

Annual Report 2007

Fortis Verzekeringen Nederland N.V.

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Report of the Board of Directors of Fortis Verzekeringen Nederland N.V.

Unless otherwise stated, all amounts presented in the financial statements are in millions of euro. Rounding off to the nearest whole figure may have caused some minor differences in relation to results published earlier.

A few reclassifications have been made in the presentation of previous years in the consolidated financial statements to allow better comparison with the performance of the year under review.

Report of the Supervisory Board of Fortis Verzekeringen Nederland N.V.

Members of Supervisory Board

H.C.L. Verwilt

Deputy CEO and Executive Director Fortis

P. Depovere**B.J.H.S. Feilzer****J.G. de Mey****G.G.H. Mittler**

Member of the Fortis Group Executive Committee

Mr. J.P.F. Votron resigned from the Supervisory Board on 1 January 2008. Mr. Verwilt took over his position as chairman.

Members of the Board of Directors

P.B.G. van Harten

Since 1 April 2003 member of the Board of Directors of Fortis ASR Verzekeringsgroep, now Fortis Verzekeringen Nederland. Member of the Fortis Group Executive Committee and responsible for Insurance and Real Estate.

J.P.M. Baeten

Since 1 December 2001 member of the Board of Management of AMEV Stad Rotterdam Verzekeringsgroep (ASR) N.V., currently chairman of the Board of Directors of Fortis Verzekeringen Nederland. Also member of the Fortis Business Executive Committee.

J.W.M. van der Knaap

Since 1 April 2003 member of the Board of Directors of Fortis ASR Verzekeringsgroep, now Fortis Verzekeringen Nederland.

M.N. Kok

Since 24 July 2006 member of the Board of Directors of Fortis Verzekeringen Nederland.

T. Pluijter

Since 5 March 2004 member of the Board of Directors of Fortis ASR Verzekeringsgroep, now Fortis Verzekeringen Nederland.

R.H.A. van Vledder

Since 1 January 2006 member of the Board of Directors of Fortis Verzekeringen Nederland.

The members of the Board of Directors hold various positions as executive directors or supervisory directors at various group companies.

Financial statements

The general meeting of shareholders adopted the 2007 financial statements of Fortis Verzekeringen Nederland N.V. on 27 June 2008.

Final word

The Supervisory Board wishes to take this opportunity to thank the members of the Board of Directors and all employees for their contribution and commitment in 2007.

Utrecht, 27 June 2008.

Supervisory Board

H.C.L. Verwilt

P. Depovere

B.J.H.S. Feilzer

J.G. de Mey

G.G.H. Mittler

Report of the Board of Directors of Fortis Verzekeringen Nederland N.V.

Profile

Fortis Verzekeringen Nederland consists of general insurer Fortis ASR and four specialised insurers, De Amersfoortse, Europeesche, Ardanta and Falcon Leven. Distribution takes place through a wide mix of channels: independent intermediaries, branches of Fortis Bank, payrolled intermediaries, consultants working on commission and direct distribution. Fortis Verzekeringen Nederland offers private individuals and companies a wide range of life, non-life, medical and disability insurances, as well as mortgage, savings and investment products.

Objective

The strategy of Fortis Verzekeringen Nederland is focused on initiative growth². We want to be an innovative and consumer-driven producer and distributor of financial products in the Netherlands.

Strategy

The insurance sector in the Netherlands is confronted by many new laws and stricter supervision, a more critical attitude of stakeholders towards the insurance sector, mounting competition and changes in the preferences and purchase patterns of customers. In this dynamic environment, Fortis Verzekeringen Nederland has directed its strategic focus towards achieving a profitable growth of income and increasing its market share. Innovation, customer satisfaction, multi-channel distribution and an entrepreneurial corporate culture are key to this approach.

As part of Fortis Insurance, Fortis Verzekeringen Nederland actively contributes to achieving synergy effects on the income side by exchanging proven skills with other parts of the Fortis group. To realise economies of scale in local markets and to share best practices within the organisation, all the insurance activities of Fortis have been placed under the management of one CEO. The organisational structure has been arranged in such a way that supports the cross-border sharing of best practices, skills and expertise

Operational highlights 2007

FVNL has continued investing in its growth strategy. We have further diversified our distribution and have achieved one of our major strategic ambitions – to increase the contribution of bancassurance and the direct channels compared with distribution via intermediaries – by introducing the new direct insurance channel called Ditzo. This service provider offers online products to customer groups that would generally seek advice from an intermediary. Ditzo started with motor insurance and will expand its range of products by adding other insurance products and mortgages.

At the same time we are innovating our propositions so as to reinforce distribution via intermediaries still further. Among other things Fortis ASR is introducing a website that will offer online sales support to intermediaries.

Our performance scores have improved through our pursuit of operational excellence to satisfaction among our customers and intermediaries. An annual satisfaction survey among Dutch intermediaries shows that Fortis ranks among the top three when it comes to non-life products and has retained its top position for accident and health insurance.

In the annual survey of the weekly magazine *Intermediair*, Fortis was acclaimed as the best employer in the Netherlands. Based on the conviction that employees make the real difference, our insurance companies in the Netherlands have developed a programme aimed at promoting customer orientation and entrepreneurship. Last year all managers attended this programme that builds on the Fortis leadership programme. All employees will attend the programme starting February 2008.

Focus 2008

- Further development of the range of products for our recently started direct channel.
- Accelerated development of bancassurance, for example by using the possibilities created through the acquisition of ABN AMRO.
- Continued pursuit of satisfaction among intermediaries and customers by pressing ahead with the operational excellence programme.
- Continued pursuit of modernisation by developing the next generation of life and non-life products.

Gross premiums

Gross premiums increased by 11% in 2007 to reach EUR 5,197 million. The increase is exclusive of a Group co assurance contract (EUR 710 million) in 2006.

Gross premiums at Life rose by 14% to EUR 3,108 million. The Life segment, gross premiums doubled to EUR 754 million in 2007. This is in line with the strategy of Fortis Verzekeringen Nederland to grow in pension insurances. This strategy is being supported by the new pensions organisation, where individual and group pension solutions have been brought together. At Individual Life, the gross premiums turnover stabilised both for regular premium policies and single premium policies.

Turnover of Mortgages fell by 33% because rising interest rates had a negative effect on the willingness of consumers to switch mortgage provider. Consequently, the production of mortgage-related insurances also decreased. In the fiercely price-competitive mortgage market, Fortis Verzekeringen Nederland maintained its profitability target.

Gross premiums at Non-life grew by 9% to EUR 2,124 million. Successful marketing campaigns, new distribution models (Internet and direct distribution) and product innovation drove an increase in all sectors (Accidents & Health +17%, Motor +1%, Fire +2%). There is increasing competition on price in the Dutch non-life market, particularly in the Motor and Fire sectors. Accidents and Health increased through sales in the recently privatised disability (incapacity for work) market. Fortis Verzekeringen Nederland seized a substantial share of more than 20% of this market.

Net profit

The net profit of Fortis Verzekeringen Nederland increased in 2007 by 42% from EUR 624 million to EUR 889 million. The increase was mainly attributable to a higher Life result through exceptionally high investment yields. Portfolio protection techniques (CPPI) and market developments resulted in higher capital gains.

Compared with 2006 the Life result increased by 62% to EUR 657 million. At Life the technical result came under pressure because of the effects of the credit crunch (EUR 158 million before tax) and an accepted liability related to unit-linked policies. Although Fortis Verzekeringen Nederland is of the opinion that it complies with laws and regulations, it has been decided, in line with market-wide developments, to contribute to a solution. Fortis Verzekeringen Nederland has carried out the measures put forward by the De Ruiter committee.

But the negative technical result was amply counterbalanced by exceptional investment yields (achieved added value), which led to a positive operating margin and a net profit.

Net profit of Non-life went up by 5% to EUR 232 million. The Non-life result was adversely affected by windstorm Kyrill in January (EUR 19 million) and also by the credit crisis (EUR 42 million before tax). A higher investment result, mainly thanks to achieved added values and a lower tax burden, ultimately produced a 5% increase in the result.

The cost level remained roughly the same, despite investments in multi-channel projects, modifications to business processes as a result of amended legislation (like the new Pension Act) and an increase in the number of FTEs. Compared with year-end 2006, the number of FTEs rose from 4,210 to 4,626. The increase is attributable to the addition of SOS International (118 FTEs) at the end of the first quarter and the filling of vacancies.

Operating margin

The operating margin at Life decreased by EUR 85 million to EUR 230 million. A substantial fall in the technical result was counterbalanced to some extent by higher realised added values. The technical result at Life was negative by EUR 86 million because of the effects of the credit crisis (EUR 151 million before tax) and additional liabilities related to unit-linked policies. Disregarding these one-off factors there was a solid underlying performance.

The operating margin at Non-life decreased by 13% to EUR 244 million. The technical result at Non-life fell by 27% from EUR 272 million to EUR 200 million. This decrease was counterbalanced to some extent by higher achieved added values. The decrease in the technical result is attributable to windstorm Kyrill (EUR 19 million before tax), the effects of the credit crunch (EUR 42 million before tax), a larger number of fire claims in 2007 and relatively low entry premiums in the recently privatised market for accident and health insurance.

The strong commercial performance at Non-life, as reflected in higher business volumes and strict cost control, resulted in an improved expense ratio. The expense ratio decreased from 34.8% in 2006 to 33.6% in 2007. Partly because of the effects of hurricane Kyrill, the claims ratio increased from 55.8% to 59.2% and the combined ratio from 90.6% to 92.8%.

Solvency

The solvency of Fortis Verzekeringen Nederland can be qualified as good. The required minimum solvency increased through the strong growth of premiums in the first half of 2007. A dividend payment made to the Fortis Group (EUR 1.2 billion) reduced equity. On balance the solvency margin dropped from 327% (year-end 2006) to 283% (year-end 2007). With this margin Fortis Verzekeringen Nederland meets the standards laid down by the Dutch Central Bank (DNB) and the tougher internal solvency standards.

Risk management

The insurance activities of Fortis Verzekeringen Nederland are subject to various potential risks. The risk management policy and organisational structure of Fortis Verzekeringen Nederland has been set up in such a way that these risks are properly identified, analysed, measured, addressed and controlled. Chapter 6, Risk management, contains more details.

Word of thanks to personnel

Fortis Verzekeringen Nederland was able to achieve the result presented in this annual report notably thanks to the efforts and capabilities of its employees. We recognize the great commitment of employees who exercise their efforts to fulfil our targets in practice. Therefore, we wish to express our thanks to our employees for their efforts.

Utrecht, 27 June 2008

Board of Directors

P.B.G. van Harten

J.P.M. Baeten

J.W.M. van der Knaap

M.N. Kok

T. Pluijter

R.H.A. van Vledder

Consolidated Financial Statements 2007

Fortis Verzekeringen Nederland N.V.

