			
Insurance premiums	17	4,635	4,391
Interest income	18	1,416	1,391
Dividend and other investment income	19	233	309
Share in result of associates and joint ventures		13	30
Realised capital gains (losses) on investments	20	693	109
Other realised and unrealised gains and losses	21	558	(211)
Fee and commission income		177	214
Income related to investments for unit-linked contracts		712	(1,207)
Other income		133	164
Total income		8,570	5,190
Expenses			
Insurance claims and benefits	22	(4,796)	(4,452)
Charges related to unit-linked contracts		(705)	1,197
Interest expense	23	(339)	(571)
Change in impairments	24	(453)	(83)
Fee and commission expense		(462)	(456)
Depreciation and amortisation of tangible and intangible assets		(87)	(84)
Staff expenses		(321)	(322)
Other expenses		(325)	(370)
Total expenses		(7,488)	(5,141)
Profit before taxation		1,082	49
Income tax expense		(161)	7
Net profit for the period		921	56
Net result on discontinued operations	2		1,613
Net profit before minority interest		921	1,669
Net profit attributable to minority interests		35	31
Net profit attributable to shareholders		886	1,638
Other comprehensive income			
Change in revaluation of investments available for sale		(44)	(5,401)
Change in foreign exchange differences		45	(263)
Other changes			47
Other comprehensive income for the period		1	(5,617)
Total comprehensive income for the period		887	(3,979)
Per share data (EUR)			
Basic earnings per share	3	0.36	0.75
Basic earnings per share before net result on discontinued operations		0.36	0.01
Diluted earnings per share		0.36	0.75
Diluted earnings per share before net result on discontinued operations		0.36	0.01

Consolidated statement of changes in equity

	Share Capital	Share Premium reserve	Other reserves	Currency Translation Reserve	Net profit attributable to Shareholders	Unrealised gains and losses	Share holders' Equity	Minority Interests	Total equity
Balance at 1 January 2008	11,132	22,723	(5,240)	(164)	3,994	602	33,047	1,147	34,194
Net profit for the period					1,638		1,638	53	1,691
Revaluation of investments						(5,401)	(5,401)	(57)	(5,458)
Foreign exchange differences				(288)		25	(263)	(6)	(269)
Other non-owner changes in equity			47				47		47
<i>Total non-owner changes in equity</i>			<i>47</i>	<i>(288)</i>	<i>1,638</i>	<i>(5,376)</i>	<i>(3,979)</i>	<i>(10)</i>	<i>(3,989)</i>
Transfer			3,994		(3,994)				
Dividend			(1,368)				(1,368)	(11)	(1,379)
Increase of capital, net	706	793					1,499		1,499
Treasury shares			17				17		17
Other changes in equity			27				27	42	69
Balance at 30 June 2008	11,838	23,516	(2,523)	(452)	1,638	(4,774)	29,243	1,168	30,411
Balance at 1 January 2009	11,838	23,508	(879)	(73)	(28,022)	423	6,795	515	7,310
Net profit for the period					886		886	35	921
Revaluation of investments						(44)	(44)	36	(8)
Foreign exchange differences				45			45		45
Other non-owner changes in equity									
<i>Total non-owner changes in equity</i>				<i>45</i>	<i>886</i>	<i>(44)</i>	<i>887</i>	<i>71</i>	<i>958</i>
Transfer			(28,022)		28,022				
Dividend								(2)	(2)
Reorganisation of capital	(9,724)	(9,240)	18,964						
Treasury shares									
Other changes in equity			4				4	739	743
Balance at 30 June 2009	2,114	14,268	(9,933)	(28)	886	379	7,686	1,323	9,009

Consolidated cash flow statement

	First half-year 2009	First half-year 2008
Profit before taxation	1,082	49
<i>Adjustments on non-cash items included in profit before taxation:</i>		
(Un)realised gains (losses)	(1,253)	59
Share of profits in associates and joint ventures	(13)	(30)
Depreciation, amortisation and accretion	211	152
Provisions and impairments	440	88
Share based compensation expense	5	6
<i>Changes in operating assets and liabilities:</i>		
Assets and liabilities held for trading	103	(241)
Due from banks	11,656	(156)
Due from customers	247	(3,297)
Reinsurance and other receivables	(356)	(1,538)
Investments related to unit-linked contracts	(401)	296
Due to banks	(6,561)	1,327
Due to customers	(67)	277
Liabilities arising from insurance and investment contracts	2,010	1,615
Liabilities related to unit-linked contracts	428	(657)
Net changes in all other operational assets and liabilities	(507)	128
Dividend received from associates	2	2
Income tax paid	(37)	(5)
Cash flow from operating activities	6,989	(1,925)
Purchases of investments	(7,188)	(6,235)
Proceeds from sales and redemptions of investments	3,679	8,214
Purchases of investment property	(75)	(19)
Purchases of property, plant and equipment	(24)	(28)
Proceeds from sales of property, plant and equipment	1	16
Acquisition of subsidiaries, associates and joint ventures	(826)	(25)
Divestments of subsidiaries, associates and joint ventures, net of cash sold	1,375	1
Purchases of intangible assets	(8)	(19)
Cash flow from investing activities	(3,066)	1,905
Proceeds from the issuance of debt certificates		2,565
Payment of debt certificates	(3,703)	(2,321)
Proceeds from the issuance of subordinated liabilities		1,118
Payment of subordinated liabilities	(41)	(82)
Proceeds from the issuance of other borrowings	16	3,025
Payment of other borrowings	(17)	(19)
Proceeds from the issuance of shares (including minority interests)		1,508
Purchases of treasury shares		(6)
Proceeds from sales of treasury shares		23
Dividends paid to shareholders of the parent company	(6)	(1,189)
Dividends paid to minority interests	(2)	(11)
Cash flow from financing activities	(3,753)	4,611
Effect of exchange rate differences on cash and cash equivalents	15	(16)
Net increase (decrease) of cash and cash equivalents	185	4,575
Cash flow from operating activities from discontinued operations		(15,085)
Cash flow from investment activities from discontinued operations		995
Cash flow from financing activities from discontinued operations		4,413
Effect of exchange rate differences on cash and cash equivalents from discontinued operations		(508)
Net increase (decrease) of cash and cash equivalents from discontinued operations		(10,185)
Total increase (decrease) of cash and cash equivalents	185	(5,610)
Cash and cash equivalents as at 1 January	5,933	26,360
Cash and cash equivalents as at 30 June	6,118	20,750
Supplementary disclosure of operating cash flow information		
Interest received	1,453	1,306
Dividend received from investments	27	95
Interest paid	(497)	(574)

General Notes

1 Summary accounting policies and principles of consolidation

1.1 Basis of accounting

The Fortis Consolidated Interim Financial Statements for the first half-year of 2009, including the 2008 comparative figures, have been prepared in accordance with IAS 34, Interim Financial Reporting, and include condensed financial statements (balance sheet, income statement, statement of changes in equity, cash flow statement) and selected explanatory notes. Fortis applies International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'). The Fortis Consolidated Interim Financial Statements should be read in conjunction with the audited Fortis Consolidated Financial Statements 2008 (including the accounting policies) which are available at http://www.holding.fortis.com/index_en.asp.

As a result of the agreement finalised on 12 May 2009 related to the funding of Royal Park Investments and the purchase of part of the structured credit portfolio of Fortis Bank, the risk to Fortis relating to the fall back provision, which Fortis was not able to value, in the Share Purchase Agreement with the SFPI/FPIM of 10 October 2008 (as amended) regard to the financing of the SPV has since that date ceased to exist. The total exposure for Fortis is limited to equity investment of EUR 760 million in Royal Park Investments, representing a stake of 44.7%.

Fortis is fully aware of the uncertainties it faces with regard to the legal proceedings started as a result of the events and developments occurred between May 2007 and October 2008 and the approval of the transactions agreed with BNP Paribas and SFPI/FPIM by the shareholders. In the event that any of these proceedings were to result in the annulment of (part of) the decisions taken by the Fortis Board and/or court decisions ordering Fortis to pay monetary damages, this could have a severe negative impact on the financial position of Fortis.

Based on the approval of the shareholders on 28 April and 29 April 2009 the doubt on Fortis' ability to continue on a going concern basis doesn't exist any longer in Fortis' view.

1.2 Changes in accounting policies

The accounting policies used to prepare the Consolidated Interim Financial Statements for the first half-year are consistent with those applied in the Fortis Consolidated Financial Statements for the year ended 31 December 2008. A more extensive description of the accounting policies, including the policies that are applicable as from 1 January 2009, is included in the Fortis Consolidated Financial Statements 2008.

On 29 January 2009 IFRIC issued Interpretation 18 Transfers of Assets from Customers, to be applied prospectively to transfers of assets from customers received on or after 1 July 2009. IFRIC 18 is particularly relevant for the utility sector, but not for Fortis.

On 5 March 2009 the IASB issued Improving Disclosures about Financial Instruments, amendments to IFRS 7 Financial Instrument: Disclosures. The amendments expand the disclosures required in respect of fair value measurements recognised in the statement of financial position. Therefore a three-level hierarchy has been introduced, which has only relevance for disclosures, not for measurement (still based on the fair value measurement hierarchy in IAS 39 Financial Instruments: Recognition and Measurement). Amendments have also been made to the liquidity risk disclosures required under IFRS 7.39. Liquidity risk now only includes financial liabilities that are settled by delivering cash or another financial asset. Financial liabilities that are settled by the entity delivering its own equity instruments or non-financial instruments are excluded. The revised disclosure requirements are applicable for annual periods beginning on or after 1 January 2009.

On 12 March 2009 the IASB issued Embedded Derivatives, amendments to IFRIC 9 and IAS 39. The amendments clarify the accounting for embedded derivatives when a financial asset is reclassified out of the Fair Value through Profit or Loss category as permitted by the October 2008 amendments to IAS 39 Financial Instruments: Recognition and Measurements. The amendments are effective for annual periods ending on or after 30 June 2009 and must be applied retrospectively. Fortis did not reclassify any financial assets based on these amendments to IAS 39.

On 16 April 2009 the IASB issued Improvements to IFRS 2009, incorporating amendments to 12 International Financial Reporting Standards (IFRSs). Effective dates vary. Most of the improvements deal with matters of detail and will not have a significant impact in practice. For some amendments Fortis is evaluating the effect of the changes.

