

Fortis reports total gross inflow of EUR 4.2 billion for the first quarter 2009, significantly up quarter on quarter

Net result of EUR 44 million despite a negative impact on investment portfolio of EUR 96 million

Highlights

- **Fortis Insurance Belgium**
 - Total gross inflow EUR 1.9 billion, up 37% quarter on quarter
 - Net result of EUR 5 million, including EUR 86 million negative net-of-tax impact on investment portfolio
- **Fortis Insurance International**
 - Total gross inflow EUR 2.3 billion (including EUR 1.1 billion inflow from non-consolidated joint ventures on a 100% basis), up 22% quarter on quarter
 - Net result of EUR 8 million, including EUR 10 million negative net-of-tax impact on investment portfolio
- **General**
 - Positive contribution of net interest income
 - Total general expenses substantially reduced
 - Net result of EUR 31 million, including EUR 30 million positive impact of the CASHES-linked relative performance note
- **Capital position**
 - Overall solvency remains strong, in line with levels of end 2008
- **Transactions with BNP Paribas, the Belgian State, and Fortis Bank closed on 12 May 2009**
 - Pro forma net cash of General EUR 3.2 billion (*based on 31 March 2009 figures*)
 - Pro forma shareholders' equity EUR 7.4 billion (*based on 31 March 2009 figures*)

Outlook second quarter 2009

The inflow in April and the first half of May continued at levels in line with the first quarter of 2009, confirming the positive commercial signs seen in the first quarter. The net result of the second quarter will include amongst others the impact of the closing of the transactions with BNP Paribas, the Belgian State and Fortis Bank.

Highlights

Total gross inflow at the insurance activities, including a EUR 1.1 billion inflow from non-consolidated joint ventures on a 100% basis, amounted to EUR 4.2 billion in the first quarter of 2009, substantially up quarter on quarter (+ 28%) and almost stable compared with the first quarter of 2008 (- 2%). The strong commercial performance was due to the ability to continuously adjust the product offering to changing customer needs and the consistent focus on the multi-channel approach.

In Fortis Insurance Belgium, total inflow reached EUR 1.9 billion, an increase of 37% quarter on quarter; Life inflow through the bank channel improved significantly due to higher sales of savings products. The broker channel saw a further increase in Non-Life, due to continued efforts targeting the SME segment.

Fortis Insurance International increased its inflow by 22% quarter on quarter to EUR 2.3 billion, driven by Portugal and Asia, especially in Life. Fortis UK remains the main contributor to Non-Life, increasing its inflow quarter on quarter while maintaining a strong focus on profitability.

The net result of the insurance operations amounted to EUR 13 million, despite a negative net-of-tax impact of EUR 96 million on the investment portfolio.

The General account reported a net result of EUR 31 million, as a result of positive net interest income and lower operating expenses. The latter relates to the reduction in corporate staff and a general decrease in operating expenses by 40% quarter on quarter. Operating expenses are still relatively high due to the cost of the separation, shareholders meetings and legal proceedings. The result also includes a positive impact of EUR 30 million on the CASHES related relative performance note.

Shareholder's net equity at 31 March 2009 amounted to EUR 6.7 billion and the net cash position of General was EUR 1.6 billion.

Fortis's core equity amounted to EUR 8.0 billion on 31 March 2009. Core equity exceeded the total consolidated regulatory minimum requirements of the insurance activities by EUR 5.4 billion, in line with end of 2008 levels.

The transactions agreed with the Belgian State, BNP Paribas and Fortis Bank in March 2009 were approved at the shareholders meetings on 28 and 29 April 2009. These transactions were subsequently closed on 12 May 2009 (*see press release of 13 May 2009*). Consequently, pro forma shareholders' net equity as at 31 March 2009, taking into account the impact of the transactions, amounted to EUR 7.4 billion. The pro forma net cash position of General as at 31 March 2009, after redemption of the European medium-term notes and commercial paper programmes, was EUR 3.2 billion. The difference with the pro forma net cash position as at 31 December 2008 of EUR 3.3 billion is explained by accrued costs, mainly interest expenses.

Fortis Insurance Belgium

Total gross inflow in the first three months amounted to EUR 1.9 billion. Inflow increased by 37% quarter on quarter, but remained 5% below the level of the same quarter last year (EUR 2.0 billion).

Despite continued difficult market conditions, Fortis Insurance Belgium reported a net result of EUR 5 million for the first quarter of 2009. The result includes a net-of-tax negative impact on the investment portfolio of EUR 86 million, mainly affecting Life results. The Non-Life result suffered from bad claims experience in Fire and Motor as a result of the severe winter conditions.

Life

Life gross inflow amounted to EUR 1.4 billion, up 38% quarter on quarter and down 8% on the same quarter last year.