Consolidated balance sheet

(before profit appropriation)

	Chapter	31 December 2007	31 December 2006	31 December 2005
Cash and cash equivalents	14	483	1,004	558
Other assets and receivables	15	8,148	8,548	9,081
Investments available for sale	16	15,568	16,059	14,775
Investments held at fair value through profit of loss	16	1,475	1,749	1,585
Investment property	16	1,673	1,625	1,382
Investments in associates and joint ventures	16	185	211	214
Investments related to unit-linked products		10,234	9,504	8,446
Reinsurance		528	568	714
Property, plant and equipment	17	227	329	163
Goodwill and other intangible assets	18	405	428	414
Assets		38,926	40,025	37,332
Accrued interest and other liabilities	19	2,634	2,481	2,708
Due to banks	20	1,207	1,690	0
Liabilities arising from insurance contracts	21	20,045	20,233	20,343
Liabilities related to unit-linked products	22	10,633	9,797	8,658
Other borrowings	23	1,057	1,323	1,139
Current and deferred tax liabilities	24	278	417	587
Provisions	25	26	26	39
Subordinated liabilities	26	687	747	1,311
Liabilities		36,567	36,714	34,785
Shareholders' equity	4	2,262	3,257	2,496
Non-controlling interests	5	97	54	51
Equity		2,359	3,311	2,547
Total liabilities and equity		38,926	40,025	37,332

Consolidated income statement

	Chapter	2007	2006	2005
Income				
Insurance premiums	30	5,197	5,378	4,591
Interest income	31	1,233	1,361	1,090
Fee and commission income		114	122	100
Dividend and other investment income	32	298	290	270
Other income	33	335	144	202
Income from investments related to unit-linked products		119	998	1,567
Other realised and unrealised gains and losses	34	768	219	317
Share in result of associates and joint ventures		38	31	26
Total income		8,102	8,543	8,163
Expenses				
Insurance claims and benefits	35	-4,288	-4,712	-3,770
Fee and commission expense		-554	-577	-530
Depreciation and amortisation of tangible and intangible assets		-68	-80	-85
Operating and staff expenses	36	-862	-727	-749
Interest expense	37	-369	-329	-339
Charges related to unit-linked products		-785	-1,286	-1,916
Changes in impairments	38	-159	-24	-24
Total expenses		-7,085	-7,735	-7,413
Profit before tax		1,017	808	750
Income tax expense	39	-111	-179	-214
Net profit for the period		906	629	536
Non-controlling interest in earnings		-17	-5	-3
Net profit attributable to shareholders		889	624	533

Consolidated statement of changes in equity

	Share capital	Share premium reserve	Net profit attributable to shareholder	Unrealised gains and losses	Other reserves	Shareholders equity	Non-controlling interests	equity
Balance sheet at 1 January 2005	100	962	449	342	235	2,088	51	2,139
Result carried over from previous financial year	0	0	-449	0	449	0	0	0
Net profit for the period	0	0	533	0	0	533	3	536
Dividend	0	0	0	0	-547	-547	-3	-550
Exchange rate differences	0	0	0	0	5	5	0	5
Revaluation of investments	0	0	0	431	0	431	0	431
Other	0	0	0	7	-21	-14	0	-14
Balance sheet at 31 December 2005	100	962	533	780	121	2,496	51	2,547
Result carried over from previous financial year	0	0	-533	0	533	0	0	0
Net profit for the period	0	0	624	0	0	624	5	629
Dividend	0	0	0	0	-250	-250	0	-250
Exchange rate differences	0	0	0	0	0	0	0	0
Revaluation of investments	0	0	0	393	0	393	0	393
Other	0	0	0	0	-6	-6	-2	-8
Balance sheet at 31 December 2006	100	962	624	1,173	398	3,257	54	3,311
Result carried over from previous financial year	0	0	-624	0	624	0	0	0
Net profit for the period	0	0	889	0	0	889	17	906
Dividend	0	0	0	0	-1,200	-1,200	0	-1,200
Increase in capital	0	0	0	0	0	0	23	23
Exchange rate differences	0	0	0	0	0	0	0	0
Revaluation of investments	0	0	0	-686	0	-686	0	-686
Other	0	0	0	0	2	2	3	5
Balance sheet at 31 December 2007	100	962	889	487	-176	2,262	97	2,359

Consolidated cash flow statement

	2007	2006	2005
Cash and cash equivalents as at 1 January	1,004	558	716
Profit before tax	1,017	808	750
Net realised gains (losses) on sales	-864	-248	-327
Net unrealised gains (losses)	89	-8	-8
Income from associates and joint ventures (netted with received dividends)	24	-2	-6
Depreciation and value increases	168	187	182
Impairments	160	34	17
Assets and liabilities held for trading	-26	-39	-24
Due from banks	234	18	60
Due from customers	283	435	-61
Reinsurance, trade and other receivables	11	103	19
Due to banks	-483	1,690	-765
Due to customers	3	-71	-290
Liabilities arising from insurance and investment contracts	-39	-35	537
Net changes to all other operational assets and liabilities	171	-185	1,026
Income tax paid	-172	-220	148
Cash flow from operating activities	576	2,467	1,258
Purchases of investments	-11,719	-8,481	-3,994
Proceeds from sales and redemptions	12,116	7,551	3,528
Purchase of investment property	-143	-766	1
Proceeds from sales of investment property	214	497	-98
Investments in associates and joint ventures	-3	6	-14
Proceeds from sales of associates and joint ventures	1	2	11
Purchases of property, plant and equipment	-26	-133	-31
Proceeds from sales of property, plant and equipment	0	2	8
Acquisitions of group companies (less acquired cash positions)	-3	94	-11
Divestments of group companies (less sold cash position)	2	47	1
Purchase of intangible assets	-4	-43	-19
Changes to scope	0	-11	-197
Cash flow from investing activities	435	-1,235	-815
(Re)payment of debt certificates	0	0	0
Proceeds from the issuance of subordinated liabilities	0	-8	7
(Re)payment of subordinated liabilities	-59	-556	-123
Revenues from issues of other loans	11	97	84
Proceeds from the issuance of other loans	-310	-69	-22
Dividends paid to shareholders	-1,200	-250	-547
Non-controlling interests	26	0	0
Cash flow from financing activities	-1,532	-786	-601
Cash and cash equivalents as at 31 December	483	1,004	558

1 General

Fortis Verzekeringen Nederland

Fortis Verzekeringen Nederland ('FVNL') has approximately 4,600 employees. FVNL has a market share of approximately 12% in the Life market and approximately 4% in the Non-life market in the Netherlands. The company serves the market through various brands.

FVNL companies

FVNL consists of one general insurer and four specialised insurers.

Fortis ASR is a general insurer with a wide range of products for non-life, life, healthcare and financial services. Fortis ASR has its head office in Utrecht plus branch offices in Rotterdam and Woudsend.

The specialised insurers focus on providing a specific range of products and services:

- De Amersfoortse: income insurer;
- Europeesche: travel and recreation insurer;
- Ardanta: funeral insurer;
- Falcon Leven: life insurer with insurances with an investment component.

FVNL forms part of Fortis, an international financial services provider in the fields of banking, insurance and investment. With a stock market value of EUR 31 billion (at 31 December 2007) and approximately 62,000 employees, it ranks among the 20 largest financial institutions in Europe. More information about Fortis can be found at www.fortis.com.

Distribution

Distribution to consumers takes place mainly through independent, insurance brokers who act as middlemen in the sale of insurance and related financial products. The companies of FVNL cooperate for that purpose with more than 800 advisory offices that vary markedly in terms of their nature, size and market cultivation. FVNL also has an organisation of payroll consultants, Verzekerings Unie.

2 Financial reporting principles

2.1 General

As FVNL forms part of the listed company Fortis N.V., the consolidated financial statements of FVNL were prepared in accordance with IFRS - including the International Accounting Standards ('IAS') and Interpretations - as accepted within the European Union. With regard to IAS 39, Financial Instruments: Recognition and Measurement, the company makes allowance for the fact that on 19 November 2004 the European Union removed a few passages concerning hedge accounting (the carved-out version).

The financial reporting principles applied to prepare the 2007 financial statements are consistent with principles that were applied to prepare the 2006 financial statements

On 1 June 2007, the European Commission approved the following IFRIC interpretations:

- IFRIC 10, Interim Financial Reporting and Impairment. This interpretation prohibits reversal during a subsequent period of impairments presented in an interim period on goodwill, investments in shares and investments in financial assets valued at cost price. The Fortis financial reporting principles are already in line with this interpretation.
- IFRIC 11, IFRS 2: Group and Treasury Share Transactions, applicable from the 2008 financial year. This interpretation provides further guidance regarding implementation of IFRS 2, Share-based Payments. Fortis is currently examining the effect of applying this interpretation from 2008 onwards.

On 6 September 2007, IASB issued a revised version of IAS 1, Presentation of Financial Statements. This applies from the 2009 financial year (not yet approved by the European Union). The amendments will impact on the presentation, not on recognition of valuation.

2.2 Estimates

Preparation of financial statements under IFRS requires a number of estimates. Management is required to give an opinion of the estimates while preparing this annual report. Actual results may differ from these estimates and assessments.

Estimates and assessments are made mainly in the following fields:

- estimation of realisable value in the event of impairments;
- determination of the fair value of unlisted financial instruments;
- determination of the expected useful life and residual value of property, plant and equipment, investment properties and intangible fixed assets;
- valuation of liabilities under insurance contracts;
- actuarial assumptions regarding the valuation of pension liabilities and pension assets;
- estimation of existing liabilities stemming from past events on recognition of provisions.

2.3 Segment information

The business segments reported by FVNL provide financial products or services that are subject to various risks and profits.

The principal activities of FVNL are the offering of life and non-life products. Transactions or transfers between the business segments are subject to the usual commercial conditions that also apply to unassociated parties.

No geographical segmentation is applied as FVNL operates mainly in the Dutch market.

2.4 Consolidation principles

Subsidiaries

The consolidated financial statements include the financial statements of FVNL and its subsidiaries. Subsidiaries are companies in which FVNL is able to control operational policy, directly or indirectly, for the purpose of obtaining benefits from their activities ('control'). Subsidiaries are consolidated from the date at which effective control transfers to FVNL. They are excluded from consolidation from the date at which such control ends. Subsidiaries acquired solely with the intention of being resold are presented as 'fixed assets held for sale' (refer to chapter 2.22).

Intercompany transactions, balances and gains and losses on transactions between FVNL companies are eliminated. Non-controlling interests in the net assets and net results of consolidated subsidiaries are shown separately in the balance sheet and in income statement. Non-controlling interests are carried at the fair value of the net asset at acquisition date. After acquisition date non-controlling interests consist of the amount calculated at acquisition date and the non-controlling share in equity movements since acquisition date.

When assessing the control that FVNL has over another company, the existence and effect of potential voting rights (that are exercisable or convertible) are taken into account.

Joint ventures

These interests are presented according to the equity method, i.e. the joint venture is initially recognised at cost price. Subsequently, this price is adjusted to allow for the change in the share of FVNL in the net assets of the joint venture. The result of FVNL in the joint venture consists of the share in the result of the joint venture. Joint ventures are contractual arrangements under which FVNL and other parties enter into an economic activity over which they jointly have proportionate control.

Associates

Investments in associates are presented according to the equity method. These are investments in which FVNL has a significant influence but not predominant control. The share of FVNL in annual net profit is presented as investment proceeds. The investment in the associate is presented according to the share of FVNL in the net asset of the associate interest. Goodwill that stems from the acquisition of an associate is presented as part of the investment in the associate.

Profits on transactions between FVNL and associates valued according to the equity method are eliminated in proportion to the share of FVNL. Losses are also eliminated, unless it appears from the transaction that the transferred asset has undergone impairment (see chapter 2.10).

The financial statements of subsidiaries are adapted if such is necessary to assure consistency with the FVNL financial reporting principles.

Losses are presented until such time as the balance sheet value of the investment is nil. Further losses are presented only if FVNL has a legally enforceable or factual liability or has made payments that concern the associate.

2.5 Foreign currency

The consolidated financial statements are stated in euro, the functional currency of the FVNL Holding company.

Foreign currency transactions by individual companies of FVNL are presented at the exchange rate on the date of the transaction. A distinction is made between monetary and non-monetary items.

Monetary items

At balance sheet date any outstanding balances in foreign currency are presented at the closing rate for monetary items. Translation results on monetary items are presented in the profit and loss account.

Non-monetary items

The translation of non-monetary items depends on whether they are presented at historical cost or fair value:

- non-monetary items presented at historical cost are translated using the historical exchange rate on transaction date;
- non-monetary items presented at fair value are translated using the exchange rate on the date of determination of fair value.

The resulting exchange rate differences are presented as a gain or loss under the exchange rate differences item. This does not apply in the event of a change to the fair value of the non-monetary items presented as a component of equity.