1.3 Accounting estimates

The preparation of the Consolidated Interim Financial Statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying these accounting policies. Actual results may differ from these estimates and judgemental decisions. Interim results are not necessarily indicative of full-year results.

Judgements and estimates are principally made in the following areas:

- estimation of the recoverable amount of impaired assets
- determination of fair values of non-quoted financial instruments
- determination of the useful life and the residual value of property, plant and equipment, investment property and intangible assets
- measurement of liabilities for insurance contracts
- actuarial assumptions related to the measurement of pension obligations and assets
- estimation of present obligations resulting from past events in the recognition of provisions.

In respect of recognition of provisions Fortis will make provisions if and when, in the opinion of management, who will consult with advisors if deemed necessary, it is more likely than not that a payment will have to be made by Fortis, and when the amount can be reasonably estimated.

1.4 Determination of accounting policies

IFRS allows in certain cases the application of different options. The following options were chosen by Fortis:

- **Trade date accounting:** all purchases and sales of financial assets requiring delivery within the time frame established by regulation or market convention are recognised on the trade date, which is the date when Fortis becomes a party to the contractual provisions of the financial assets.
- **Investment property, real estate held for own use, fixed assets and intangible fixed assets** are measured at cost less accumulated depreciation and any accumulated impairment losses.
- **Investments in joint ventures** are accounted for using the equity method.
- Fortis uses three types of **hedges**: fair value hedges, cash flow hedges and net investment hedges. Fair value hedge accounting is applied as from 1 January 2005 for portfolio hedges of interest rate risk ('macro hedging'). In this context, the difference between the fair value and the carrying value of the hedged item at designation of the hedging relationship is amortised over the remaining life of the hedged item. For macro hedges, Fortis uses the 'carved out' version of IAS 39 adopted by the European Union which removes some of the limitations on fair value hedges and the strict requirements on the effectiveness of those hedges. Under this version, the impact of the changes in the estimates of the repricing dates is only considered ineffective if it leads to underhedging.

- At initial recognition or first-time adoption of IFRS, Fortis has irrevocably designated some **financial assets and liabilities as held at fair value through profit or loss, because:**
 - the host contract includes an embedded derivative that would otherwise require separation, or
 - it eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch'), or
 - it relates to a portfolio of financial assets and/or liabilities that are managed and evaluated on a fair value basis.
- Fortis applies '**shadow accounting**' to the changes in fair value of the available for sale investments and of assets and liabilities held for trading that are linked to and therefore affect the measurement of the insurance liabilities. These changes in fair value will therefore not be part of equity or net profit.
- The whole of the remaining unrealised changes in fair value of the available-for-sale portfolio – after application of 'shadow accounting' – that are subject to **discretionary participation features** are classified as a component of equity.
- The adequacy of insurance liabilities (**'liability adequacy test'**) is tested on the level of homogeneous product groups at each reporting date.
- **Borrowing costs** are generally expensed as incurred. Borrowing costs that are directly attributable to the acquisition or construction of an asset are capitalised while the asset is being constructed as part of the cost of that asset.
- **Pensions:** under IFRS, Fortis uses the corridor approach, i.e. not recording actuarial differences within defined limits.

1.5 Segment reporting

Primary reporting format – business segments

The primary format for reporting segment information is based on business segments in accordance with IFRS 8 as adopted by Fortis on 1 January 2009. Fortis' reportable business segments represent groups of assets and operations engaged in providing financial products or services, which are subject to different risks and returns.

Fortis' current core activity is **Insurance** with the following business segments:

- AG Insurance
- Fortis Insurance International

Activities not related to Insurance and elimination differences are reported separately from the Insurance activities in the third business segment, General Account. The discontinued operations in 2008 (Fortis Bank, Fortis Insurance Netherlands and Fortis Corporate Insurance) as well as the capital gain on the sale of 25% + 1 share of AG Insurance to Fortis Bank are also included in the segment General.

Transactions or transfers between the business segments are entered into under normal commercial terms and conditions that would be available to unrelated third parties.

Secondary reporting format – geographical segments

A geographical segment is engaged in providing products or services within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

Fortis' geographical segments for reporting purposes are as follows:

- Benelux (Belgium, the Netherlands, Luxembourg)
- Other European Countries
- Asia
- Other

1.6 Scope of consolidation

The Consolidated Interim Financial Statements include Fortis SA/NV and Fortis N.V. (the 'Parent Companies') and their subsidiaries. In combining the financial statements of Fortis SA/NV and Fortis N.V., Fortis applies consortium accounting in order to reflect its activities in the most reliable manner in accordance with the EU 7th Directive, dated 13 June 1983 (83/349/EEC).

Investments in joint ventures – contractual agreements whereby Fortis and other parties undertake an economic activity that is subject to joint control – are accounted for using the equity method.

Investments in associates – investments whereby Fortis has significant influence, but which it does not control – are accounted for using the equity method.

1.7 Presentation and disclosures

The Consolidated Interim Financial Statements are stated in euros, which is the functional currency of the Parent Companies of Fortis.

Where IFRS allows a choice or is not descriptive in presentation or disclosures, Fortis opted for the following:

- **Interest on assets and liabilities held for trading and derivatives** are reported in the interest margin.
- **Dividends received** are included in investment income.
- **Realised and unrealised results on assets and liabilities held for trading** are included in 'Other realised and unrealised gains and losses'.
- **Changes in the clean fair value** (i.e. excluding the interest accruals) of derivatives are also reported under 'Other realised and unrealised gains and losses'.
- **Cash flow statement:** Fortis reports cash flows from operating activities using the indirect method. Interest received and interest paid, are presented as cash flows from operating activities. Dividends paid are classified as cash flows from financing activities; dividends received are classified as cash flow from operating activities.

2 Acquisitions and disposals

The following major acquisitions and disposals were made in 2008 and 2009. Details on acquisitions and disposals, if any, which took place after the balance sheet date are included in the note Post-balance sheet date events.

2.1 Acquisitions in 2009

2.1.1 Royal Park Investments SA/NV

As a result of the transactions closed on 12 May 2009, Fortis acquired, for the total sum of EUR 760 million, a 44.7% stake in Royal Park Investments (RPI), a special purpose vehicle which took over a portion of the structured credit portfolio of Fortis Bank. This stake has been accounted for using the equity method.

RPI acquired from Fortis Bank on the closing date a portfolio of structured credits for an agreed purchase price of EUR 11.7 billion. The corresponding face value of the portfolio amounted to EUR 20.5 billion at 12 May 2009. This purchase was funded by EUR 1.7 billion equity, EUR 5 billion of super senior debt and EUR 5 billion senior debt, the senior debt includes a loss absorption mechanism. The senior debt is provided by BNP Paribas and Fortis Bank and guaranteed by the Belgian government. Any cash generated by RPI will first be used to repay the super senior debt. As at 30 June 2009, taking into account redemptions and exchange rate fluctuations between 12 May and 30 June, the face value of the portfolio amounted to EUR 19.3 billion, the net acquisition value to EUR 11.0 billion. Interest and principal collections in the portfolio since the acquisition of the portfolio amounted to respectively EUR 42 million and EUR 266 million. Using these collections and the opening cash, EUR 381 million was reimbursed on the super senior debt as at 30 June 2009. As at 30 June 2009, 45% of the book value of the total portfolio was rated investment grade.

The initial recognition of the investment under equity accounting is at cost, followed by an impairment test of the original cost price. RPI has drawn up an initial IFRS opening balance sheet as of 12 May, based on the market to market valuation of the assets and liabilities. In the opening balance sheet the assets were recorded at market value of some EUR 8 billion, and the liabilities at EUR 10 billion. Due to the loss-absorption mechanism, this resulted in zero equity. Due to the zero opening equity under IFRS, the total amount Fortis invested in RPI represents Goodwill.

As per 30 June 2009, Fortis performed an impairment test on the investment in RPI based on a discounted cash flow model using the cash flows that Fortis expects to receive from RPI. The cash flow expectations are based on the business plan of RPI substantiated by detailed studies of the cash flow per asset and the contractual cash outflow for the liabilities. Given the conservative projections of the cash flows underlying the business plan, Fortis used a 10% discount rate. The impairment test proved that the investment by Fortis in RPI was not impaired.

2.1.2 Call option linked to the BNP Paribas shares acquired by the SFPI/FPIM

Fortis holding has the benefit of a call option linked to the BNP Paribas shares acquired by the SFPI/FPIM. This cash-settled option will entitle Fortis holding, whenever it exercises the option, to be paid a cash amount equal to the value of the BNP Paribas share at the date of exercise minus the strike price per share (EUR 68 per share), multiplied by the number of BNP Paribas shares in respect of which the call option is exercised. Fortis holding's option is based on 121,218,054 BNP Paribas shares.

Fortis holding is entitled to exercise the option at any time but no more than twelve times per calendar year between 10 October 2010 and 9 October 2016. The call option gives Fortis holding certain anti-dilution protection. The option is accounted for at fair value and is classified under Accrued interest and other assets (see also Note 10).

2.2 Disposals in 2009

Fortis sold on 12 May 2009 a stake of 25% + 1 share in AG Insurance to Fortis Bank for EUR 1,375 million. The sale generated a capital gain of EUR 697 million, which is included in the half-year result for 2009.

2.3 Discontinued operations in 2008

Due to the turmoil on the financial markets, Fortis had to sell large parts of its operations to the Belgium and Dutch governments in 2008. A chronological description of all transactions is provided in the Consolidated Financial Statements 2008.

The impact of discontinued operations on Fortis' income statement is as follows for the first half-year of 2008:

First half-year 2008

Fortis Bank	1,200
Fortis Insurance Netherlands	300
Fortis Corporate Insurance	29
Net profit attributable to minority interests	(22)
Eliminations	106
Total	1,613

3 Outstanding shares and earnings per share

The following table shows the number of outstanding shares.

	<i>Shares issued</i>	<i>Treasury shares</i>	<i>Shares outstanding</i>
Number of shares at 31 December 2008	2,516,657,248	(41,828,197)	2,474,829,051
Balance acquired / sold		175,334	175,334
Number of shares at 30 June 2009	2,516,657,248	(41,652,863)	2,475,004,385

Shares issued and potential number of shares

In addition to the shares already outstanding, Fortis issued options or instruments containing option features, which could upon exercise lead to an increase in the number of outstanding shares. The table below shows an overview of the shares issued and the potential number of shares as at 30 June 2009.