Individual Life inflow was EUR 1.1 billion, up 46% quarter on quarter, due to higher inflows through the bank channel (EUR 934 million), driven by attractive interest rates on savings products. Compared with the same quarter last year, inflow was down 11%. The broker channel inflow amounted to EUR 178 million, continuing the negative trend of end of last year.

Group Life inflow, generated through the employee benefits channel, amounted to EUR 289 million, up 13% quarter on quarter and in line with the same quarter last year.

Non-Life

Gross written premiums in Non-Life were EUR 453 million in the first quarter of 2009, up 34% quarter on quarter, benefiting from the natural seasonality of the broker channel SME segment. Gross written premiums increased 5% compared with the same quarter last year.

The increase was mainly driven by the broker channel, in particular by a further increase of premium inflow from SME businesses to EUR 166 million, up 9% compared with the same quarter last year. Bank channel inflow remained almost stable at EUR 62 million (+1%) compared with the same quarter.

Fortis Insurance International

Total gross inflow (including non-consolidated joint ventures on a 100% basis) increased 22% quarter on quarter to EUR 2.3 billion despite difficult market conditions. Compared to the first quarter of last year, inflow was almost unchanged (+1%). The focus on product innovation and the consistent focus on the multi-channel approach were the main drivers of the sales performance, especially in Asia and Portugal.

The international insurance activities reported a net profit of EUR 8 million in the first quarter of this year, despite a EUR 10 million negative net-of-tax impact on the investment portfolio, particularly affecting the Life insurance activity. Exceptional winter weather-related claims had a negative effect on the Non-Life result.

Life

Gross inflow in the Life business, including non-consolidated joint ventures on a 100% basis, amounted to EUR 1.9 billion in the first quarter, an increase of 23% quarter on quarter. Asian operations grew substantially (+ 54%), with the figures for China in particular almost doubling. Inflow at the European companies remained virtually stable (+ 1%).

Compared with the first quarter of 2008, inflow increased 2%, driven mainly by a strong performance in Portugal and Asia (especially China, Thailand and India). This was partially compensated by lower inflow in France and Luxembourg, due to the difficult market environment for unit-linked products.

Non-Life

Non-Life gross written premiums, including non-consolidated joint ventures on a 100% basis, amounted to EUR 383 million, a 16% increase quarter on quarter and a 7% decrease compared to the same quarter last year, due to a negative currency impact on UK operations.

Fortis UK remains the main contributor, growing 11% quarter on quarter and 7% compared with the first quarter of 2008 at constant exchange rates.

General

General reported a positive result of EUR 31 million for the first quarter of 2009, including a EUR 30 million positive impact of the relative performance note (RPN) linked to the CASHES financial instrument.

Net interest income was positive due to a positive net cash position compared with a negative net cash position in the first three months of 2008. Cash inflows related to the transactions of early October 2008 positively impacted the net cash position. Furthermore, the redemption of the European medium term notes (EMTN) programme, which started on 16 December 2008 and continued during the first quarter of this year, reduced the interest expenses of the General segment. The remaining amount outstanding on the EMTN programme as of 13 May 2009 is EUR 1.0 billion, coming down from EUR 1.4 billion end of March 2009.

Fortis's net cash position amounted to EUR 1.6 billion on 31 March 2009, compared with EUR 2.0 billion on 31 December 2008.¹ As previously announced², the decrease relates mainly to a cash transfer of EUR 300 million to Fortis Insurance International in order to improve its funding position and eliminate leverage.

Lastly, the net result of General was impacted by a negative fair value adjustment on the mandatory exchangeable bond portfolio (EUR 18 million). This was partly offset by a positive contribution of EUR 3 million, arising from the decision announced on 13 March 2009 to discontinue and liquidate the Stichting Continuïteit.

Total expenses almost halved compared with the same quarter last year. Staff expenses were positively impacted by the realized reduction in corporate employees. The targeted reduction on holding level from 114 to around 40 was reached at the time of publication of this press release. Other expenses came down by 40% quarter on quarter, but were still relatively high due to the cost of the separation with former Fortis entities, shareholders meetings and legal proceedings.

Outlook second quarter 2009

The inflow in April and the first half of May continued at levels in line with the first quarter of 2009, confirming the positive commercial signs seen in the first quarter.

Furthermore, the net result of the second quarter of 2009 will include and/or address amongst others the following items related to the closing of the earlier mentioned transactions with BNP Paribas, Fortis Bank and the Belgian State:

- Capital gain realised on the sale of 25% + 1 share of Fortis Insurance Belgium (approximately EUR 0.7 billion)
- The impact of the equity accounting of Royal Park Investments as of the date of closing until 30 June 2009
- The implied valuation of the call option linked to the BNP Paribas shares granted by SFPI/FPIM
- The valuation of the quarterly interest payments, based on the value of the Relative Performance Note. As explained above the value of the Relative Performance Note (RPN), linked to the CASHES financial instrument has been valued at zero as per 31 March 2009, resulting in a positive impact of EUR 30 million in the first quarter of 2009. The transactions with BNP Paribas, Fortis Bank and the Belgian State, closed on 12 May 2009, foresee in a quarterly interest payment between Fortis Bank and Fortis holding. (see *press release of 13 May 2009*). In the course of the second quarter, Fortis will investigate if and how the fair value of these future interest payments or interest receivables can be calculated.