The distinction between exchange rate differences (which are presented in the income statement) and realised revaluations of fair values (presented under equity) on financial assets available for sale is determined according to the following rules:

- the exchange rate differences are determined on the basis of how the exchange rate has developed relative to the previous reporting period;
- the realised results (in terms of fair value) are determined on the basis of the difference between the balances stated in euro of the previous and new reporting periods based on the new exchange rate.

Translation/conversion of foreign currency

On consolidation the income statement and cash flow statement of entities whose working currency is not stated in euro are converted into FVNL's presentation currency, namely the euro. This is done at the average daily exchange rates for the current year or, in exceptional cases, at the exchange rate on the day of the transaction if the exchange rates fluctuate significantly. Their balance sheets are translated at the closing rate on balance sheet date.

Exchange rate differences resulting from translation are presented under equity.

Exchange rate differences that occur on translation of monetary items that are part of a net investment in a foreign entity are presented in the consolidated financial statements under equity until disposal of the net investment.

Exchange rate differences on borrowed amounts and other foreign currency instruments, designated as hedges for those investments, are presented under equity. This does not apply to the hedging ineffectiveness presented directly in the income statement. On disposal of a foreign entity the exchange rate differences are presented in the income statement as part of the gains or losses on the sale.

Goodwill stemming from the acquisition of a foreign entity and from adjustments of the fair value of assets and liabilities resulting from the acquisition of the foreign activity are treated as assets and liabilities of the foreign entity. They are translated at the closing rate on balance sheet date. All resulting differences are presented under equity (in the 'Exchange rate differences' column). On the sale of the foreign entity there is a transfer to the income statement.

Exchange rates of the main foreign currencies:

	Year-end exchange rate			Average exchange rate		
	2007	2006	2005	2007	2006	2005
1 euro=						
Pound sterling	0.73	0.67	0.69	0.68	0.68	0.68
US dollar	1.47	1.32	1.18	1.37	1.26	1.24
Australian dollar	1.67	1.67	1.61	1.63	1.67	1.63
South African rand	10.03	9.21	7.49	9.66	8.62	7.92

2.6 Transaction date and settlement date

All purchases and sales of financial assets and liabilities that must be completed within the period of time prescribed by regulation or market conventions are presented on the basis of the transaction date. This is the date when FVNL became involved as a party to the contractual provisions of the instrument.

Forward purchases and sales, other than those that must be completed within the period of time prescribed by regulation or market conventions, are presented as derived forward transactions until the time of settlement.

2.7 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet if a legally enforceable requirement exists to net the presented amounts. The same applies if an intention exists to settle up on a net basis or simultaneously to realise the net asset and to settle the liability. Assets are presented (as and when necessary) less an impairment.

2.8 Presentation and valuation of financial assets and liabilities

FVNL records financial assets and liabilities according to the purpose of these transactions.

Financial assets

Financial assets are presented as assets held for trading, investments, receivables from banks and receivables from customers.

The valuation and the presentation of the results depend on the classification of the financial assets, i.e.:

- a) loans and receivables;
- b) investments held until maturity;
- c) financial assets held at fair value through profit or loss;
- d) financial assets available for sale.

This classification determines the measurement and presentation of the results in the following manner:

- a) Loans and receivables are first valued at fair value (including transaction costs). After initial valuation this occurs at amortised cost price using the effective interest method. The periodical amortisation is presented in the income statement.
- b) Investments held until maturity are instruments with fixed or determinable payments and a fixed term. FVNL must firmly intend and be able to keep these investments until maturity. These instruments are first valued at fair value (including transaction costs). Subsequently they are valued at amortised cost price using the effective interest method, with the periodic amortisation presented in the income statement.
- c) Financial assets at fair value with impairments in the income statement include:
 1. financial assets kept for trading, including derivatives that do not qualify for 'hedge accounting', and
 2. financial assets that FVNL has irrevocably designated on their first recognition or first-time application of IFRS as being held for trading. This is done at fair value with impairments in the income statement;

These financial assets are valued at fair value, whereby value impairments affect the results.

- d) Financial assets available for sale are financial assets that are presented as (a) loans and receivables, (b) investments held until maturity, or (c) financial assets carried at fair value with value adjustments in the income statement. Financial assets available for sale are initially carried at fair value including transaction costs. Subsequently, they are valued at fair value with recognition of unrealised gains or losses on fair value movements under equity.

Types of financial assets

Shares, participating securities and other non-fixed-interest securities: these are all non-derived financial assets that on first recognition are designated as being available for sale. Financial fixed assets available for sale are initially carried at fair value. Subsequently they are carried at fair value with adjustments under equity.

Bonds and other fixed-interest securities: these investments are valued at fair value with value changes in equity, except for the synthetic CDOs (Collateralised Debt Obligations). The preference shares included under this heading that carry an entitlement solely to a fixed dividend are also valued at fair value with impairments under equity. Synthetic CDOs are valued at fair value with value changes in the profit and loss account.

Information regarding derivatives and hedging can be found in chapter 2.23.

Mortgages and other loans: these investments are initially carried at fair value (including transaction costs) and are subsequently carried at amortised cost price using the effective interest method.

Investments in investment pools: these interests are initially carried at fair value and are subsequently carried at fair value with value movements under equity.

Financial liabilities

Financial liabilities are presented as liabilities held for trading, due to banks, due to customers, debt certificates, subordinated liabilities and other financing.

The valuation and presentation of the results depend on the IFRS classification of the financial liabilities, i.e.:

1. Financial liabilities held at fair value through profit or loss, and
2. Other financial liabilities.

This IFRS classification determines the valuation and presentation of the results in the following way:

1. Financial liabilities at fair value with value changes in the income statement include:
 - a) financial liabilities held for trading, including derivatives that do not qualify for hedge accounting, and
 - b) financial liabilities that FVNL irrevocably designated at the time of first recognition or first-time application of IFRS as being held at fair value with value changes in the income statement.
2. Other financial liabilities are first carried at fair value (including transaction costs). Subsequently they are carried at amortised cost price using the effective interest method, with the regular amortisation presented in the income statement.

2.9 Fair value of financial instruments

The fair value of a financial instrument is determined on the basis of published price quotations in an active market. If there is no active market for the financial instrument, the fair value is determined with the aid of measurement methods. Measurement methods make the fullest possible use of market information. However, they are influenced by the assumptions that are made, such as discount rates and estimates of future cash flows. Such methods include market prices of similar investments, current value calculations, option measurement methods and measurement methods for market multiples. In the unlikely case of it not being possible to determine the fair value of a financial instrument, it will be presented at cost.

On first recognition the fair value of a financial instrument is the transaction price, unless the fair value is evident from recently observed market transactions involving the same instrument, or it will be based on a measurement method with the variables consisting solely of data originating from observable markets.

The most important methods and assumptions that FVNL uses to determine the fair value of financial instruments are:

- the fair value of securities available for sale and of securities at fair value with value changes in the income statement is determined by means of market prices in active markets. If quoted prices are unavailable in an active market, the fair value is determined using current value calculations. Discount factors are based on the swap curve plus a spread to reflect the features of the instrument;
- the fair value of derivatives is obtained from active markets or, if applicable, it is determined using net current value calculations and option valuation models;
- the fair value of loans is determined using current value calculations based on FVNL's prevailing interest rates for loans of the same type. The fair value of loans with a variable interest rate, which have a price that changes frequently and exhibit no identifiable credit risk change, is approximated by the balance sheet value. Option valuation models are used to value an interest-rate ceiling and prepayment options embedded in loans and are presented separately on the basis of IFRS;
- the fair value of unlisted private equity investments is estimated using the applicable market multiples (e.g. net asset value, price/earnings ratios or price/cash flow ratios). These are refined to reflect the specific circumstances of the entity.

- off-balance sheet commitments and guarantees are explained in the financial statements. They are based on the fees currently charged to enter into similar agreements, taking into account the other conditions of the agreements and the creditworthiness of the counterparties;
- for other financial assets and liabilities, such as short-term debts and receivables, it is assumed that the balance sheet value approximates the fair value.

2.10 Measurement of impaired assets

An asset is impaired if its balance sheet value is higher than its realisable value. FVNL examines all its assets at each balance sheet date for indicators that might necessitate impairment.

The balance sheet value of impaired assets is lowered to their estimated realisable value. The amount of the movement in the provision in the current reporting period is presented in the income statement. Adjustments, write-offs and reversals of impairments are recognised in the income statement as part of the change to the impairment.

If the amount of the impairments on assets, other than goodwill or equity instruments available for sale, decreases in a subsequent period due to an event that occurs after impairment, the amount is reversed through the income statement.

Financial assets

A financial asset (or group of financial assets) is impaired if there are objective indications of impairments because of one or more events that occurred after the first recognition of the asset. The event or events that caused the loss have an effect on the estimated future cash flows from the financial asset (or group of financial assets) that can be estimated reliably. A financial asset is deemed to have undergone impairment if there has been a prolonged or significant decrease in the realisable value.

Depending upon the type of financial asset, the realisable value can be estimated in the following manner:

- fair value using an observable market price;
- current value of expected future cash flows discounted at the original effective interest rate of the financial asset, or
- based on the fair value of collateral furnished.

Impairments allocated to equity instruments available for sale cannot be booked back in subsequent periods via the income statement.

Other assets

The realisable value of non-financial assets is determined as the highest of either fair value less selling costs or the value in use. The fair value less selling costs is the amount obtained through the sale of an asset in an arm's-length transaction between knowledgeable and willing parties after deduction of the selling costs. The value in use is the current value of estimated future cash flows likely to stem from continued use of an asset and from disposal at the end of its useful life.

2.11 Cash and cash equivalents

Contents

Cash and cash equivalents consist of liquidities, freely available balances held with banks and other financial instruments with a due date less than three months from acquisition date. These are carried at face value.

Cash flow statement

FVNL presents cash flows from operating activities based on the indirect method. The net result is adjusted with a view to the effects of non-cash transactions, any deferred items for received or future cash receipts or cash payments from operating and income and expense items in connection with investment or financing cash flows.

Interest received and interest paid is presented in the cash flow statement as cash flows from operating activities. Received dividends are presented in the cash flow statement as cash flows from operating activities. Paid dividends are presented as a financing activity.

2.12 Due from banks and customers

Classification

Receivables from banks and receivables from customers consist of loans initiated by FVNL by providing money directly to the borrower or intermediary. This category also includes loans purchased from third parties that are presented at amortised cost price. Rights to trade receivables assumed directly from the issuer in the primary market are presented as loans provided that no active market exists for such rights. Loans initiated or purchased with the intention of selling or effectuating them in the short-term are presented as assets held for trading. Loans designated as being held at fair value with value through the profit and loss or as being available for sale are presented as such at the time of first recognition.

Impairment

An individual impairment of a loan is acknowledged if there are objective indications that FVNL will be unable to collect all outstanding amounts in accordance with the contractual conditions. The amount of the impairment is the difference between balance sheet value and realisable value, either the current value of the expected cash flows or, alternatively, the value of the collaterals, if the loan is covered by collateral, less the costs of realising this collateral.

An incurred but not reported (IBNR) impairment of a loan is presented if there are objective indications that losses are present in components of the portfolio of loans, without an impairment having been presented for the loans. The IBNR is estimated on the basis of historical patterns of losses in each segment.

This reflects the current economic climate in which borrowers are operating, while allowance is made for a higher risk of payment problems, based on an analysis of the political and economic situation in certain countries.

Impairments are presented as a decrease in the balance sheet value of receivables from banks and receivables from customers.

FVNL adopts a portfolio approach to groups of similar loans, such as mortgages and credits, for determination of impairments. The expected losses are calculated for different periods of arrears based on historical data. The parameters for bad debts are reviewed periodically.