Number of shares at 30 June 2009	2,516,657,248
Shares that may be issued:	
- in connection with option plans, including warrants	40,288,718
- in connection with convertible securities related to the MCS	105,386,849
Total potential number of shares at 30 June 2009	2,662,332,815

Earnings per share

The following table details the calculation of earnings per share.

	<i>First half-year 2009</i>	<i>First half-year 2008</i>
Net profit attributable to shareholders	886	1,638
Elimination of interest expense on convertible debt (net of tax impact)	30	
Net profit used to determine diluted earnings per share	916	1,638
Weighted average number of ordinary shares for basic earnings per share	2,474,960,794	2,194,809,351
Adjustments for:		
- assumed conversion of convertible securities	39,682,540	
- share options		842,901
- restricted shares	738,895	1,205,729
Weighted average number of ordinary shares for diluted earnings per share	2,515,382,229	2,196,857,981
Basic earnings per share (in euro per share)	0.36	0.75
Basic earnings per share before result on discontinued operations (in euro per share)	0.36	0.01
Diluted earnings per share (in euro per share)	0.36	0.75
Diluted earnings per share before result on discontinued operations (in euro per share)	0.36	0.01

In the first half-year of 2009 weighted average options on 42,277,221 shares (first half-year of 2008: 21,063,713 shares) with weighted average exercise prices of EUR 22.29 per share (first half-year of 2008: EUR 26.30 per share) were excluded from the calculation of diluted EPS because the exercise price of the options was higher than the average market price of the shares. The convertible securities related to the MCS have been excluded from the calculation of diluted earnings per share because Fortis has the expectation that the value to be received in exchange for the issuance of these shares will more than compensate the value of the shares to be issued.

The Fortis shares issued in relation to CASHES (125,313,283) are included in the ordinary shares although they do not bear dividend and voting rights until the moment of conversion of the CASHES.

4 Supervision and solvency

After the sale of the banking operations in October 2008, Fortis is considered to be an Insurance Holding company. As such Fortis is subject to supervision on the operating company level as well as on the consolidated level.

4.1 Fortis consolidated

At the Fortis consolidated level, Fortis is supervised by the Belgian Banking, Finance and Insurance Commission (BFIC). Their prudential supervision includes verification on a semi-annual basis that Fortis on a consolidated basis meets the solvency requirements. The subsidiaries of Fortis are supervised by the supervisors in the countries in which they are located.

4.2 Insurance

Fortis' insurance subsidiaries are required to maintain a minimum level of qualifying capital relative to the premiums received for Non-life insurance contracts and relative to the Life insurance liabilities arising from insurance and investment contracts. The consolidated regulatory solvency requirements of Fortis' insurance subsidiaries are EUR 2,610 million as at 30 June 2009 (31 December 2008: EUR 2,525 million) and are covered by the available qualifying total capital.

4.3 General Account

Prior to the sale of the banking operations the General Account had almost no risk exposures outside Fortis. In the General Account negative capital requirements were shown due to the compensating effects of adding some of the Banking and Insurance risk.

There are a number of risk exposures in General outside the Fortis Group, primarily related to continuing relations with Fortis Bank SA/NV. These risks have been significantly reduced in the first half-year of 2009. For the time being no capital requirements have been defined to cover these risks.

4.4 Fortis core equity target and total capital

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 sum of the locally regulatory minimum requirements
- a group leverage target (at General) equal to 15% of the target core equity of Banking plus the target core equity of Insurance, implying that 15% of Banking and Insurance's combined target core equity could be financed by group debt
- a group core equity target equal to the sum of the core equity targets of Banking and Insurance after deduction of the targeted group leverage

Fortis target core capital reflected the diversified nature of the group and the leverage at the holding level. Without the banking activities, the absence of diversification and a positive net equity at the level of the holding, the old target capital model is no longer appropriate.

Fortis is currently assessing its capital requirements. The assessment of the capital requirements depends, amongst others, on the size of the insurance liabilities, the risk profile of the assets in the insurance entities, local solvency requirements and the various assets in the General Account. These assets comprise mainly various financial instruments issued by Fortis Bank SA/NV.

Capital ratios

Fortis core equity at the end of the first half-year of 2009 amounted to EUR 8.3 billion. The core equity exceeds the total minimum requirement of the Insurance activities by EUR 5.7 billion.

The core equity of the insurance operations stood at EUR 5.6 billion, while total available capital at the insurance entities amounted to EUR 6.0 billion, 229% of the legally required minimum. The solvency ratio of AG Insurance amounted to 194%. Based on local accounting and regulatory oversight, the solvency ratio for AG Insurance was even 205%.

For Fortis Insurance International the total solvency ratio was 327% at the end of the first half-year of 2009.

Key Capital Indicators

30 June 2009

In EUR million	AG Insurance	Insurance International	Total Insurance	General (incl. elim)	Total Fortis
Core equity	3,090	2,482	5,572	2,749	8,321
Total available capital	3,736	2,245	5,981	2,517	8,498
Minimum solvency requirements	1,924	686	2,610		
Amount of total capital above minimum solvency requirements	1,812	1,559	3,371		
Core solvency ratio	160.6%	361.8%	213.5%		
Total solvency ratio	194.2%	327.1%	229.2%		

Year end 2008

In EUR million	AG Insurance	Insurance International	Total Insurance	General (incl. elim)	Total Fortis
Core equity	2,890	1,767	4,657	3,225	7,882
Total available capital	3,535	1,555	5,090	3,079	8,169
Minimum solvency requirements	1,871	654	2,525		
Amount of total capital above minimum solvency requirements	1,664	901	2,565		
Core solvency ratio	154.5%	270.2%	184.4%		
Total solvency ratio	188.9%	237.8%	201.6%		

Tangible equity

Fortis' balance sheet contains intangible assets and DAC for a total amount of EUR 2.6 billion which can be split in Goodwill (EUR 1,291 million), Deferred Acquisition Costs (DAC, EUR 463 million), Value of Business Acquired (VOBA, EUR 520 million) and Other intangible assets such as management contracts of parkings of EUR 286 million. Taking into account taxation for intangibles and the intangibles backed by minority interests, the tangible net equity amounted to EUR 6.1 billion including the unrealised gains after tax on real estate. This is EUR 1.6 billion below reported net equity of EUR 7.7 billion.

Reconciliation from net equity to total capital

Fortis' reconciliation from net equity to total capital is presented below.

	<i>30 June 2009</i>	<i>31 December 2008</i>
Share capital and reserves	6,421	34,394
Net profit attributable to shareholders	886	(28,022)
Unrealised gains and losses	379	423
Shareholders' equity	7,686	6,795
Non-innovative hybrid capital instruments Nitsh	245	245
Non-innovative hybrid capital instruments Fresh	1,250	1,229
Minority interests	1,323	515
Revaluation of real estate at fair value	503	526
Revaluation of debt securities, net of tax and shadow accounting	(399)	(375)
Revaluation of equity securities, net of tax and shadow accounting		
Goodwill, including investment in RPI	(1,291)	(531)
Expected dividend related to BNP option	(482)	
Other	(514)	(522)
Core equity	8,321	7,882
Innovative capital instruments	412	456
Subordinated liabilities	26	67
Other prudential filters and deductions from total capital	(261)	(236)
Total capital	8,498	8,169

Participating interests that are not fully consolidated are deducted from total capital. The core equity instruments issued by Fortis and on-lent to Fortis Bank SA/NV (NITSH I and part of NITSH II for a total amount of EUR 906 million) are excluded from the core equity. Unrealised gains on real estate after tax within AG Insurance are included in core equity for 90%, the remainder for 100% in accordance with local regulation.

Explanatory notes
to the balance sheet

5 Cash and cash equivalents

Cash includes cash on hand, available balances with central banks and other financial instruments with a term of less than three months from the date on which they were acquired. The composition of Cash and cash equivalents is as follows:

	<i>30 June 2009</i>	<i>31 December 2008</i>
Cash on hand	2	2
Due from banks	5,747	5,471
Other	369	460
Total cash and cash equivalents	6,118	5,933

6 Due from banks

Due from banks consists of the following:

	<i>30 June 2009</i>	<i>31 December 2008</i>
Interest-bearing deposits	1,304	1,107
Loans and advances	2	5,751
Subordinated loans	906	6,662
Securities borrowing transactions		35
Other	24	339
Total	2,236	13,894
Less impairments:		
- specific credit risk	(1)	(1)
- incurred but not reported (IBNR)		
Due from banks	2,235	13,893

7 Due from customers

The composition of Due from customers is as follows:

	<i>30 June 2009</i>	<i>31 December 2008</i>
Government and official institutions	1	
Residential mortgage	1,582	1,561
Consumer loans	8	10
Commercial loans	106	103
Policyholder loans	144	139
Financial lease receivables	66	67
Other loans	378	640
Total	2,285	2,520
Less impairments:		
- specific credit risk	(8)	(9)
- incurred but not reported (IBNR)	(1)	
Due from customers	2,276	2,511

8 Investments

The composition of Investments is as follows:

	30 June 2009	31 December 2008
Investments:		
- Available for sale	48,677	45,018
- Held at fair value through profit or loss	241	191
- Investment property	1,504	1,328
- Associates and joint ventures	1,261	431
Total, gross	51,683	46,968
Impairments:		
- on investments available for sale	(255)	(314)
- on investment property	(40)	(38)
Total impairments	(295)	(352)
Total	51,388	46,616

8.1 Investments available for sale

The fair value and amortised cost of Fortis' available for sale investments including gross unrealised gains and losses were as follows:

	Historical/ amortised cost	Impairments	Gross unrealised gains	Gross unrealised losses	Fair value
<i>30 June 2009</i>					
Government bonds	30,248		937	(368)	30,817
Corporate debt securities	16,140	(14)	421	(246)	16,301
Structured credit instruments	507	(96)	4	(27)	388
Private equities and venture capital	4	(1)			3
Equity securities	1,059	(144)	47	(59)	903
Other investments	10				10
Total	47,968	(255)	1,409	(700)	48,422
<i>31 December 2008</i>					
Government bonds	26,997		926	(381)	27,542
Corporate debt securities	15,389	(24)	379	(303)	15,441
Structured credit instruments	535	(95)	4	(26)	418
Private equities and venture capital	4	(1)			3
Equity securities	1,555	(194)	20	(91)	1,290
Other investments	10				10
Total	44,490	(314)	1,329	(801)	44,704

8.2 Net unrealised gains and losses on Available for sale investments included in equity

	<i>30 June 2009</i>	<i>31 December 2008</i>
<i>Available for sale investments in equity securities and other investments:</i>		
Carrying amount	916	1,303
Gross unrealised gains and losses	(13)	(71)
- Related tax	(2)	2
Shadow accounting	(25)	
- Related tax	8	2
Net unrealised gains and losses	(32)	(67)
<i>Available for sale investments in debt securities:</i>		
Carrying amount	47,506	43,401
Gross unrealised gains and losses	721	599
- Related tax	(243)	(185)
Shadow accounting	(117)	(73)
- Related tax	38	34
Net unrealised gains and losses	399	375

Available for sale investments in equity securities and other investments also include private equities and venture capital and all other investments, excluding debt securities.