¹ The net cash position is calculated as the sum of cash and cash equivalents due from banks short term, due to banks short term and debt certificates

² See also Fortis's 2008 annual results published on 31 March 2009

Press conference call

14 May 2009, 10.30 CET (9.30 GMT)

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14 May 2009, 11.30 CET (10.30 GMT)

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Annex

Total Inflow

in EUR million

	Q1 2009	Q1 2008	Change	Q1 2009	Q4 2008	Change
Fortis Insurance Belgium						
Gross written premiums	1,285	1,355	(5%)	1,285	890	44%
Investment contracts without DPF	116	176	(34%)	116	128	(9%)
Gross Inflow Life	1,401	1,531	(8%)	1,401	1,018	38%
Gross Written premium Non-Life	453	430	5%	453	339	34%
Total inflow FIB	1,854	1,961	(5%)	1,854	1,357	37%
Fortis Insurance International						
Gross written premiums	548	394	39%	548	648	(15%)
Investment contracts without DPF	420	708	(41%)	420	331	27%
Gross Inflow Life	968	1,102	(12%)	968	979	(1%)
Gross Written premium Non-Life	288	324	(11%)	288	249	16%
Equity associates	1,074	886	21%	1,074	682	58%
Total inflow FIL	2,330	2,312	1%	2,330	1,910	22%
Fortis Insurance						
Gross written premiums	1,833	1,749	5%	1,833	1,538	19%
Investment contracts without DPF	536	884	-39%	536	459	17%
Gross Inflow Life	2,369	2,633	(10%)	2,369	1,997	19%
Gross Written premium Non-Life	741	754	(2%)	741	588	26%
Total inflow consolidated	3,110	3,387	(8%)	3,110	2,585	20%
Equity associates	1,074	886	21%	1,074	682	58%
Grand Total incl. equity associates	4,185	4,273	(2%)	4,185	3,267	28%

Fortis Insurance International

Key Figures per region

in EUR million

	% ownership	Gross inflow Life			Gross Written premiums Non-Life			TOTAL INFLOW		
		Q1 09	Q1 08	Q4 08	Q1 09	Q1 08	Q4 08	Q1 09	Q1 08	Q4 08
Total consolidated entities		968	1,101	979	288	324	249	1,256	1,425	1,228
Europe		902	1,039	900	288	311	259	1,190	1,350	1,158
United Kingdom	100%	1	-	1	217	244	210	218	244	210
Portugal	51%	683	600	611	59	55	46	742	655	657
France	100%	74	134	86				74	134	86
Luxembourg								129	289	175
- Life	50%	117	278	172				117	278	172
- Non-Life	100%				12	11	3	12	11	3
Ukraine	100%	-	1	1	-			-	1	1
Germany	100%	8	7	10				8	7	10
Turkey	100%	17	19	20				17	19	20
Asia		66	63	79				66	63	79
Hong Kong	100%	66	63	79				66	63	79
Other					13	(10)		13	(10)	
Fortis Re-Insurance	100%				13	(10)				

Equity associates figures based on 100%

		980	798	601	95	88	81	1,074	886	682
Total equity associates		980	798	601	95	88	81	1,074	886	682
Malaysia	31%	144	143	97	73	73	61	217	216	158
Thailand		108	82	99	22	15	20	130	97	119
- Life	40%	108	82	99						
- Non-Life	15%				22	15	20			
China	25%	705	573	395				705	573	395
India	26%	22	1	10				22	1	10
Grand total		1,947	1,900	1,580	383	412	330	2,330	2,312	1,910

Disclaimer

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

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

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Fortis holding (Fortis SA/NV and Fortis N.V.) consists of (1) a 75% ownership of Fortis Insurance Belgium (2) Fortis Insurance International, (3) a 45% stake in Royal Park Investments - a structured credit portfolio entity - and (4) financial assets and liabilities of various financing vehicles. Fortis Insurance Belgium is overall market leader and a leading player in the Employee Benefits market. The international insurance activities (Fortis Insurance International) are located in the UK, where Fortis is the third largest player in the market for private car insurance, France, Hong Kong, Luxembourg (Non-Life), Germany, Turkey, Russia, Ukraine and joint ventures in Luxembourg (Life), Portugal, with Millenniumbcp Fortis being a clear market leader, China, Malaysia, India and Thailand. Fortis currently employs over 10,000 people.