If a specific loan is identified as uncollectible, and all legal and procedural remedies have been exhausted, the loan is deducted from the associated impairment losses; subsequent realisations are recognised under movements in the impairments in the income statement.

2.13 Sale and repurchase agreements and the lending/borrowing of securities

Securities covered by a repurchase agreement ('repo') continue to be recognised on the balance sheet. The debt that results from the obligation to repurchase the assets is included in amounts owed to banks or amounts owed to customers, depending upon the counterparty. Securities purchased under a repurchase agreement (reverse repo) are not presented on the balance sheet. The entitlement to the funds of the counterparty is presented as receivables from banks or receivables from customers, depending upon the counterparty. The difference between the selling price and the repurchasing price is presented as interest and allocated over the term of the agreements using the effective interest method.

Securities loaned to counterparties continue to be recognised on the balance sheet. By analogy, borrowed securities are not recognised on the balance sheet. If securities loaned to third parties are sold, the sale proceeds and the debt from the obligation to return the collateral are disclosed. The obligation to return the collateral is carried at fair value. This obligation is presented as a liability held for trading, with movements in value in the income statement.

2.14 Assets and liabilities held for trading

A financial asset or a financial liability is presented as being held for trading if it:

- was acquired or entered into mainly for the purpose of selling or buying back the asset or liability in the short term;
- forms part of identified financial instruments that are jointly managed and for which indications exist of a recent, factual pattern of short-term profit-taking;
- is a derivative (except a derivative designated as a hedge instrument and it is an effective hedge).

Assets and liabilities held for trading are recognised at the time of first recognition and thereafter at fair value through profit and loss. The results (realised and unrealised) are presented as 'Other realised and unrealised gains and losses'. Interest received/paid) on assets/liabilities held for trading are presented as interest income/interest expense. Received dividends are presented as investment proceeds.

2.15 Investment property

Investment property is real estate that is held to realise rent revenues or an increase in value, or both. FVNL can use certain investment properties for its own purposes. If the parts are used by FVNL can be sold or leased individually via a financial lease, those parts are presented as property, plant and equipment. If the parts used by FVNL cannot be sold individually, the real estate is treated as an investment property only if FVNL retains a negligible part for its own use.

Investment properties are carried at cost price less accumulated depreciation and impairments. Depreciation is calculated using the linear method so as to lower the costs of the assets over their estimated period of use to their residual value. The residual value and the estimated period of use of investment properties are determined separately for each significant part ('component approach'). They are re-examined at each balance sheet date. Depreciation is calculated until the residual value is reached. The residual value is always nil. There is no depreciation on sites.

FVNL rents out its investment properties to third-party unassociated companies by means of various rental contracts that cannot be cancelled. Certain contracts contain renewal options for various periods of time. The rent revenues are presented linearly as investment proceeds over the period that they concern.

Transfers to or from investment properties occur only if there is a change of usage:

- in investment properties at the end of use by ASR or at the start of an operating lease to another party or at the end of construction or development;
- from investment properties at the start of use by FVNL or at the start of development with a view to sale;
- new purchases in completed construction or development.

Projects (investment properties under development)

Investment properties under development consist of projects being developed and projects in progress. Until a start is made on selling the project the project is classified under projects under development. Acquisition costs are deferred only if a feasibility study indicates that there is sufficient certainty that the preparatory costs will result in sufficient economic benefits. Preparatory costs presented at any time as an expense no longer qualify for capitalisation. The investment properties under development are classified under property, plant and equipment as buildings under construction.

If the result of a construction contract can be estimated reliably, the contract revenues and costs associated with the construction contract are presented as income or expense, respectively. This occurs pro rata the progress of the contract at balance sheet date. If the total construction costs are likely to be higher than the total contract revenues, the expected loss is presented immediately under expense.

Projects under development

A project under development means real estate that is being built or developed for future use as an investment property. This does not concern existing real estate that is being redeveloped, which continues to be classified as an investment property. Projects under development are carried at acquisition price plus acquisition costs and allocated interest, or at a lower estimated realisable value.

Projects in progress

A project in progress means a project undertaken on behalf of third parties with the intention of selling it. It is not intended for future use as an investment property. Projects in progress are measured in conformity with projects under development, less invoiced instalments.

From such time as a sale contract has been concluded for a project with a third party and the main rights to economic benefits and the main risks have been transferred to this party, the result is presented pro rata the progress of the project.

2.16 Lease agreements

FVNL as lessee

FVNL mainly concludes operating leases for the rental of equipment and sites and buildings. Payments resulting from such leasing transactions are amortised linearly in the financial statements for the term of the lease agreement. If an operating lease is terminated before its expiry date, the payments that must be made to the lessor by way of a penalty are presented under expense in the reporting period in which termination occurs.

Any benefits received from the lessor in connection with operating lease transactions are presented linearly over the term of the lease as a reduction of the leasing expenses.

If a lease agreement transfers virtually all risks and remunerations attached to ownership of an asset, the lease is presented as a financial lease and the asset concerned is capitalised. At the start of the lease term the asset is presented at fair value of the leased asset or, if lower, at the current value of the minimum lease payments. The leased asset is written down over the expected period of its use or over the term of the lease if the latter is shorter. The corresponding lease liability, less financial costs, is presented under loans. The interest element of the financial costs is shown in the income statement as an expense over the term of the lease. This creates a constant regular interest rate on the remaining liabilities balance for each reporting period.

2.17 Investments related to unit-linked contracts

Investments in unit-linked insurance and investment contracts concern investments held to meet specific investment objectives of the third parties that run the investment risk. Fortis's own shares held for policyholders are eliminated.

2.18 Reinsurance, trade and other receivables

Reinsurance

Reinsurance receivables consist mainly of balances owed by insurance and reinsurance companies for ceded insurance liabilities. Amounts receivable from reinsurers are estimated in a way compatible with the amounts attached to the reinsured policies and in conformity with the reinsurance contract.

Contracts that transfer a significant insurance risk are presented as reinsurance contracts.

Reinsurance contracts are measured to determine whether a significant insurance risk will be transferred within the contract. Reinsurance contracts that do not transfer any significant insurance risk are presented using the deposit method. They are presented under loans (credits or loans) as financial assets or financial liabilities for reinsurance. A financial asset or financial liability for reinsurance is presented at the paid or received amount, less any explicitly identified premiums or fees to which the reinsured party is entitled. The paid or received amounts stemming from these contracts are presented as deposits using the effective interest method.

Trade receivables and other receivables

Trade receivables and other receivables that stem from normal operations and arise through actions by FVNL are presented at their initial fair value less any impairment.

2.19 Property, plant and equipment

All real estate held for the company's own use and all fixed assets are presented at cost price. This amount is reduced by accumulated depreciation (except for sites not written down) and any accumulated impairments. The cost price is the equivalent of the current price that was paid, or the fair value of the payment given to acquire the asset at the time of acquisition or the construction of the asset.

Depreciation on buildings is calculated linearly so as to write down the costs of these assets over the expected period of use to their residual value. The useful life of buildings is determined for each individual part (component approach). This is re-examined at the end of each year. The real estate is split into the following components: land, skeleton, outer shell, systems and furnishings (both rough finishing and detailed finishing).

The table below shows the maximum life of components.

(Expressed in years)

Components	Home	Office	Shops	Parking
Land	Not applicable	Not applicable	Not applicable	Not applicable
Skeleton	50	50	40	50
Outer shell	40	30	30	40
Systems	20	20	15	30
Furnishings	15	15	10	15

IT, office and other equipment and motor vehicles are depreciated for their respective individually determined life cycle.

As a general rule the residual values are set at nil.

Expenditure on repairs and maintenance is presented in the income statement as an expense in the period the expenditure was incurred. Expenditure that improves or enlarges the benefits of real estate or fixed assets in a way that exceeds their original use is capitalised and then written down.

Information about financing costs for the financing of the construction of property, plant and equipment can be found in chapter 2.35, 'Financing costs'.

2.20 Goodwill and other intangible assets

Intangible assets

An intangible asset is an identifiable non-monetary asset. The intangible asset is presented at cost price if it will produce future economic benefits and the cost price of the asset can be determined reliably.

Intangible assets with an open-ended useful life are not written down but are examined at least once each year for impairments. Any identified impairments are presented in the income statement. Intangible assets are presented in the balance sheet at cost price, less any cumulative depreciation and any cumulative impairment. The residual value of the estimated period of use of intangible assets is re-examined at each balance sheet date. With the exception of goodwill, FVNL has no intangible assets with an open-ended lifecycle.

Intangible assets with a certain lifecycle are generally written down linearly over the period of their use.

Goodwill

Acquisitions of companies are presented using the acquisition method. Goodwill represents the positive difference between on the one hand the cost price (fair value of the assets, liabilities and issued equity instruments) and on the other FVNL's share in the fair value of the assets, liabilities and provisional liabilities. Goodwill from the acquisition of a subsidiary is presented in the balance sheet as an intangible asset. Goodwill that arose on business combinations prior to 1 January 2005 has been deducted from the equity and under IFRS will not be remeasured. At acquisition date the goodwill is allocated to the cash flow generating units that are expected to obtain benefit from the synergy in the business combination. Goodwill is not depreciated, but it is examined for impairments. Goodwill from the acquisition of a non-controlling participation is presented as a component of the non-controlling participation.

The positive difference between the acquired interest in the net fair value of the assets, liabilities and provisional liabilities of the acquired party on the one hand and the acquisition costs on the other are presented immediately in the income statement.

FVNL values goodwill annually, or more frequently if events or changed circumstances indicate that the balance sheet value might not be realisable. If this occurs the realisable value is determined for the cash flow generating unit to which goodwill has been allocated. If the realisable value of the unit is lower than its balance sheet value, an impairment is presented immediately in the income statement.

When an impairment occurs, FVNL first reduces the balance sheet value of the goodwill allocated to the cash flow generating unit. This is followed by that of the other assets of the unit, pro rata the balance sheet value of each asset in the unit. Impairments presented earlier in respect of goodwill are not booked back.

FVNL may obtain control over a subsidiary in various steps. If this occurs FVNL treats each exchange transaction separately. The costs of each transaction are compared with the fair value of each transaction to determine the amount of goodwill attached to the individual transaction. Before FVNL obtains control over the entity the transaction may be regarded as an investment in a non-controlling participation and may be presented using the equity method. As and when necessary the fair value of the identifiable net assets of the party in which an interest has been acquired is determined by applying the equity method to the investment. This occurs on the date of each first transaction.

Other intangible assets

Value of business acquired (VOBA)

Value of Business Acquired represents the difference between the fair value on acquisition and the carrying amount of a portfolio of contracts acquired as part of an acquisition of a business or portfolio. VOBA is presented as an intangible asset and written down over the period of recognition of the revenues from the acquired portfolio.

Internally generated intangible assets

Internally generated intangible assets are capitalised if FVNL is able to demonstrate all of the following matters:

- the technical feasibility of completing the intangible asset, so that it will be available for use or sale;
- the intention to complete the intangible asset and to use or sell it;
- the ability to use or sell the intangible asset;
- the probable generation by the intangible asset of future economic benefits;
- the availability of adequate technical, financial and other means to complete the development and to use or sell the intangible asset;
- the ability to value reliably the expenditure that may be allocated to the intangible asset during its development.

Intangible assets materialised through research and internally generated goodwill are not capitalised.

Software

Software for computer hardware that will not work without that specific software, such as the operating system, forms an integral part of the hardware and is treated as an intangible asset. If the software is not an integral part of the hardware, the costs incurred in the development phase are capitalised as an intangible asset and depreciated linearly over the estimated period of use, provided that FVNL can demonstrate that all the criteria stated above have been met. Software is generally written down over five years at most.

Other intangible assets with a certain useful life

Other intangible assets, such as those with a certain useful life, like trademarks and licences, are generally written down linearly over their useful life. At each reporting date intangible assets with a specific useful life are examined for impairments. Such intangible assets generally have a useful life of 10 years at most.