8.3 Investments held at fair value through profit or loss

The following table provides information about the Investments that are held at fair value and for which unrealised gains or losses are recorded through profit or loss.

	<i>30 June 2009</i>	<i>31 December 2008</i>
Government bonds	7	7
Corporate debt securities	177	150
Structured credit instruments	49	26
Equity securities	2	1
Other investments	6	7
Total investments held at fair value through profit or loss	241	191

8.4 Structured Credit Instruments

Fortis holds as part of its investment portfolio so called Structured Credit Instruments (SCI). Structured Credit Instruments are securities, created by repackaging cash flows from financial contracts and encompass asset-backed securities (ABS), mortgage-backed securities (MBS) and collateralised debt obligations (CDO's).

As at 30 June 2009, the net exposure on the Structured Credit Instruments can be detailed as follows (this exposure is excluding RPI as this investment is accounted for based on the equity method):

	<i>30 June 2009</i>	<i>31 December 2008</i>
	<i>Total net exposure</i>	<i>Total net exposure</i>
SCI under Investments available for sale	388	418
SCI under Investments held at fair value through profit or loss	49	26
Total	437	444

The fair value measurement of the financial assets, part of the Structured Credit Instruments, can be categorised in based upon the valuation methods applied:

- category 1: fair values determined in whole or in part, directly by reference to published price quotations in an active market
- category 2: fair values determined, in whole or in part, using a valuation technique based on assumptions that are supported by available observable market data
- category 3: fair values determined, in whole or in part, using a valuation technique based on assumptions that are not supported by available observable market data.

The categorisation within the fair value hierarchy is based upon the lowest level of input that is significant for the fair value measurement.

The following table presents the financial instruments measured at fair value included in the Structured Credit Instruments by category of fair value measurement, indicating the transparency of the inputs to measure the fair value.

	<i>30 June 2009</i>	<i>31 December 2008</i>
Category 1		
Category 2	100%	100%
Category 3		

8.5 Real estate

The fair value of Real estate, held as investment as well as for own use, is set out below.

	<i>30 June 2009</i>	<i>31 December 2008</i>
Fair value:		
Investment property	1,984	1,799
Land and buildings held for own use	1,310	1,369
Total fair value	3,294	3,168
Carrying amount:		
Investment property	1,464	1,290
Land and buildings held for own use	984	974
Total carrying amount	2,448	2,264
Gross unrealised gain / loss	846	904
Taxation	(254)	(288)
Net unrealised gain / loss (not recognised in equity)	592	616

9 Reinsurance and other receivables

Reinsurance and other receivables includes an amount of EUR 362 million for the claim against Fortis Capital Company Limited, Fortis Bank Nederland (Holding) N.V. and the Dutch State. This claim represents the full compensation for the payment to Fortis Capital Company Limited to allow it to pay that amount to the holders of preference shares. Due to the fact that the claim is contested by the counterparty, the amount is fully impaired as shown in Note 24 Change in impairments.

10 Accrued interest and other assets

Accrued interest and other assets includes an amount of EUR 730 million related to the option that Fortis holds on BNP Paribas shares. The option is recorded at fair value, with subsequent revaluations recorded in the Income statement under Other realised and unrealised gains and losses. The value at inception of EUR 803 million is also recorded under Other realised and unrealised gains and losses

Description of the rights

Based on the agreement signed on 12 May, Fortis was granted a cash settled call option by the Société Fédérale de Participations et d'Investissement / Federale Participatie- en Investeringsmaatschappij (SFPI/FPIM) that allows Fortis to benefit from an appreciation in the value of 121,218,054 BNP Paribas shares held by the SFPI/FPIM. These shares were acquired by the SFPI/FPIM in return for selling 75% + 1 share of Fortis Bank. This option entitles Fortis to the difference between the strike price of EUR 68 and the market price of the BNP Paribas shares at the time of the exercise or the selling price of the underlying BNP Paribas shares, at the discretion of SFPI/FPIM. After the expiration of a lock-up period on 10 October 2010, Fortis can exercise its rights during a period of 6 years up to 10 October 2016. These rights replaced the 'coupon 42'.

The granted rights include some non-standard features that differ from standard ISDA based option protocols, such as restrictions on transferability, limitations on freedom of exercise, forced exercise under specific circumstances and specific adjustment mechanics.

Value calculation

A theoretical value of an individual option can be calculated based on traditional Black-Scholes option valuation techniques. Next to market observable data at reporting date like the interest yield, actual and strike price of the share and remaining duration of the option, the calculation needs to include assumptions regarding future dividend and implied volatility. Furthermore the non-standard features should be taken into account.

The following data were used (as reference the data used in the shareholders circular of 16 March 2009 is mentioned):

	30 June 2009	12 May 2009	12 March 2009
BNP Paribas shareprice	EUR 46.25	EUR 45.98	EUR 28.40
Implied volatility	30%	35%	45%
Dividend yield	3.068%	4.30%	4.439 %
Price per option up to 10 October 2016	EUR 8.60	EUR 9.47	EUR 5.94
Theoretical value of 121.2 million options	EUR 1,042 million	EUR 1,148 million	EUR 720 million
Estimated value, after adjustment for non standard features (30%)	EUR 730 million	EUR 803 million	EUR 504 million

Volatility

Given the size of the rights, representing 11.6% of the BNP Paribas shares outstanding, the exercise or monetisation of the option is expected to have an effect on the volatility of the shares. Various professional market parties provided a wide range of volatilities that in their view should be applied. The applied volatility has a significant effect on the outcome, a change in the implied volatility of 5% on 30 June 2009 results in a 26% change in the value of the option.

Adjustment for non standard features

Given the unusual features of the rights, professional market parties will apply a significant discount to the theoretical valuation. Fortis decided to lower the theoretical value with 30% for these non standard features, based on indications from professional market parties that ranged between 10 to 50%. Fortis is carefully examining various structures to monetise or exercise its rights with a view to maximise the value for its shareholders.

Pay out of proceeds

Fortis has undertaken to propose to dividend out the advantage of exercises, monetisation's or contemplated structures, to the extent permitted by law and taking into account practical constraints.

The Belgian Ruling Commission has confirmed that the attribution itself of the BNP Paribas option is not a taxable event in the hands of Fortis SA/NV. Whether any gains realised upon the monetisation or exercise of the option will lead to a tax liability in the hands of Fortis SA/NV is currently being investigated by Fortis. Fortis believes it is likely that it will be able to achieve a situation in which it will not have to pay corporate income tax when the gains on the option will be realised and thus be able to propose, to the extent permitted by law, to dividend out the gross proceeds. However, due to the stringent rules of IFRS, Fortis is required to recognise a deferred tax liability of EUR 248 million related to the value of the option. As a result, the valuation net-of-tax as at 30 June 2009 amounted to EUR 482 million.

11 Due to banks

The table below shows the components of Due to banks.

	<i>30 June 2009</i>	<i>31 December 2008</i>
Deposits from banks:		
- Demand deposits	498	2,285
- Time deposits	102	285
- Other deposits	115	120
Total deposits	715	2,690
Repurchase agreements	1,393	1,184
Advances against collateral		35
Other	129	4,850
Total due to banks	2,237	8,759

12 Due to customers

The components of Due to customers are as follows:

	<i>30 June 2009</i>	<i>31 December 2008</i>
Other deposits	1	1
Other borrowings	5	5
Funds held under reinsurance agreements	75	113
Held at fair value through profit or loss		29
Total due to customers	81	148

13 Liabilities arising from insurance and investment contracts

The following table provides an overview of the Liabilities arising from insurance and investment contracts.

	<i>Insurance contracts</i>	<i>Investment contracts</i>	<i>Total Life contracts</i>	<i>Non-life contracts</i>	<i>Other (incl. eliminations)</i>	<i>Total</i>
<i>30 June 2009</i>						
Liability for future policyholder benefits	22,112	22,751	44,863		(8)	44,855
Claims reserves				3,672	(37)	3,635
Unearned premiums				918		918
Reserve for policyholder profit sharing	284	101	385	6		391
Shadow accounting adjustment	76	63	139			139
Gross	22,472	22,915	45,387	4,596	(45)	49,938
Reinsurance	(50)		(50)	(220)	36	(234)
Net	22,422	22,915	45,337	4,376	(9)	49,704

<i>31 December 2008</i>						
Liability for future policyholder benefits	21,586	21,485	43,072		(9)	43,063
Claims reserves				3,535	(36)	3,499
Unearned premiums				782		782
Reserve for policyholder profit sharing	240	86	326	8		334
Shadow accounting adjustment	38	35	73			73
Gross	21,864	21,606	43,471	4,325	(45)	47,751
Reinsurance	(39)		(39)	(260)	36	(263)
Net	21,825	21,606	43,432	4,065	(9)	47,488

14 Debt certificates

The following table shows the types of Debt certificates issued by Fortis and the amounts outstanding.

	<i>30 June 2009</i>	<i>31 December 2008</i>
Debt certificates (EMTN)		
Held at amortised cost	699	3,617
Held at fair value through profit or loss	268	1,053
Total debt certificates	967	4,670

15 Subordinated liabilities

The following table provides a specification of the Subordinated liabilities.