2.21 Deferred acquisition costs

The costs of acquiring new and renewed insurances are capitalised and written down. This concerns mainly commissions and expenditure concerning intermediaries and the issue of new policies. Costs vary and relate mainly to the production of new insurances. Deferred acquisition costs ('Deferred Acquisition Costs', or DAC) are examined regularly for their realiseability based on estimates of future profits of the underlying contracts.

For life-insurance products and investment products of the 'life' type without discretionary profit-sharing elements, the deferred acquisition costs are amortised in proportion to the expected premiums or to the mark-up included in the premium for repayment of the acquisition costs. Expected premiums are estimated at policy issue date and are consistently applied during the term of the contracts. Discrepancies between actual results and results estimated based on past experience are presented in the income statement in the reporting period in which the discrepancies occur. For these contracts the amortisation periods may be equal to the total term of the premium payment or shorter, depending on the type of insurance.

For short-term contracts the deferred acquisition costs are amortised over the reporting period in which the written premiums will be earned.

2.22 Fixed assets held for sale and discontinued business activities

Fixed assets or a group of assets and liabilities that FVNL presents as being kept for sale are those with a balance sheet value that will be realised mainly in a sales transaction likely to occur within the year and not through their continued use.

A discontinued business activity is a part of FVNL that has been disposed of or is presented as being held for sale and that satisfies the following criteria:

- it represents a separate important activity or geographical location;
- it is a part of a specific coordinated plan to dispose of a separate important sector or geographical business territory; or
- it is a subsidiary acquired solely with the intention of being sold on.

No depreciation is applied to assets (or groups of assets) presented as being held for sale. They are carried at the lower of carrying amount and fair value less sales costs and are presented separately in the balance sheet.

Results on discontinued business activities are presented separately in the income statement.

2.23 Derivatives and hedging

Recognition and presentation

Derivatives are derived financial instruments such as swaps, forward contracts, futures and (written and sold) options. Such instruments have a value that changes in line with the changes in the underlying instruments or securities. They require little if any net initial investment and are settled at a future time.

All derivatives are first presented on the balance sheet at fair value at transaction date:

- derivatives held for trading in 'Assets held for trading' and 'Liabilities held for trading';
- derivatives held for hedging in 'Accrued interest and other assets and 'Accrued interest and other liabilities'.

Subsequent changes to the fair value of derivatives held for trading are presented in the income statement under 'Other realised and unrealised gains and losses'.

Financial assets or liabilities may include derivatives embedded in a contract. Such financial instruments are often called 'hybrid financial instruments'. If the basic contract is not presented at fair value with value changes in the income statement and the features and risks of the derivatives embedded in the contract are not closely aligned to those of the basic contract, the derivative embedded in the contract must be separated from the basic contract and carried at fair value as a stand-alone derivative. Fair value movements are recognised in the income statement. The basic contract is presented and measured by applying the rules of the relevant category of financial instrument.

However, if the basic contract is recognised at fair value through profit or loss, or if the features and risks of the derivatives embedded in a contract are closely aligned to those of the basic contract, the derivative embedded in a contract is not separated and the hybrid financial instrument is valued as a single instrument.

Depending on the situation, the separated derivatives are presented as derivatives held for hedging or as derivatives held for trading.

Hedge accounting

FVNL uses hedge accounting. This means that at the date a derivative is concluded FVNL may designate that contract as a hedge of future cash flows allocable to a presented asset or liability or expected transaction (cash flow hedging). Hedging of defined benefits are hedges at fair value, except hedges of exchange rate risks recognised as cash flow hedges.

At the start of the transaction FVNL documents the relationship between hedging instruments and hedged positions. The same occurs with risk management objectives and policy concerning hedge transactions. FVNL further documents the assessment, at the start of the hedge and continuously for each reporting date, as to how effective the hedging instrument was in compensating for changes in the fair value of cash flows of the hedged position, and also its sustained expected effectiveness going forward.

Solely assets, liabilities, defined benefits or very probable transactions involving a party outside FVNL are considered to be hedged positions.

The fair value movement of a hedged position, which is allocable to the hedged risk and the fair value movement of the hedging instrument in a fair value hedge transaction, are recognised in the income statement. The fair value change of interest-bearing derivatives is recognised separately from the accrued interest.

If the hedge no longer satisfies the hedging criteria or is terminated, the adjustment of the balance sheet value of the hedged interest-bearing financial instrument resulting from hedge accounting is written off. This is done on the basis of a recalculated effective interest rate on the date of termination of the hedging transaction.

Fair value movements of derivatives designated as qualifying as cash flow hedges are recognised under equity as an unrealised gain or an unrealised loss. Ineffective hedges are immediately recognised in the income statement.

If the hedging of an expected transaction or defined benefit results in recognition of a non-financial asset or a non-financial liability, the gains and losses presented earlier under equity are transferred out of equity and included in the first valuation of that non-financial asset or that non-financial liability. Additionally, amounts recognised under equity are transferred to the income statement and recognised as an income or expense in the periods in which the hedged defined benefit or expected transaction influences the income statement.

This is also the case if the hedge no longer satisfies the criteria for hedge accounting or is discontinued in some other manner, but the expected transactions or defined benefits are expected to go ahead. If the expected transactions or defined benefits are not expected to go ahead, the amounts deferred under equity are transferred to the income statement.

Refer to chapter 2.5, Foreign currency, for information on hedging of net investments.

2.24 Liabilities arising from insurance contracts

Presentation

FVNL issues contracts that transfer the insurance risk or financial risk, or both, from the insured party to FVNL.

Contracts with a significant insurance risk are presented as insurance contracts and reinsurance contracts. These contracts may also transfer a financial risk.

Life insurance contracts with discretionary profit-sharing element

Most life insurance contracts carry a guaranteed benefit. Some may also include a discretionary profit-sharing element. This element gives the contract holder the right to receive, over and above guaranteed benefits, additional benefits or bonuses:

- that will probably form a substantial part of the total contractual benefits;
- of which the amount and/or timing is contractually subject to the autonomous decision of FVNL; and
- are based contractually on:
 - the performance of a specific pool of contracts or a certain type of contract;
 - realised and/or unrealised investment returns on a specific pool of assets held by FVNL, or
 - the profit or loss of FVNL a fund of another entity that issues the contract.

If the profit-sharing decision was taken before the end of the financial year, the profit-sharing will be recognised as a liability.

Current policyholder dividends are allocated to life insurance contracts with discretionary profit-sharing elements. This occurs on the basis of the contractually owed amount according to the net profit, restrictions and instalments in accordance with the articles of association.

Shadow accounting

With some of the financial instruments held by FVNL, the realised/unrealised gains or losses on assets have a direct effect on the measurement of insurance liabilities (or some of them) or related deferred acquisition costs. FVNL uses shadow accounting for the fair value movements in the fixed-interest investments and assets and liabilities held for trading that are related to, and thus have an influence on, the measurement of the insurance liabilities. Therefore, the changes to fair value will not form part of the equity or the net result.

Shadow accounting is applied insofar as the aforementioned investments are related to profit-sharing policies.

Shadow accounting takes place for non-profit-sharing policies, insofar as the current level of interest is lower than the actuarial notional interest used to calculate the liability. By applying shadow accounting the realised/unrealised value changes are also recognised in the provision for insurance liabilities. On balance therefore the realised/unrealised value changes will not form part of equity or the income statement.

Adequacy test for liabilities (LAT)

This test is performed at the end of each year to determine whether the recognised liabilities are adequate. Use is made of the current portfolio returns to estimate future cash flows. The adequacy of the liabilities is tested at the level of homogenous product groups. If the liabilities are inadequate to provide future cash flows, including cash flows such as management costs and cash flows that result from options and guarantees embedded in a contract and depreciation of the deferred acquisition costs (DAC), the deferred acquisition costs will be subject to an extra write-down and/or supplemental liabilities will be recognised on the basis of best possible estimates. As and when necessary a recognised deficit will be recognised immediately in the income statement.

A similar adequacy test was performed with current market returns of the investment portfolio, excluding unrealised profits, being used to calculate future cash flows. The policy of FVNL on the performance of adequacy tests includes harmonised processes in the Fortis companies.

Liabilities arising from insurance contracts

Life

Future liabilities for policy benefits under life insurance contracts are calculated using a net premium method (present value of future net liabilities less present value of future net premiums) by applying the same principles used to determine the insurance premium. For contracts with a future duration of premium payments that is shorter than the future duration of the insurance, or for which no further premiums are being paid, a provision will be recognised for future administrative costs.

Profit-sharing policies include any supplementary liabilities for any contractual dividends of profit-sharing. For certain designated contracts, the future liabilities for policy benefits have been remeasured to take current market interest rates into account.

Acquisition costs are capitalised and depreciated. See chapter 2.21.

Non-life

Claims and claim-handling costs are recognised in the income statement at the time the expense is incurred. Unpaid claims and claim handling costs consist of estimates for reported claims and provisions for claims that occurred but were not reported. Estimates of occurred-but-unreported claims are established based on past experience, current claim trends and prevailing social, economic and legal frameworks. The liability for non-life insurance claims and claim handling costs (less indemnifications, recovered claims, residual values and subrogation) is based on estimates of expected future payments and costs. Allowance is made for management's assessment of the expected level of inflation, costs of handling claims, legal risks and claim trends. Non-life liabilities concerning incapacity for work are presented at their net present value. The created provisions are sufficient to cover the ultimate costs of claims and claim handling costs. The resulting adjustments are recognised in the income statement. FVNL discounts its commitments for non-life only for claims with determinable and fixed payment terms.

Reinsurance commitments

Liabilities concerning matters accepted in reinsurance that do not transfer any substantial insurance risk may be regarded as financial liabilities. These liabilities are presented in the same way as the other financial liabilities, as referred to under 2.8.

The accounting procedures for liabilities from accepted reinsurance contracts with a substantial insurance risk are the same as the procedures that apply to direct, written insurance contracts.

Deposits of reinsurers in respect of matters ceded in reinsurance that transfer a substantial reinsurance risk are the same as the amount outstanding at balance sheet date.

Reinsurance commitments are reported under 'Other liabilities'.

2.25 Liabilities related to unit-linked contracts

Fortis investment agreements without profit-sharing are mainly unit-linked agreements whereby the investments are held on behalf of the policyholder. Unit-linked agreements are a specific type of life insurance contracts where the benefits are linked to ICBEs (institutions for group investment in securities), to a share basket, a reference value, or a combination of the value figures or calculating units laid down in the agreement. Article 25 of EU Directive 2002/83/EEC regulates these contracts. Liabilities for such agreements are valued at the value per unit. This is the fair value of the fund in which the unit linked agreement has invested, divided by the number of units of the fund.

Certain products include guarantees, which are also valued at fair value and are presented in liabilities concerning policyholders. The change in fair value is presented in the income statement. Allowance is made for technical insurance risks based on actuarial assumptions.

2.26 Debt certificates, subordinated liabilities and other borrowings

Debt certificates, subordinated debts and other borrowings are first recognised at fair value without the direct transaction costs. They are subsequently valued at amortised cost price and as and when necessary the difference between the net proceeds and the repayment price is presented in the income statement over the period of the loan based on the effective interest method.

2.27 Staff remunerations

Pension liabilities

FVNL has a number of defined benefit plans for its employees. These are pension schemes that provide for defined benefit. The payments are determined by means of regular actuarial calculations.

A defined benefit pension plan is one that gives the employee the assurance of a fixed benefit at pensionable age. This generally depends on several factors, such as age and length of service. Actuaries calculate the pension assets and liabilities at least once a year.