	30 June 2009	31 December 2008
FRESH	1,250	1,229
Liability component of subordinated convertible securities	1,250	1,229
- Hybrone	494	494
- Nitsh I	546	550
- Nitsh II	554	568
Fortis Hybrid Financing	1,594	1,612
Other subordinated liabilities	26	67
Total subordinated liabilities	2,870	2,908

FRESH

On 7 May 2002, Fortfinlux S.A. issued undated Floating Rate Equity-linked Subordinated Hybrid capital securities ('FRESH') with a nominal amount of EUR 1,250 million. Coupons on the securities are payable quarterly, in arrears, at a variable rate of 3 month Euribor + 1.35%.

FRESH is issued by Fortfinlux S.A., with Fortis SAVNV and Fortis N.V. acting as Co-obligors.

In the event that dividends are not paid on the Fortis shares, or that the dividends to be declared are below a threshold with respect to any financial year (dividend yield < 0.5%), and in certain other exceptional circumstances, payments of coupons are made in accordance with a so called Alternative Coupon Satisfaction Method (ACSM). The ACSM implies that new Fortis shares will be issued and subsequently sold in the market and the proceeds will be used to satisfy the coupon payment to bondholders. If the ACSM is triggered and there is insufficient available authorised capital to settle the ACSM obligation, the coupon settlement is postponed up to the moment that the ability to issue shares is restored. Because of these characteristics FRESH is treated as part of regulatory qualifying capital.

Fortis' announcement on 15 March 2009 not to declare a dividend for the 2008 financial year would have triggered the ACSM. However, on 27 May 2009 Fortis announced its intention to resume the payment of a dividend for the 2009 financial year in 2010, whereby the dividend will be equal or in excess of the above stated threshold dividend yield of 0.5%. As a result the coupons due during 2009 will be satisfied in cash instead of through the ACSM.

The FRESH has no maturity date, but may be exchanged into Fortis shares at a price of EUR 31.50 per share at the discretion of the holder. As from 7 May 2009, the bonds will be automatically exchanged into Fortis shares if the price of the Fortis share is equal to or higher than EUR 47.25 on twenty consecutive stock exchange business days.

Fortis Hybrid Financing

In 2006, Fortis incorporated a special purpose company named Fortis Hybrid Financing, which issued securities which rank pari passu among themselves, and invested the proceeds thereof in instruments issued by (former) Fortis operating companies that qualified as solvency for these entities. The securities issued by Fortis Hybrid Financing have the benefit of a support agreement and a subordinated guarantee entered into by Fortis SA/NV and Fortis N.V.

Fortis Hybrid Financing issued EUR 500 million securities called 'Hybrone' in 2006, at an interest rate of 5.125% until 20 June 2016 and 3-month Euribor + 2.00% thereafter. In 2008 it issued USD 750 million securities called 'Nitsh I' at an interest rate of 8.25% and EUR 625 million securities called 'Nitsh II' at an interest rate of 8.0%. The first call date of these two instruments is in 2013.

The proceeds of these securities were on-lent to AG Insurance for EUR 750 million and to Fortis Bank SA/NV for EUR 375 million and USD 750 million. Under the support agreement Fortis SA/NV and Fortis N.V. are obliged to contribute to Fortis Hybrid Financing such funds as necessary to allow it to pay the coupon in any year that Fortis declares a dividend or, alternatively, to pay the coupon through the ACSM if the entities which received the proceeds fail to pay their coupons on their on-loans in cash.

In case Fortis would breach regulatory minimum solvency levels or in case consolidated assets are less than the sum of liabilities, excluding liabilities not considered senior debt, or if Fortis Hybrid Financing so elects, the cash coupon would be replaced by a settlement through ACSM.

16 Accrued interest and other liabilities

Included in Accrued interest and other liabilities is an amount of EUR 344 million related to the so called RPN(I). The RPN(I) is a financial instrument that results in quarterly payments to be made to or received from Fortis Bank SA/NV, dependent on a reference amount. The reference amount is defined as the difference between EUR 2,350 million and the market value of 125 million Fortis shares less the difference between EUR 3,000 million and the market value of the CASHES.

Every day when there is an official quotation on the Luxembourg stock exchange for the CASHES, the reference amount and an interest amount, based on the three month Euribor plus 20bp, are calculated. The quarterly interest payment is an average of the calculated interest amounts for the quarter and amounted to EUR 0.5 million for the second quarter of 2009.

Based on the last official quote CASHES before 30 June 2009 on 26 June 2009, the reference amount was EUR 298 million (actual Fortis-share price was EUR 2.37 and the value of CASHES at 26 June 2009 was 41.5%). The Euribor-interest rate stood at 1.1%.

Fortis records the RPN(I) at fair value through profit or loss. As no observable market data were available, Fortis estimated the fair value using a level 3 valuation technique (discounted cash flow model).

In the model Fortis has made the following key assumptions:

- Fortis Share price: Fortis assumed a high correlation between the yield on Belgian government bonds and Fortis share price appreciation;
- Interest rate: the long-term yield on Belgian government bonds;
- Market value CASHES: Fortis assumes a short term tendency and high correlation to the price levels of BNP Paribas tier 1 loans;
- Discount rate: since the payments are guaranteed by the Belgian government Fortis uses the yield on Belgian government bonds as discount rate.

The marked-to-market revaluation is recorded as a loss under Other realised and unrealised gains and losses in the Income statement for an amount of EUR 344 million.

The fair value of the RPN(I) will be the net discounted cash flows based on the above assumptions.

Using observable market information for:

- The value of the Fortis shares as per the stock markets at period end;
- Price levels of BNP Paribas tier 1 loans as per market quotations;
- The yield on Belgian government bonds as derived from market quotations for the bonds with the longest maturity.

As of 30 June 2009, Fortis used the share price for Fortis of EUR 2.42, a long term interest rate of 4.66% and a value for the CASHES of 60% of par. Applying this input generates a value of EUR 344 million.

Sensitivity analyses

The sensitivity of the fair value of the RPN(I) to the changes in the parameters can be summarised as follows assuming the other two parameters staying constant:

- The sensitivity to the yield on Belgian government bonds is limited, an increase of 100bp decreases the liability by EUR 7 million to EUR 337 million; a decrease of 100bp increases the fair value by EUR 2 million to EUR 346 million.
- An increase in the relative value of the CASHES from 60% to 65% would increase the fair value by EUR 112 million to EUR 456 million; a decrease to 55% reduces the value by EUR 112 million to EUR 232 million.
- An increase in the starting value of the Fortis share to EUR 3.00 decreases the fair value by EUR 98 million to EUR 246 million; a decrease in the starting value to EUR 2.00, increase the fair value by EUR 79 million to EUR 423 million.

Assuming the most favorable conditions for the three parameters combined: i.e. a 3.66% interest rate, a relative value of the CASHES of 55%, and a starting value for the Fortis shares of EUR 3.00, the fair value of the RPN(I) would decrease with EUR 235 million to EUR 109 million.

Assuming the least favorable conditions for the three parameters combined: i.e. a 3.66 % interest rate, a value of the CASHES at 65% and a starting value of the Fortis shares at EUR 2.00, the fair value of the RPN(I) would increase with EUR 236 million to EUR 580 million.

Explanatory notes to the income statement

17 Insurance premiums

The following table provides an overview of gross-insurance premiums earned.

	<i>First half-year</i> 2009	<i>First half-year</i> 2008
Life insurance	3,349	3,070
Non-life insurance	1,288	1,335
Eliminations	(2)	(14)
Total gross earned premiums	4,635	4,391

The table below shows the details of Life-insurance premiums.

	<i>First half-year</i> 2009	<i>First half-year</i> 2008
Unit-linked insurance contracts		
Single written premiums	2	4
Periodic written premiums	52	52
<i>Group business total</i>	<i>54</i>	<i>56</i>
Single written premiums	18	55
Periodic written premiums	21	28
<i>Individual business total</i>	<i>39</i>	<i>83</i>
Total unit-linked insurance contracts	93	139
Non unit-linked insurance contracts		
Single written premiums	151	172
Periodic written premiums	411	384
<i>Group business total</i>	<i>562</i>	<i>556</i>
Single written premiums	476	322
Periodic written premiums	354	348
<i>Individual business total</i>	<i>830</i>	<i>670</i>
Total non unit-linked insurance contracts	1,392	1,226
Investment contracts with DPF		
Single written premiums	1,677	1,523
Periodic written premiums	187	182
Total investment contracts with DPF	1,864	1,705
Total gross premiums Life insurance	3,349	3,070
Premium inflow recognised in income statement	3,349	3,070
Premium inflow deposit accounting	1,189	1,828
Total premium inflow Life insurance	4,538	4,898

Total premium inflow Life insurance is gross premiums received by insurance companies for issued insurance and investment contracts. Premium inflow of insurance contracts and investment contracts with DPF is recognised in the income statement. Premium inflow of investment contracts without DPF, mainly unit-linked contracts, is – after deduction of fees – directly recognised as a liability (deposit accounting). Fees are recognised as fee income in the income statement.

The table below shows the details of Non-life insurance premiums for the period. Premiums for Motor, Fire and other damage to property and Other, are grouped in Property & Casualty.

	<i>Accident & Health</i>	<i>Property & casualty</i>	<i>Total</i>
<i>First half-year 2009</i>			
Gross written premiums	351	1,034	1,385
Change in unearned premiums, gross	(31)	(66)	(97)
Gross earned premiums	320	968	1,288
Ceded reinsurance premiums	(13)	(53)	(66)
Reinsurers' share of unearned premiums		7	7
Net earned premiums Non-life insurance	307	922	1,229

<i>First half-year 2008</i>			
Gross written premiums	339	1,070	1,409
Change in unearned premiums, gross	(27)	(47)	(74)
Gross earned premiums	312	1,023	1,335
Ceded reinsurance premiums	(20)	(68)	(88)
Reinsurers' share of unearned premiums	1	4	5
Net earned premiums Non-life insurance	293	959	1,252

Below is a breakdown of the Non-life gross earned premiums by reporting segment.

	<i>Accident & Health</i>	<i>Property & casualty</i>	<i>Total</i>
<i>First half-year 2009</i>			
AG Insurance	219	527	746
Fortis Insurance International	101	441	542
Gross earned premiums Non-life insurance	320	968	1,288

<i>First half-year 2008</i>			
AG Insurance	213	504	717
Fortis Insurance International	99	519	618
Gross earned premiums Non-life insurance	312	1,023	1,335

18 Interest income

The breakdown of Interest income by type of product is as follows:

	<i>First half-year</i> 2009	<i>First half-year</i> 2008
Interest income on cash equivalents	56	129
Interest income on due from banks	216	23
Interest income on investments	1,028	916
Interest income on due from customers	65	200
Interest income on derivatives held for trading	44	120
Other interest income	7	3
Total interest income	1,416	1,391

19 Dividend and other investment income

This table provides details of Dividend and other investment income for the half-year ended 30 June.

	<i>First half-year</i> 2009	<i>First half-year</i> 2008
Dividend income from equity securities	27	95
Rental income from investment property	62	55
Revenues parking garage	117	118
Other investment income	27	41
Total dividend and other investment income	233	309

20 Realised capital gains (losses) on investments

Realised capital gains (losses) on investments are broken down as follows:

	<i>First half-year</i> 2009	<i>First half-year</i> 2008
Debt securities	28	(14)
Equity securities	(32)	112
Real estate		10
Subsidiaries, associates and joint ventures	697	1
Realised capital gains (losses) on investments	693	109

21 Other realised and unrealised gains and losses

Other realised and unrealised gains and losses as included in the income statement are presented below.

	<i>First half-year</i> 2009	<i>First half-year</i> 2008
Assets / liabilities held for trading	93	(7)
Assets and liabilities held at fair value through profit or loss	46	(198)
Hedging results		3
Other	419	(9)
Other realised and unrealised gains and losses	558	(211)

Other includes amongst others the fair value of the option on BNP Paribas shares (EUR 730 million, see Note 10) and the fair value of RPN(I) (EUR 344 million negative, see Note 16).

22 Insurance claims and benefits

The details of Insurance claims and benefits are shown in the table below.

	<i>First half-year</i> 2009	<i>First half-year</i> 2008
Life insurance	3,845	3,495
Non-life insurance	953	971
Eliminations	(2)	(14)
Total insurance claims and benefits	4,796	4,452

Details of Life insurance claims and benefits, net of reinsurance, are shown below.

	<i>First half-year</i> 2009	<i>First half-year</i> 2008
Benefits and surrenders, gross	1,966	1,724
Change in liabilities arising from insurance and investment contracts, gross	1,838	1,734
Ceded reinsurance premiums	41	37
Total Life insurance claims and benefits, gross	3,845	3,495
Reinsurers' share of claims and benefits	(22)	(19)
Total Life insurance claims and benefits, net	3,823	3,476

Details of Non-life insurance claims and benefits, net of reinsurance, are shown in the following table.

	<i>First half-year</i> 2009	<i>First half-year</i> 2008
Claims paid	853	856
Change in liabilities arising from insurance contracts	41	32
Ceded reinsurance premiums	66	88
Reinsurers' share of unearned premiums	(7)	(5)
Total Non-life insurance claims and benefits	953	971
Reinsurers' share of change in liabilities	15	(3)
Reinsurers' share of claims paid	(32)	(46)
Total Non-life insurance claims and benefits, net	936	922

23 Interest expense

The following table shows the breakdown of Interest expense by product.

	<i>First half-year</i> 2009	<i>First half-year</i> 2008
Interest expense due to banks	55	105
Interest expense due to customers		6
Interest expense on debt certificates	44	185
Interest expense on subordinated liabilities	106	100
Interest expense on other borrowings	82	56
Interest expense on liabilities held for trading and derivatives	34	106
Interest expense on other liabilities	18	13
Total interest expense	339	571

24 Change in impairments

Change in impairments were as follows:

	<i>First half-year</i> 2009	<i>First half-year</i> 2008
Due from customers		(1)
Investments in debt securities	13	31
Investments in equity securities and other	64	53
Investment property	3	
Reinsurance and other receivables	365	
Property, plant and equipment	6	
Goodwill and other intangible assets	2	
Total change in impairments	453	83

Explanatory note on segment reporting

25 Information on segments

25.1 General information

Fortis is now organised into three businesses which are further subdivided into business segments (for details see below):

- AG Insurance
- Fortis Insurance International
- General Account

Fortis' segment reporting reflects the full economic contribution of the businesses of Fortis. The aim is direct allocation to the businesses of all balance sheet and income statement items for which the businesses have full managerial responsibility.

Segment information is prepared based on the same accounting policies as those used in preparing and presenting Fortis' Consolidated Interim Financial Statements (as described in note 2) and by applying appropriate allocation rules.

Transactions between the different businesses are executed under standard commercial terms and conditions.

Allocation rules

In accordance with Fortis' business model, insurance companies report support activities directly in the business.

When allocating balance sheet items to business segments, a bottom-up approach is used based on the products sold to external customers.

For the balance-sheet items not related to products sold to customers, a tailor-made methodology adapted to the specific business model of each reportable segment is applied.

25.2 AG Insurance

AG Insurance offers its products, a comprehensive range of Life and Non-life covers, through several distribution channels. Independent intermediaries service the Private market as well as the small and medium sized enterprise segment. AG Insurance focuses through branches of Fortis Bank on the retail market. AG Employee Benefits offers Group Life and Health-Care solutions and services to large and medium-sized companies.

AG Insurance – Life

Life insurance includes both savings, with investment-focused unit-linked contracts, and traditional products with a guaranteed interest rate.

AG Insurance – Non-life

Non-life insurance includes next to the retail and business targeted Property & Casualty product range (Motor, Fire and Liability) also workmen's compensation and Accident & Health products.

25.3 Fortis Insurance International

Fortis Insurance International leverages its existing skills in distribution, operations and products from selected European and Asian markets, where it has established leading positions.

Fortis Insurance International – Life

In Life insurance, Fortis Insurance International is active through wholly-owned subsidiaries in France, Germany, Hong Kong, Poland, Russia, Turkey, Ukraine and the United Kingdom. In Portugal, Fortis Insurance International holds a 51% shareholding in Millenniumbcp Fortis. In Luxembourg, Fortis Insurance International holds a 50% shareholding in Fortis Luxembourg Vie, S.A. In Asia, Fortis Insurance International operates through minority shareholdings in Thailand, Malaysia and China.

Fortis Insurance International – Non-life

In Non-life, Fortis Insurance International is active through wholly-owned subsidiaries in Luxembourg and United Kingdom. In Portugal, Non-life is sold through Millenniumbcp Fortis. In Asia, Fortis Insurance International operates through minority shareholdings in Thailand and Malaysia. Non-life also includes the activities of Fortis Reinsurance.

25.4 General Account

The General Account mainly comprises activities not related to the core Insurance business, such as group finance and other holding activities. The General Account includes in 2008 also the discontinued operations Fortis Bank, Fortis Insurance Netherlands and Fortis Corporate Insurance.

25.5 Balance sheet by business segment

30 June 2009

	AGI	FII	General	Eliminations	Total
Assets					
Cash and cash equivalents	1,296	587	4,235		6,118
Assets held for trading	68	5	64		137
Due from banks	146	1,182	907		2,235
Due from customers	2,168	107	967	(966)	2,276
Investments:					
- Available for sale	39,143	9,327		(48)	48,422
- Held at fair value through profit or loss	101	43	97		241
- Investment property	1,330	134			1,464
- Associates and joint ventures	81	420	760		1,261
	40,655	9,924	857	(48)	51,388
Investments related to unit-linked contracts	6,032	12,453		(49)	18,436
Reinsurance and other receivables	593	554	22	(41)	1,128
Property, plant and equipment	994	64			1,058
Goodwill and other intangible assets	280	1,057			1,337
Current and deferred tax assets	128	31	140		299
Accrued interest and other assets	1,281	526	794	(19)	2,582
Total assets	53,641	26,490	7,986	(1,123)	86,994
Liabilities					
Liabilities held for trading	3	23	51		77
Due to banks	1,316	669	252		2,237
Due to customers	52	29			81
Liabilities arising from Life insurance contracts	18,909	3,563		(8)	22,464
Liabilities arising from Life investment contracts	18,480	4,435			22,915
Liabilities arising from Non-life insurance contracts	3,002	1,594		(37)	4,559
Liabilities related to unit-linked contracts	6,032	12,452			18,484
Debt certificates			995	(28)	967
Subordinated liabilities	890	25	2,920	(965)	2,870
Other borrowings	40	124	55	(53)	166
Provisions	45	9	7		61
Current and deferred tax liabilities	405	129	446		980
Accrued interest and other liabilities	1,281	357	517	(31)	2,124
Total liabilities	50,455	23,409	5,243	(1,122)	77,985
Shareholders' equity	2,328	2,616	2,743	(1)	7,686
Minority interests	858	465			1,323
Total equity	3,186	3,081	2,743	(1)	9,009
Total liabilities and equity	53,641	26,490	7,986	(1,123)	86,994
Number of employees	5,589	4,687	46		10,322

31 December 2008

	<i>AGI</i>	<i>FII</i>	<i>General</i>	<i>Eliminations</i>	<i>Total</i>
Assets					
Cash and cash equivalents	2,815	609	2,509		5,933
Assets held for trading	73	6	158		237
Due from banks	177	976	12,740		13,893
Due from customers	2,149	115	1,453	(1,206)	2,511
Investments:					
- Available for sale	35,982	8,861	1,031	(1,170)	44,704
- Held at fair value through profit or loss	66	50	75		191
- Investment property	1,153	137			1,290
- Associates and joint ventures	57	374			431
	37,258	9,422	1,106	(1,170)	46,616
Investments related to unit-linked contracts	5,901	12,177		(38)	18,040
Reinsurance and other receivables	612	557	23	(38)	1,154
Property, plant and equipment	1,073	62			1,135
Goodwill and other intangible assets	281	1,085			1,366
Current and deferred tax assets	133	28	29		190
Accrued interest and other assets	1,136	481	221	(43)	1,795
Total assets	51,608	25,518	18,239	(2,495)	92,870
Liabilities					
Liabilities held for trading	4	19	142		165
Due to banks	1,245	938	6,576		8,759
Due to customers	52	66	30		148
Liabilities arising from Life insurance contracts	18,355	3,509		(9)	21,855
Liabilities arising from Life investment contracts	17,523	4,084			21,607
Liabilities arising from Non-life insurance contracts	2,893	1,432		(36)	4,289
Liabilities related to unit-linked contracts	5,901	12,177			18,078
Debt certificates			4,812	(142)	4,670
Subordinated liabilities	890	25	2,946	(953)	2,908
Other borrowings	42	363	65	(291)	179
Provisions	49	9	13		71
Current and deferred tax liabilities	397	104	183		684
Accrued interest and other liabilities	1,390	350	440	(33)	2,147
Total liabilities	48,741	23,076	15,207	(1,464)	85,560
Shareholders' equity	2,785	2,009	3,032	(1,031)	6,795
Minority interests	82	433			515
Total equity	2,867	2,442	3,032	(1,031)	7,310
Total liabilities and equity	51,608	25,518	18,239	(2,495)	92,870
Number of employees	5,542	4,718	114		10,374