The provision for defined benefit plans is the present value of the pension liabilities at balance sheet date less the fair value of the investments. This provision is adjusted for unrecognised results and costs concerning elapsed years of service. The provision for defined benefit plans is determined using internal and external actuarial models and calculations. The pension liabilities are calculated in accordance with the projected unit credit method. The use of assumptions for discount rates, percentage increase of future salaries and remuneration levels, mortality, trends in healthcare costs, consumer price index and expected investment return are inherent in these actuarial models. The assumptions are updated from year to year and are based on available market information and past investment returns. The actuarial assumptions can differ considerably from actual results on account of changes in market conditions, economic trends, mortality trends and other assumptions. Each change in these assumptions can impact substantially on the size of the provision for defined benefit plans and the future pension expenses.

Differences between expected and actual returns on investments caused by changes in actuarial assumptions and adjustments of experience-based figures are not presented in the income statement. However, they are presented if the totality of the cumulative changes falls outside the 10% corridor of the greater of the liability under the plan or the fair value of the associated investments. The part that falls outside the corridor is charged or added to the income statement over the expected average remaining number of years of service of the pension plan members.

Pension costs of elapsed length of service are recognised immediately in the income statement. This does not occur if the changes to a pension plan depend on the number of employees that remain in the employ of the company during a certain period of time ('waiting period' or 'vesting period').

The fund investments accompanying the pension liabilities must satisfy certain criteria in order to be presented as 'qualifying fund investments of pension plans'. These criteria concern the circumstance that the fund investments must legally be segregated from FVNL or its creditors. If the criteria are not fulfilled, the fund investments are presented in the relevant column of the balance sheet (investments, property, plant and equipment, etc.). If the fund investments do satisfy the criteria, they are set off against the pension liability.

Set-off of the fair value of fund investments against the present value of the liabilities under pension plans based on defined benefits can result in a negative amount (an asset). If this occurs, the presented asset may not exceed the sum of:

- the cumulative unrecognised actuarial net losses, and
- the pension costs of elapsed length of service, and
- the present value of economic benefits available in the form of repayments from the plan or reductions of future contributions to the plan.

Plans that provide benefits for a long service but are not pension plans are measured at the net present value using the projected unit credit method.

The employer's contributions to pensions under defined contribution plans are recognised in the income statement as an expense in the year to which they relate.

Other liabilities after termination of employment

FVNL offers post-employment benefits such as mortgage loans at favourable interest rates and health insurance schemes. To be entitled to this remuneration it is generally obligatory for the employee to remain in the company's employ up to and including pensionable age and to have reached a minimum length of service. The expected costs of this remuneration are allocated over the period of the employment. This is on the basis of a methodology similar to that used for defined benefit plans. The liabilities are determined by means of actuarial calculations.

Remuneration based on shares (or plans for participation in share capital)

Share options of parent company Fortis N.V. are allocated to directors and to employees in recognition of services rendered. The fair value of the rendered services is determined with reference to the fair value of the awarded share options. The compensation costs are measured at allocation date on the basis of the value of the options and the costs recognised during the vesting period of the options. The fair value is determined on the basis of an option measurement. This takes into account the share price and allocation date, the exercise price, the expected term of the option, the expected volatility of the underlying shares and the expected dividends on them, as well as the risk-free interest rate over the expected term of the option. If the options are exercised and new shares are issued, the revenues received are accounted for, less any transaction costs, in the share capital of parent company Fortis N.V. (par value). The surplus is presented under the issue premium (share premium). If Fortis N.V. has purchased its own shares for this purpose it deducts them from the own shares column.

Personnel rights

Personnel rights attached to awarded annual holidays and days of leave earned through long service are recognised when they can be taken by the employees. A liability is created for any days of leave to which employees are entitled but have not taken by the end of the period.

2.28 Provisions, provisional liabilities and financial guarantees

Provisions

Provisions are liabilities with contingencies in terms of amount and time of payment. Provisions are recognised on the balance sheet if as a result of past events there is an existing commitment to transfer economic benefits, such as cash flows, and if it is possible to make a reliable estimate at the balance sheet date. Provisions are created for certain guarantee agreements for which FVNL is responsible in the event of non-payment. Provisions are estimated on the basis of all relevant factors and information existing at the balance sheet date and are discounted at the risk-free interest rate.

Provisional liabilities

Provisional liabilities are the contingencies with an amount that cannot be estimated with sufficient reliability or for which payment is unlikely to be required in order to fulfil a commitment. These events are stated under 'Liabilities not shown on the balance sheet'.

Financial guarantees

Financial guarantee contracts, which anticipate payments as a result of changes in a particular interest rate, securities price, commodities price, exchange rate, index of prices or interest rates, credit rating or credit index or other variable are recognised as derivatives. A condition is this must not be specific to one of the parties to the contract in the case of a non-financial variable.

Financial guarantee contracts that provide for particular payments by FVNL to the holder as compensation for a loss because a particular debtor is unable to fulfil its commitments are recognised as insurance contracts if a significant insurance risk transfers to FVNL.

2.29 Equity

Share capital and company's own shares

Costs of issuing shares

Costs that can be directly allocated to the issue of new shares, except those concerning a business combination, are deducted from shareholders equity after deduction of any related tax on profit.

Other equity components

Other elements presented under equity relate to:

- foreign currency (see chapter 2.5);
- financial assets available for sale (see chapter 2.8);
- cash flow hedges (see 2.23);
- discretionary profit-sharing elements (see 2.24).

2.30 Interest income and expense

Interest income and expenses are recognised in the income statement for all interest-bearing instruments. It makes no difference whether they have been presented as held until maturity, available for sale, at fair value with value changes in the income statement or as derivatives. The accrual basis is used for presentation by applying the effective interest method based on actual purchase price including direct transaction costs. The earned par value coupon interest is presented under interest income on instruments at fixed or variable rates of interest. The amortisation of share premium or discount according to the effective interest method also falls under this category.

If the value of a financial asset has decreased to its estimated realisable value, the interest income is recognised on the basis of an effective interest rate. This is the interest rate that was used for the discounting of the future cash flows when determining the realisable value.

2.31 Insurance premiums, claims and payments

A short-term investment contract (less than one year) is a contract that provides for insurance protection for a short but fixed period of time. It provides the insurer and the customer with a possibility to cancel the contract or amend its provisions upon expiry of a contractual term.

A long-term contract is a contract (longer than one year) that is not generally subject to unilateral amendment of the conditions, such as a non-cancellable contract or a contract with predetermined amendments, and for which various services (including insurance protection) are provided for a long period.

Premiums obtained from life insurance policies are presented as revenues if they can be collected from policyholders. The resulting estimated future benefits and expenditure are presented as an expense. This is done so as to realise profits over the estimated term of the policies and matching is achieved by determining the liabilities of the insurance policies and capitalising and then writing down acquisition costs.

For contracts with a term less than one year (mainly non-life), the premiums are recognised as they were charged at the start of the contract. The premiums are presented in the income statement proportionally over the term of the relevant policy cover. The provision for unearned premiums represents the part of the premiums charged that relate to instalments for cover after the balance sheet date.

Medical cost concern short-term contracts that cannot be cancelled by the company.

2.32 Realised and unrealised gains and losses

For financial instruments presented as available for sale, the realised gains or losses on sales and divestments represent the difference between the received proceeds and the (amortised) cost price of the sold asset or liability. This is after deduction of any impairments already presented in earlier periods in the income statement and after making allowance for the impact of any adjustments under hedge accounting.

For financial instruments presented in the income statement at fair value through profit or loss, the difference between the balance sheet value at the end of the current reporting period and the previous reporting period is presented under 'Other realised and unrealised gains and losses'.

For derivatives the difference between the fair value excluding accrued interest (clean fair value) at the end of the current reporting period and the previous reporting period is presented under 'Other realised and unrealised gains and losses'.

Unrealised gains and losses incorporated directly into equity in the past (the difference between balance sheet value and amortised cost) are transferred on sale to the income statement. Realised gains and losses on sales are recognised in the income statement under the 'Realised gains (losses) on investments' column.

2.33 Fee and commission income

Fees and commissions for rendered services are generally presented as revenues if the service is performed. If it is unlikely that a particular loan will be allowed and the credit agreement is not regarded as a derivative, the fee/commission is presented under revenues, proportionally over the term of the agreement.

2.34 Transaction costs

Transaction costs are presented in the initial measurement of financial assets and liabilities, except the financial assets and liabilities carried at fair value with through profit and loss in the income statement. Subsequently, transaction costs incurred when entering into financial assets or liabilities with the effective interest method are recognised as interest income or expense in the income statement. Transaction costs are the extra costs directly allocable to the acquisition or disposal of a financial asset or a financial liability. These include the commissions and fees paid to agents, consultants, brokers and stockbrokers. The same occurs for levies by the regulatory and supervisory bodies and stock exchanges and for various types of transfer tax.

2.35 Borrowing costs

Borrowing costs are generally presented as an expense in the period they were incurred. Borrowing costs directly allocable to the acquisition or development of an asset are capitalised as part of the costs of an asset while the asset is under development. The capitalisation of borrowing costs must commence when:

- expenditure is incurred for the asset and the borrowing, and
- work is necessary to ready the asset for its intended use or its sale is in progress.

Capitalisation ends when the asset is almost ready for its intended use or for sale. Capitalisation is deferred if development of the asset is interrupted for a prolonged period of time. If construction is completed in various parts and each individual part is usable while construction of other parts continues, the capitalisation is ended for each part at such time as it is almost completed.

For a loan related to a certain asset, the effective interest rate for the loan is used. In other cases a weighted average of the paid interest rate is used.

2.36 Tax on profits

Tax on profits is presented as an expense based on the tax laws applicable in each jurisdiction in the period in which the profits occur. The tax effects of creditable losses under corporation tax are presented as a deferred tax claim if a future taxable profit is likely to exist against which the losses can be offset.

Deferred taxes are presented using the balance sheet method at all temporary differences between the balance sheet value of the assets and liabilities in the consolidated financial statements and their financial balance sheet value.

Deferred tax claims are presented to the extent that future taxable profit is likely to exist against which the temporary differences can be offset.

Deferred tax debts and tax claims are determined at the tax rates at which these positions are likely to be settled up.

A deferred tax liability is presented for taxable temporary differences related to investments in subsidiaries, minority associates and interests held in joint ventures. This method is used unless the time at which the temporary difference will be settled up is determinable and it is unlikely that the temporary difference will be settled up in the near future.

Tax on profits and deferred taxes concerning revaluation at fair value of associates available for sale and cash flow hedges incorporated directly as income or expense under equity are also presented directly as an income or expense under equity. Subsequently they are presented together with the deferred profit or deferred loss in the income statement

3 Acquisitions and divestments

	2007		2006		2005	
	Acquisitions	Divestments	Acquisitions	Divestments	Acquisitions	Divestments
Assets and liabilities of acquisitions and divestments						
Cash and cash equivalents	0	0	5	0	2	0
Investments	0	0	1	0	0	0
Reinsurance, trade and other assets	0	0	22	0	5	0
Property, plant and equipment	0	0	1	0	0	0
Goodwill and other intangible assets	0	0	40	0	0	0
Accrued interest and other assets	0	0	57	0	1	0
Liabilities related to insurance and investment contracts	0	0	0	0	-15	0
Provisions	0	0	-17	0	0	0
Accrued interest and other liabilities	0	0	-39	0	-1	0
Net acquired assets/net sold assets	0	0	70	0	-8	0
Funds (used) for acquisitions/received from sales	0	0	0	0	0	0
Total acquisition price/sale revenues	0	0	70	0	-8	0
Minus: funds acquired/disposed of and						
Cash equivalents	0	0	-5	0	1	0
Funds (used) for acquisitions/received from sales	0	0	65	0	-7	0

There were no acquisitions or divestments in 2007.

4 Shareholders' equity

The table below shows the composition of shareholders' equity at 31 December 2007.

Share capital	2007
- Ordinary shares; 200,000 issued at a par value of EUR 500	100
Share premium reserve	962
Net profit attributable to shareholder	889
Unrealised gains and losses	487
Other reserves	-176
	2,262

4.1 Unrealised gains and losses included in Shareholders' equity

The table below shows the movements in unrealised gains and losses recognised in Shareholders' equity in 2007, 2006 and 2005:

	Investments available for sale	DPF component	2007 Total
Balance sheet at 1 January 2007	1,426	-78	1,348
Change in unrealised gains	373	0	373
Change in unrealised losses	-1,163	0	-1,163
Change in in DPF	-24	24	0
Gross balance sheet at 31 December 2007	612	-54	558
Related tax	-82	11	-71
Net balance sheet at 31 December 2007	530	-43	487
			2006
Balance sheet at 1 January 2006	998	-65	933
Change in unrealised gains	420	0	420
Change in unrealised losses	-5	0	-5
Change in DPF	13	-13	0
Gross balance sheet at 31 December 2006	1,426	-78	1,348
Related tax	-188	13	-175
Net balance sheet at 31 December 2006	1,238	-65	1,173
			2005
Balance sheet at 1 January 2005	482	0	482
Change in unrealised gains	455	0	455
Change in unrealised losses	-4	0	-4
Change in DPF	65	-65	0
Gross balance sheet at 31 December 2005	998	-65	933
Related tax	-163	10	-153
Net balance sheet at 31 December 2005	835	-55	780

FVNL enters into insurance contracts that, in addition to the guaranteed participating benefit features of which the size and time of awarding fall solely under the responsibility of ASR. Depending upon contractual and legal terms and conditions, unrealised value changes in the fair value of the asset mix related to such contracts are recognised, after applying shadow accounting, in a separate discretionary participation feature component (DPF) as part of the unrealised gains and losses under equity. The share of shadow accounting in the statement above at 31 December 2007 was negative by EUR 264 million gross. After deduction of taxes the shadow accounting comes to EUR 197 million negative. This has been netted with the unrealised gains and losses in the column for financial assets available for sale. Unrealised gains and losses included at year-end 2007 a cash flow hedging reserve of EUR 0.4 million (2006: EUR 0.9 million; 2005: EUR 11,000).

4.2 Dividend

Various FVNL companies are subject to legal restrictions regarding the amount of dividends that they may distribute to their shareholders. The Netherlands Civil Code stipulates that dividends may only be distributed by Dutch companies insofar as the shareholders' equity of the company exceeds the total of paid-up and called-up capital and the reserves required by law or under the articles of association. Therefore, a maximum of EUR 713 million is distributable as dividend from the equity of FVNL at year-end 2007. This free capital consists of other reserves and undistributed profit in the 2007 financial year. Also refer to the company balance sheet in the chapter on Company financial statements 2007.

Proposed dividend for 2007

The Board of Directors will recommend to the General Meeting of Shareholders on 27 June 2008 not to distribute any dividend over 2007. An amount of EUR 900 million was paid out in interim dividend in September 2007.

5 Non-controlling interest

	Size of minority interest	Amount at 31 Dec. 2007	Amount at 31 Dec. 2006	Amount at 31 Dec. 2005
Group company				
Fortis Fixed Rate Quarterly Capital Funding Trust		50	50	50
Fortis Verzekeringen Vastgoed Maatschappij N.V.	5%	43	0	0
Other		4	4	1
Total		97	54	51

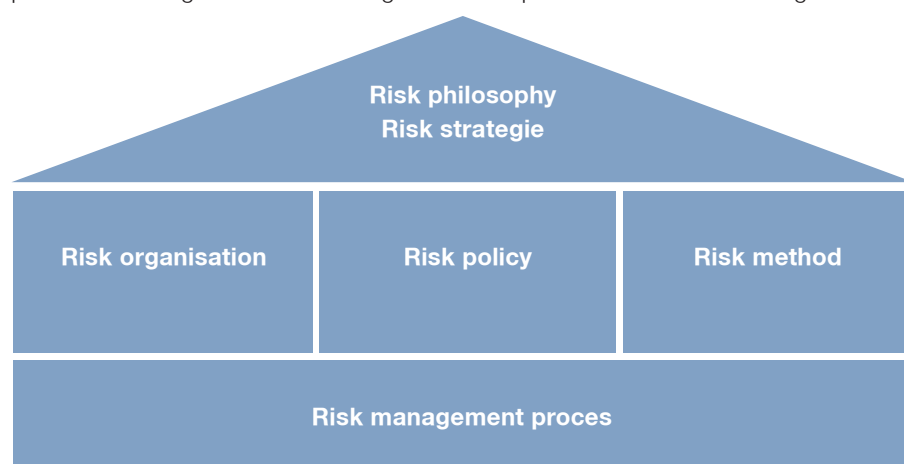
See chapter 27 for more information about Capital Funding Trust.

6 Risk management

6.1 Introduction

Advance risk management is a precondition for achieving sustainable profitable growth. FVNL recognises this and regards risk management as one of its core competences. To meet the high qualitative standards of risk management and to assure for executive management the insight that exists into the risks that are taken on, FVNL has a solid and cohesive risk management framework, implemented at all levels of the organisation. The framework also allows FVNL to optimise the risk/return ratio and to identify the economic capital of the entire group.

Within this framework FVNL maps out its risk strategy and controls risk-bearing activities. Aspects of the core policy, methods and processes are aligned to broadly-based supervision, supported by a supervision of the quality of risk management at group and business level. FVNL is continually working on evaluating and improving its risk management framework to assure harmonisation with its long-term strategy. This is based on the company's own best practices and generally accepted best practices. The figure below is a diagrammatic representation of the FVNL governance framework.



FVNL's objective is to adhere to the principles and framework of the risk management at Fortis. Consequently, Fortis and FVNL may be used interchangeably, unless of course elements apply specifically to FVNL.

Each component of the risk management framework is explained below, together with a quantitative and qualitative overview of the risks to which FVNL is exposed.

6.2 Philosophy, strategy and principles for solid risk management

6.2.1 Risk philosophy

Fortis defines risk as the deviation from expected results that may potentially have an impact on the value, capital and income of Fortis. The risks to which Fortis is exposed consist of external and internal risk factors that stem from a wide array of business activities. Taking a risk is an essential element of the objective of Fortis to create value. Fortis endeavours to enter into risks that are transparent and that can be adequately controlled both at an individual and at portfolio level. Fortis exposes itself actively to risks if deemed efficient and profitable for the organisation. Risks that are not actively sought, but arise during the normal conduct of business, are limited to an acceptable level. Moreover, Fortis considers it to be its duty to satisfy the expectations of its stakeholders by entering into risks in a controlled and transparent way.

6.2.2 Risk management principles

Risk management at Fortis is based on four guiding principles derived from the risk governance framework:

1. *Optimisation of risk-return in a controlled manner at a high quality level:* Fortis is a professional risk-taker, both actively and passively. Taking risks is inherent in the way that Fortis creates value. Risk management has been organised both globally and focused on the business in order to ensure that Fortis creates value for its shareholders. The objective is to provide them with excellent risk/return ratios.
2. *Clarity about responsibility and liability:* Fortis acts in accordance with the principle of delegated authority. Individuals and business units are fully responsible for their decisions, with the proviso that the interests and stimuli must be compatible with the business objectives of Fortis.
3. *Independent and resolute risk management functions:* entering into a risk requires an impartial vision of the risk management functions. An independent and resolute risk management function, clearly segregated from business decisions, is essential to avoid conflicts of interest. This function assures the organisation of adequate risk management and ultimately ratifies Fortis's risk policy.
4. *Open risk culture to convey confidence:* risk transparency and adaptability are essential elements of the Fortis corporate culture. Formal processes have been put in place to stimulate the sharing of knowledge of risk management, with internal and external stakeholders.

6.2.3 Risk strategy

Fortis's risk strategy describes which risks and how many risks Fortis wishes to take in the pursuit of its business objectives. The strategy also describes how undesirable risks will be limited or avoided. Risk tolerance and willingness are fundamental aspects of the risk strategy. The risk strategy is not an isolated matter but is derived from the business strategy of Fortis and is in line with its strategic objectives. The risk strategy is ultimately translated into the budgeting and capital management control processes of Fortis.

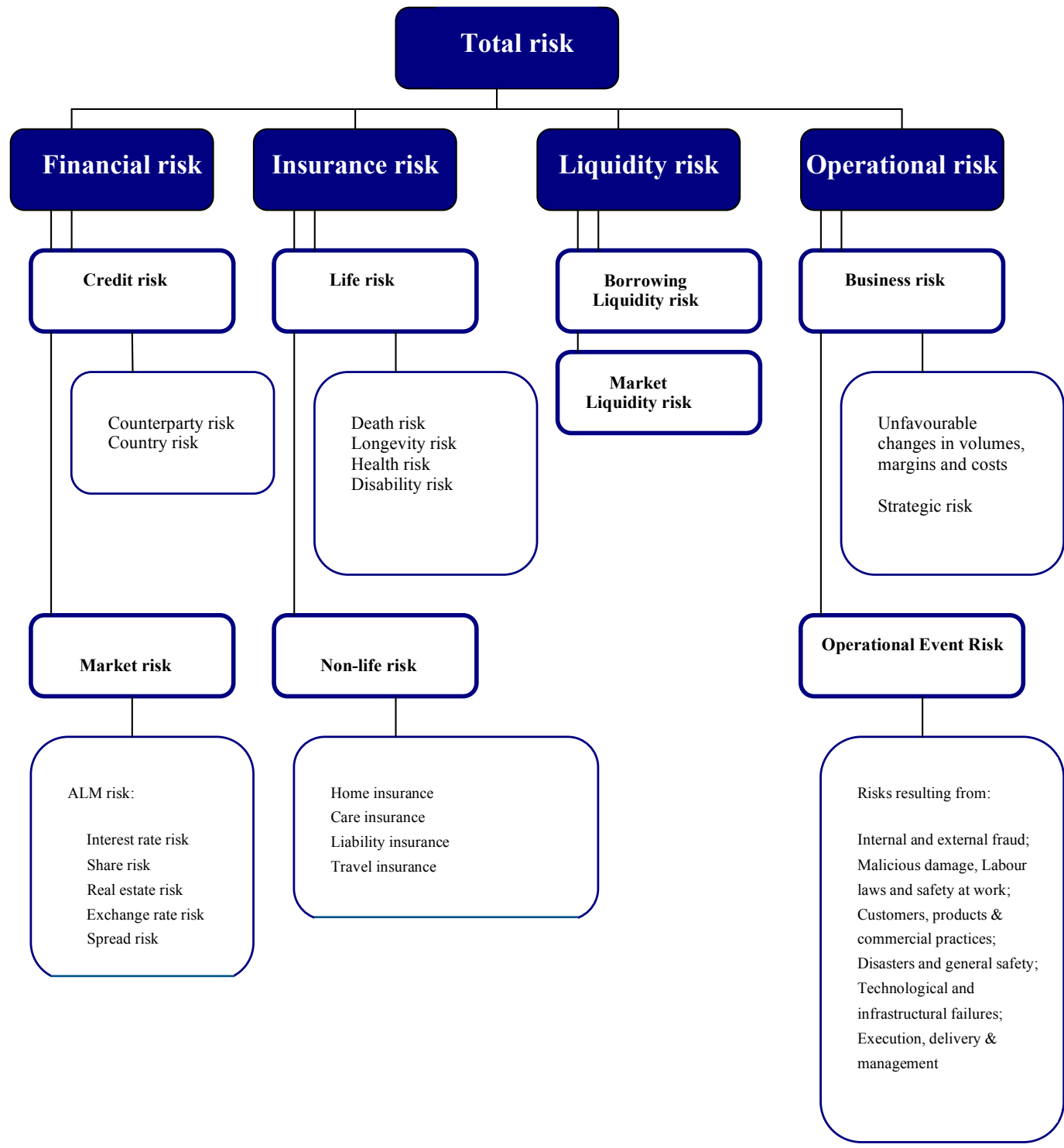
The stance that Fortis adopts to risks demonstrates how and to what extent the company is willing to take, limit or avoid certain risks. Fortis has placed the risks to which it is exposed in the following categories:

Core risks: risks to which Fortis actively exposes itself, if it is efficient to do so for the group, provided that the risks are controllable on an individual basis and at portfolio level. Fortis continuously strives to complete and refine its insight into risks so as to control them as effectively as possible.