25.6 Income statement by business segment split in life and non-life

First half-year 2009

	AGI		FII		General	Eliminations	Total
	Life	Non-Life	Life	Non-Life			
Income							
Insurance premiums	2,451	746	898	542		(2)	4,635
Interest income	843	72	176	37	319	(31)	1,416
Dividend and other investment income	207	24	10	1		(9)	233
Share in result of associates and joint ventures	1		11	1			13
Realised capital gains (losses) on investments	(18)	(2)	1	15	697		693
Other realised and unrealised gains and losses	55		(5)	9	499		558
Fee and commission income	42	1	90	44			177
Income related to investments for unit-linked contracts	258		454				712
Other income	48	36	27	17	11	(6)	133
Total income	3,887	877	1,662	666	1,526	(48)	8,570
Expenses							
Insurance claims and benefits	(2,899)	(524)	(946)	(429)		2	(4,796)
Charges related to unit-linked contracts	(271)		(434)				(705)
Interest expense	(59)	(6)	(12)	(5)	(288)	31	(339)
Change in impairments	(78)	(3)	(7)	(3)	(362)		(453)
Fee and commission expense	(144)	(156)	(85)	(77)			(462)
Depreciation and amortisation of tangible and intangible assets	(31)	(18)	(35)	(3)			(87)
Staff expenses	(129)	(80)	(44)	(52)	(11)	(5)	(321)
Other expenses	(125)	(69)	(52)	(60)	(34)	15	(325)
Total expenses	(3,736)	(856)	(1,615)	(629)	(695)	43	(7,488)
Profit before taxation	151	21	47	37	831	(5)	1,082
Income tax expense	32	2	(15)	(12)	(168)		(161)
Net profit for the period	183	23	32	25	663	(5)	921
Net result on discontinued operations							
Net profit before minority interest	183	23	32	25	663	(5)	921
Net profit attributable to minority interests	10	1	21	3			35
Net profit attributable to shareholders	173	22	11	22	663	(5)	886

First half-year 2008

	AGI		FII		General	Eliminations	Total
	Life	Non-Life	Life	Non-Life			Insurance
Income							
Insurance premiums	2,323	717	747	618		(14)	4,391
Interest income	819	71	149	51	351	(50)	1,391
Dividend and other investment income	273	31	7	6	1	(9)	309
Share in result of associates and joint ventures	1		24	5			30
Realised capital gains (losses) on investments	99	15	(12)	(2)		9	109
Other realised and unrealised gains and losses	(83)	2	2	(4)	(128)		(211)
Fee and commission income	68	3	91	52			214
Income related to investments for unit-linked contracts	(643)		(564)				(1,207)
Other income	42	30	23	47	35	(13)	164
Total income	2,899	869	467	773	259	(77)	5,190
Expenses							
Insurance claims and benefits	(2,758)	(484)	(737)	(487)		14	(4,452)
Charges related to unit-linked contracts	643		554				1,197
Interest expense	(65)	(7)	(27)	(7)	(516)	51	(571)
Change in impairments	(83)	(4)				4	(83)
Fee and commission expense	(157)	(148)	(75)	(76)			(456)
Depreciation and amortisation of tangible and intangible assets	(30)	(17)	(33)	(4)			(84)
Staff expenses	(122)	(71)	(41)	(59)	(23)	(6)	(322)
Other expenses	(133)	(67)	(47)	(71)	(75)	23	(370)
Total expenses	(2,705)	(798)	(406)	(704)	(614)	86	(5,141)
Profit before taxation	194	71	61	69	(355)	9	49
Income tax expense	1	(15)	(15)	(16)	52		7
Net profit for the period	195	56	46	53	(303)	9	56
Net result on discontinued operations					1,613		1,613
Net profit before minority interest	195	56	46	53	1,310	9	1,669
Net profit attributable to minority interests	3		24	4			31
Net profit attributable to shareholders	192	56	22	49	1,310	9	1,638

25.7 Technical result insurance

To analyse the insurance results, Fortis uses the concept of technical result and operating margin.

Technical result mainly includes premiums, fees and allocated financial income, less claims and benefits and less operating expenses. Realised capital gains and losses on investments backing certain insurance liabilities, including separated funds, are part of the allocated financial income and thus included in technical result. Financial income, net of the related investment costs, is allocated to the various Life and Non-life branches based on the investment portfolios backing the insurance liabilities of these branches.

Realised and unrealised capital gains and losses on investments recognised in the income statement, backing the insurance liabilities of the various branches and not allocated to the technical result are included in the operating margin.

The reconciliation of the operating margin to the profit before taxation, includes all income and costs, not allocated to the insurance or investment contracts and thus not reported in the operating margin.

Within its insurance segments Fortis manages its Life and Non-life businesses separately. Life business includes insurance contracts covering risks related to the life and death of individuals. Life business also includes investment contracts with and without discretionary participation features (DPF). Non-life business includes four branches: Accident & Health, Motor, Fire and Other damage to property, covering the risk of property losses or claims liabilities.

The technical result for the different segments and branches and its reconciliation to the profit before taxation is shown below.

	First half-year 2009		First half-year 2008	
	AGI	FII	AGI	FII
Life technical result	157	35	78	54
- Accident & Health	29	2	31	2
- Motor	(4)	4	19	20
- Fire and other damage to property	(16)	13		32
- Other	10	(3)	8	4
Non-life technical result	19	16	58	58
Total technical result	176	51	136	112
Capital gains (losses) allocated to operating margin	(51)	11	75	(2)
Operating margin	125	62	211	110
Share in result of associates and joint ventures	1	12	1	29
Other result	46	10	53	(9)
Profit before taxation	172	84	265	130

25.8 Other segment information on Non-life insurance

The ratios for the Non-life business for the half-year ended 30 June split by insurance segment are shown below.

	<i>Claims ratio</i>	<i>Expense ratio</i>	<i>Combined ratio</i>
<i>First half-year 2009</i>			
AG Insurance	68.6%	37.0%	105.6%
Fortis Insurance International	75.3%	30.8%	106.1%
Non-life	71.3%	34.5%	105.8%

First half-year 2008

AG Insurance	65.3%	35.9%	101.2%
Fortis Insurance International	69.3%	28.5%	97.8%
Non-life	67.1%	32.6%	99.7%

Claims ratio: the cost of claims, net of reinsurance, as a percentage of the net earned premiums, excluding the internal costs of handling claims.

Expense ratio: expenses as a percentage of the earned premiums, net of reinsurance. Expenses include internal costs of handling claims, plus net commissions charged to the year, less internal investment costs.

Combined ratio: the sum of the claims ratio and the expense ratio.

25.9 Geographic segmentation

Fortis' activities are managed on a worldwide basis. The table below shows key figures based on the location of the Fortis company that has entered into the transaction.

	<i>Net Profit</i>	<i>Total income</i>	<i>Total assets</i>
<i>30 June 2009</i>			
Benelux	826	6,308	68,862
Other European countries	36	2,049	16,681
Asia	24	213	1,451
Total	886	8,570	86,994

	<i>Net Profit</i>	<i>Total income</i>	<i>Total assets</i>
<i>31 December 2008</i>			
Benelux	(28,075)	6,358	75,620
Other European countries	44	2,694	15,823
Asia	9	170	1,427
Total	(28,022)	9,222	92,870

26 Contingent liabilities

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

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

Some ongoing legal proceedings and administrative investigations do not result in any immediate risk of (material) monetary consequences for Fortis, although it cannot be ruled out that they could have such negative impact at a later stage. This is the case for (i) the proceedings that resulted in the appointment of experts in Belgium and the Netherlands to report on the September/October transactions (for the Belgian experts) and on the financing of the offer on ABN AMRO, the public statements from Fortis since the offer on ABN AMRO and on the September/October transactions (for the Dutch experts) and (ii) various investigations conducted by supervisory authorities in the Netherlands and Belgium. Depending on the findings of these ongoing investigations (which, in the case of the Dutch investigation, are not expected to be known before the end of 2009), there is a risk that this could lead to new proceedings for damages being initiated against Fortis at a later stage.

Other lawsuits brought against Fortis in Belgium, the Netherlands and the US expose Fortis to the risk of court decisions to pay monetary damages to compensate the shareholders for some of their losses suffered since September 2007:

- various proceedings have been initiated by individual shareholders and shareholder organisations in Belgium and the Netherlands demanding the annulment of decisions taken by the Fortis Board and/or the payment of monetary damages. Such proceedings include proceedings initiated by a number of individuals represented by Mr. Modrikamen before the Brussels Commercial Court, proceedings initiated by a number of individuals represented by Mr. De Gier before the Amsterdam Commercial Court, proceedings initiated by a number of individuals represented by Mr. Bos before the Utrecht District Court and proceedings initiated by the VEB and Deminor before the Amsterdam Commercial Court.
- a class action has been filed in the US District Court of the Southern District of New York to demand damages based on alleged securities fraud committed in the period between 28 January 2008 and 6 October 2008.

In the event that any of these proceedings were to result in the annulment of (part of) the decisions taken by the Fortis Board and/or court decisions ordering Fortis to pay monetary damages, this could have a severe negative impact on the financial position of Fortis.

It is at this stage unknown whether the current administrative and criminal investigations or any of other, currently threatened legal proceedings might effectively result in a legal action or claim being brought against Fortis and what impact, if any, that might have on the financial position or prospects of Fortis.

In respect of all legal proceedings and investigations of which management is aware, Fortis will make provisions for such matters if and when, in the opinion of management, who consult with legal advisors, it is probable that a payment will have to be made by Fortis, and when the amount can be reasonably estimated.

Given the preliminary stages and continuously evolving nature as well as inherent uncertainties and complexity of these proceedings and investigations, management is currently not in a position to determine whether any claims or actions brought against Fortis in connection with these proceedings and investigations are without merit or can be successfully defended or whether the outcome of these actions or claims may or may not result in a significant loss in the Fortis Consolidated Financial Statements.

In respect of legal proceedings initiated against Fortis and Fortiflux by investors in relation with the FRESH instrument issued in 2002, Fortis is confident, after consultation with its legal advisors, that its legal position is sound and is not likely to be successfully challenged in court.

Contingent liabilities on hybrid instruments of former subsidiaries

Fortis' former operating entities issued a number of hybrid instruments that create a contingent liability for Fortis N.V. and Fortis SA/NV, because these former parent companies acted as guarantor, co-obligor or provided support agreements. The following chapters describe the contingent liabilities linked to these instruments.

1. CASHES

CASHES is a EUR 3 billion instrument issued by Fortis Bank nv-sa, with Fortis SA/NV and Fortis N.V. acting as Co-obligors. According to the terms and conditions of this instrument it will only be reimbursed by Fortis Bank through an exchange against already issued Fortis shares. The CASHES have no maturity date, but may be exchanged into Fortis shares at a price of EUR 23.94 per share at the discretion of the holders. From 19 December 2014, the bonds will be automatically exchanged into Fortis shares if the price of the Fortis share is equal to or higher than EUR 35.91 on twenty consecutive stock exchange business days. Coupons on the securities, in principle payable by Fortis Bank, are quarterly, in arrears, at a variable rate of 3 month Euribor + 2.0%.

In the event that dividends are not paid on the Fortis shares, or that the dividends to be declared are below a threshold with respect to any financial year (dividend yield < 0,5%), and in certain other circumstances, coupons mandatorily need to be settled by Fortis holding in accordance with a so called Alternative Coupon Settlement Method (ACSM), while Fortis Bank would need to issue (preference) shares to Fortis holding as compensation for the coupons due. If the ACSM is triggered and there is insufficient available authorised capital to settle the ACSM obligation, the coupon settlement is postponed up to the moment that the ability to issue shares is restored.

Fortis holding announcement on 15 March 2009 not to declare a dividend for the 2008 financial year would have triggered the ACSM. However, on 27 May 2009 Fortis holding announced its intention to resume the payment of a dividend for the 2009 financial year in 2010, whereby the dividend will be equal or in excess of the above stated threshold dividend yield of 0,5%. As a result the coupons due during 2009 will be satisfied in cash in stead of through the ACSM.

2. MCS

On 7 December 2007, Fortis Bank Nederland (Holding), with Fortis Bank nv-sa, Fortis SA/NV and Fortis N.V. acting as co-obligors, issued Mandatory Convertible Securities ('MCS') for a nominal amount of EUR 2 billion. A breach of minimum solvency levels at Fortis Bank Nederland (Holding) would lead to an accelerated conversion using an ACSM for unpaid coupons.

The MCS will be converted mandatorily on 7 December 2010 into a number of Fortis shares that depends on the then prevailing share price, with a minimum of 87,822,374 and a maximum of 105,386,849 shares. According to agreements entered into between the parties, Fortis Bank Nederland (Holding) should compensate Fortis by issuing new shares to Fortis SA/NV and Fortis N.V. at conversion; this compensation is disputed by the Dutch State, after it took control over Fortis Bank Nederland (Holding).

At conversion of the MCS, Fortis will record a EUR 2 billion increase of its equity against an EUR 2 billion receivable, for new Fortis Bank Nederland (Holding) shares to be received from Fortis Bank Nederland (Holding). In the event that the Dutch State successfully disputes this claim, Fortis N.V. and Fortis SAVNV will need to record an impairment on this receivable, subject to the level of compensation that will be agreed upon.

3. Fortis Capital Funding Trusts

On 26 March, ASR (the former Fortis Verzekeringen Nederland), an entity now fully owned by the Dutch State, announced its decision not to call its Trust Preferred Securities (TOPrS) issued by Fortis Capital Funding Trusts on the scheduled first call date. The amount of securities outstanding amounted to EUR 650 million and Fortis had granted a guarantee on these instruments, which represented a contingent liability.

When ASR announced not to call the Trust Preferred Securities, it expressed its intention to exchange the existing instruments. The exchange offer was launched in July 2009, combined with a consent solicitation whereby the existing trust preferred structure was to be dismantled.

ASR released the results of the exchange and consent solicitation on 3 August 2009, with investors consenting in aggregate by 91% to the necessary amendments and 86% simultaneously opting to exchange into New Tier 1 securities. As a result, all investors received directly issued ASR Tier 1 securities and the entire trust preferred structure is dissolved. The Fortis guarantee on these securities therefore ceased to exist.

4. Fortis Capital Company

Fortis Capital Company had issued non-cumulative, non-voting, perpetual preference shares in 1999 with a nominal value of EUR 450 million, callable in June 2009. Fortis Capital Company announced on 26 March 2009 not to call the instrument. According to a support agreement granted by Fortis SAVNV and Fortis N.V., holders of these preference shares then received a one-time right to exchange their preference shares for Fortis ordinary shares, and Fortis in turn could redeem the preference shares in cash in stead of issuing the required shares.

Preference shareholders representing EUR 362 million nominal value elected to exchange their preference shares, and Fortis elected to pay the redemption of these preference shares in cash. As a result EUR 88 million of preference shares continue to exist. Investors in these remaining preference shares no longer have any stock settlement rights against Fortis SAVNV and Fortis N.V..

Under the terms of the Support Agreement, Fortis is still required to support the annual dividend (3-month Euribor + 2.60%) on the remaining preference shares, in case any of the supporting companies (Fortis holding, Fortis Bank and Fortis Bank Nederland (Holding) N.V.) pays a dividend while Fortis Bank Nederland (Holding) would for solvency reasons not be able to pay the dividend on its preference shares.

On 24 August 2009, Fortis initiated legal proceedings on the merits before the Amsterdam Commercial Court against Fortis Capital Company Limited, Fortis Bank Nederland (Holding) N.V. and the Dutch State to claim full compensation for the above mentioned EUR 362 million cash redemption. The claim is included under Reinsurance and other receivables. Due to the fact that the claim is contested by the counterparty, the amount is fully impaired as shown in Note 24 Change in impairments.

5. Fortis Bank Tier 1 debt securities 2001

Fortis Bank issued EUR 1,000 million redeemable perpetual cumulative coupon debt securities in 2001, which benefit from a support agreement entered into by Fortis SA/NV and Fortis N.V., at an interest rate of 6.50% until 26 September 2011 and 3-month Eurobor + 2.37% thereafter.

The parental support agreement entails that if Fortis Bank's solvency would drop below the threshold level or if Fortis Bank so elects, the coupon is satisfied via ACSM through the issue by Fortis of ordinary shares, for which Fortis Bank would need to compensate Fortis SA/NV and Fortis N.V through the contribution in their capital of ordinary shares or profit-sharing certificates issued by Fortis Bank.

The support agreement gives bondholders the option, in case Fortis Bank would not call the instrument in 2011, to ask Fortis SA/NV and Fortis N.V. to settle the principal amount of the instrument through the issue of Fortis shares. In turn, Fortis has the option to settle the principal amount on the securities in cash instead. In both cases, Fortis would be compensated for this settlement through the receipt of the Tier 1 debt securities of Fortis Bank.

6. Fortis Bank Tier 1 debt securities 2004

Fortis Bank issued EUR 1,000 million perpetual securities in 2004, which benefit from a support agreement entered into by Fortis SA/NV and Fortis N.V., at an interest rate of 4.625% until 27 October 2014 and 3-month Eurobor + 1.70% thereafter.

The parental support agreement entails that if Fortis Bank's solvency would drop below the threshold level or if Fortis Bank so elects, the coupon is satisfied via ACSM through the issue by Fortis of ordinary shares, for which Fortis Bank would need to compensate Fortis SA/NV and Fortis N.V through the contribution in their capital of ordinary shares issued by Fortis Bank.

27 Post-balance sheet date events

There have been no material events after the balance sheet date that would require adjustment to the Consolidated Interim Financial Statements at 30 June 2009.

Statement of the Board of Directors

The Board of Directors of Fortis is responsible for preparing the Fortis Consolidated Interim Financial Statements as at 30 June 2009 in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the European Transparency Directive (2004/109/EC).

The Board of Directors of Fortis declares that, to the best of its knowledge, the Fortis Consolidated Interim Financial Statements give a true and fair view of the assets, liabilities, financial position, profit or loss of Fortis and the undertakings included in the consolidation as a whole and that the information contained herein has no omissions likely to modify significantly the scope of any statements made. In addition the Report of the Board of Directors for the first half-year of 2009 includes the information required pursuant to section 5:25d subsections 8 and 9 of the Dutch Financial Markets Supervision Act.

The Board of Directors reviewed the Fortis Consolidated Interim Financial Statements on 26 August 2009 and authorised their issue.

Brussels/Utrecht, 26 August 2009

Board of Directors

Chairman	Jozef De Mey
Vice-Chairman	Guy de Selliers de Moranville
Directors	Jan Zegering Hadders
	Frank Arts
	Roel Nieuwdorp
	Lionel Perl
	Jin Shaoliang
Acting Chief Executive Officer	Bart De Smet

Review report

To the Board of Directors of Fortis SA/NV and Fortis N.V.

Introduction

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

Scope of Review

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

Conclusion

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

Emphasis of matter

Without qualifying our conclusion, we draw attention to Note 26 to the condensed consolidated interim financial information as at 30 June 2009 which describes that Fortis is involved in a number of legal proceedings as well as administrative and criminal investigations in connection with certain events and transactions having occurred between May 2007 and September/October 2008, some of which may result in the annulment of one or more of such transactions and/or in financial liabilities for the company. However, the ultimate outcome of these matters cannot presently be determined, and no financial liabilities that may result have been recognised in the condensed consolidated interim financial information as at 30 June 2009.

Amstelveen, 26 August 2009

KPMG ACCOUNTANTS N.V.

S.J. Kroon RA

Brussels, 26 August 2009

Klynveld Peat Marwick Goedeler Réviseurs d'Entreprises SCRL Civile
Bedrijfsrevisoren burg. CVBA

O. Macq/M. Lange