The most important subcategories of core risks for FVNL are credit risk, market risk (ALM risk) and technical insurance risk. The technical insurance risk can be subdivided into non-life risks and life, accident and medical risks.

Non-core risks: these are risks that the company does not actively seek in principle, but come about through the normal conduct of business. These include operational risks, for example. These consist of business risks and event risks. These risks have been reduced to acceptable proportions, taking into account cost/benefit analyses. Fortis endeavours to control its operational risks and to protect its reputation by meeting the highest standards of integrity in the conduct of its business, in accordance with its internal code of conduct.

In addition to the strategic distinction between core and non-core risks, Fortis uses a standard risk classification (taxonomy) that covers all material risks. The taxonomy is evaluated annually and revised to ensure that all material risks are identified, defined and embedded in the risk governance framework. The current Fortis risk taxonomy is shown in the table below.



A detailed explanation of each type of risk is provided in the description of the risk management framework below.

6.3 Risk management organisation

The risk management organisation of FVNL exists to implement the company's risk strategy and to achieve the following objectives:

- clearly defined responsibility and liability for risk management;
- independent risk management functions;
- transparent and cohesive decision-making process within the entire Fortis group, covering all risks in the Fortis risk taxonomy model.

6.3.1 Risk management and supervision

Risk management and supervision are carried out within FVNL using a system of delegated responsibilities from central and local risk management bodies, Financial Risk & Value Management and Operational Risk & Management Control.

6.3.1.1 Financial Risk & Value Management

The Financial Risk & Value Management (FR&VM) department is headed by the Chief Risk Officer. The role of this department is to ensure that the organisation continuously satisfies the highest qualitative standards of risk management, increase awareness of and insight into the risks taken by management, stimulate an optimum risk/return ratio, measure economic capital and approve risk models. Moreover, FR&VM supports the businesses in risk matters and the work of various risk committees. The department also coordinates implementation of risk initiatives and risk communication.

The existence of integrated risk management at the various insurance companies is regarded as one of the strengths of FVNL both internally (Fortis Audit Services, Investor Relations) and externally (rating agencies, investment analysts and regulators).

6.3.1.1.1 Asset & Liability Management

Asset & Liability Management (ALM) is responsible for keeping a close watch on ALM-related risks in the balance sheet of FVNL and its insurance entities. ALM does so in accordance with decisions taken by the ALCO (Asset and Liability Management Committee) with due observance of the guidelines of Fortis Verzekeringen and external regulators. ALM defines risk tolerance and controls risks by establishing guidelines and standards. ALM endeavours to apply best practices in risk management, as required by external regulators and rating agencies.

6.3.1.1.2 Insurance Risk & Value Management

Insurance Risk & Value Management (IR&VM) is responsible for keeping a close watch on technical insurance risks entered into by FVNL entities. IR&VM does so this in accordance with decisions taken by the IRC. Allowance is made for the conditions laid down by Fortis Verzekeringen and external regulators. IR&VM defines risk tolerance and controls risks by establishing guidelines and standards. IR&VM endeavours to apply best practices in risk management, as required by external regulators and rating agencies.

6.3.1.1.3 Reinsurance

Reinsurance is responsible for formulating and implementing the reinsurance policy, in accordance with FVNL.

6.3.1.2 Operational Risk & Management Control

The Operational Risk & Management Control (OR&MC) department is responsible for controlling and mitigating operational risks across the various business units/legal entities. As laid down in the central Fortis Risk structure, however, the business entities are primarily responsible for controlling operational risks. The proper performance of risk management requires its embedding in the lower levels of the organisation.

In the OR&MC area there are four relevant specialised fields, namely: Operational Event Risk, Management Control, Information Security & Business Continuity and Corporate Insurance.

The head of OR&MC has a direct line of reporting to the CFO of FVNL.

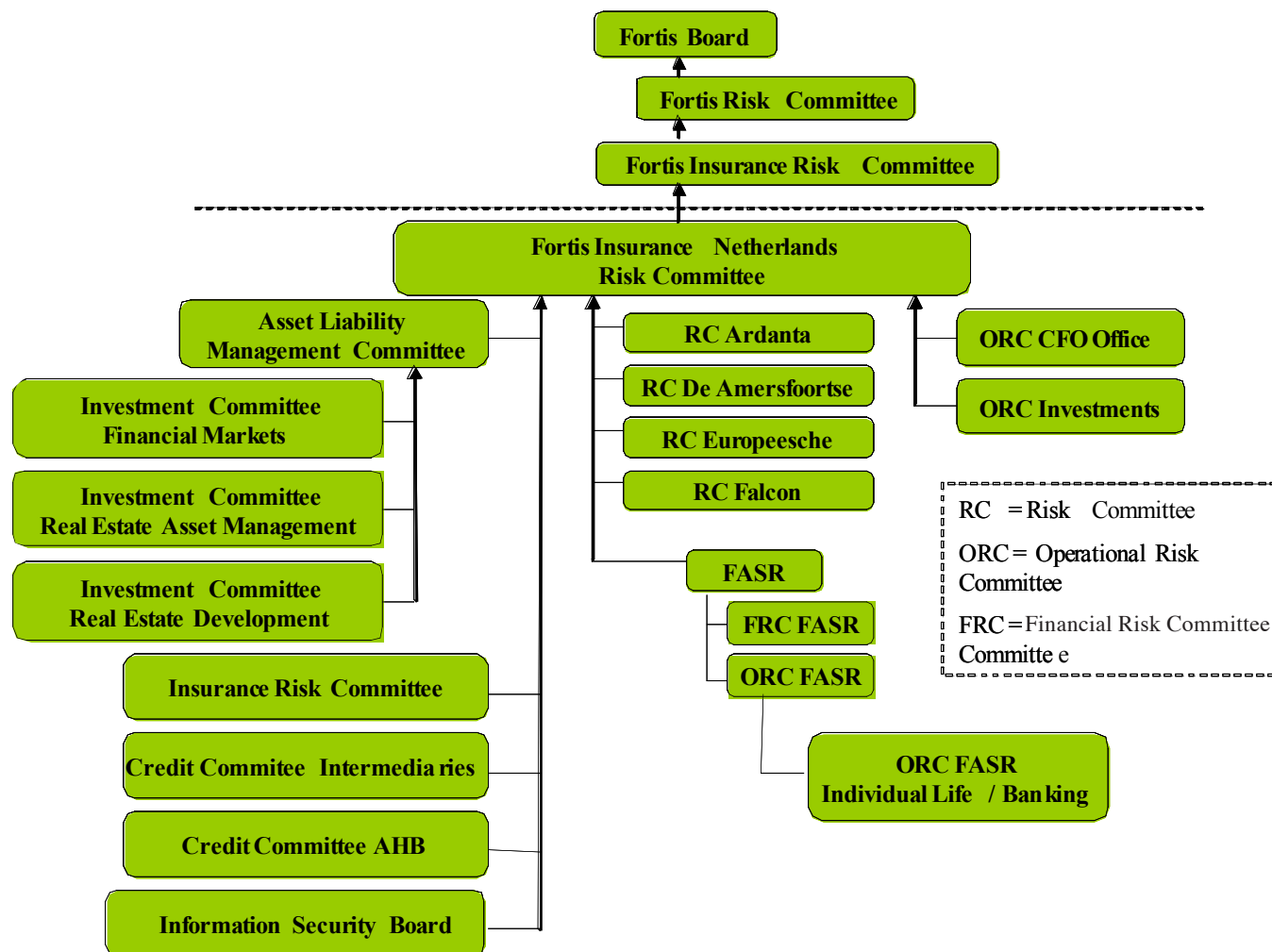
6.3.1.3 Fortis Audit Services

Fortis Audit Services (FAS) provides professional and independent assurance to support fulfilment of the objectives of Fortis. FAS evaluates the effectiveness of governance and risk management and internal control processes and puts forward solutions for optimising them.

FAS regularly evaluates the risk control functions of FVNL and its entities.

6.3.2 Structure of FVNL risk committees

A comprehensive structure of the risk committees ensures that decisions are taken at the right level.



General Risk responsibility rests with the Board of Directors of FVNL in the Netherlands. To fulfil the mission of Risk the Board of Directors is supported by various risk committees.

6.3.2.1 Risk Committees

6.3.2.2 Fortis Insurance Netherlands Risk Committee

The Fortis Insurance Netherlands Risk Committee (FVNLRC) provides assurances to enable FVNL to identify the most important risks and to possess a comprehensive risk management mechanism. A key function of FVNLRC is to ensure that a consistent policy is conducted group-wide and that all risk aspects are covered.

6.3.2.3 Business Risk Committees

For each label in which the insurance activities have been accommodated, there is a Business Risk Committee (BRC) with a task similar to that of FVNLRC for its own field of attention. Where necessary there is a separate Operational Risk Committee and sometimes a Financial Risk Committee. An Operational Risk Committee has also been established within the Asset Management function.

6.3.2.3 Supporting Risk Committees

6.3.2.3.1 Asset and Liability Management Committee (ALCO)

The ALCO determines the strategic asset allocation and oversees the ALM risk. The responsibilities concern managing, addressing and controlling ALM risks.

The committee approves investment risks of new products that will be launched by the business departments. ALCO is assisted by investment committees that carry out the tactical and day-to-day policy of investments in financial instruments, real estate and real estate development.

6.3.2.3.2 Insurance Risk Committee

The Insurance Risk Committee (IRC) monitors pricing by the businesses, acceptance and claims handling guidelines, volatility in the insurance portfolios and the adequacy of technical facilities.

6.3.2.3.3 Intermediary Credit Committee

The Intermediary Credit Committee (KC) determines policy and processes for credit risks that stem from relationships maintained with our intermediaries. The committee approves new credits, monitors the quality of the credit portfolio and ensures compliance with credit limits.

6.3.2.3.4 AHB Credit Committee

The AHB Credit Committee determines policy and processes for financing real estate of small investors. The committee decides on new credits, monitors the quality of the credit portfolio and ensures compliance with the credit limits.

6.3.2.4.5 Information Security & Business Continuity Board

The Information Security & Business Continuity (IS&BC) Board determines, on behalf of the Board of Directors, the information security and business continuity policy of FVNL. The board monitors implementation and determines where necessary the measures that must be taken.

6.4 Financial risks

Financial risks can be divided into two categories, i.e. credit risk and market risk.

6.4.1 Credit risk

Credit risk is defined as the risk with respect to the result or equity risk that occurs if a debtor is unable to fulfil its contractual obligations.

6.4.1.1 Credit risk management

The Fortis Credit Policy regulates the control of all credit risks within Fortis. The credit policy contains basic principles, rules, guidelines and procedures for identifying, measuring, approving and reporting credit risks within Fortis. The Fortis Credit Policy has established a consistent framework for all credit activities involving risks. This concerns risks in the form of direct issue of credit or through other activities that give rise to a credit risk, such as investment activities and/or reinsurance claims. The credit policy has four components: basic principles and framework, business-overarching policy, business-specific policy and instructions.

In the basic principles and framework section, the core values and preconditions are stated for the risk tolerance and the credit culture at Fortis. These are of a universal and constant nature, except for the Credit Risk Strategy. This strategy forms part of the Credit Risk Charter and may change in step with market developments and corporate strategy. Business-overarching policy, business-specific policy and instructions are of a dynamic nature. These elements are subject to changes and revisions in step with changing circumstances and through experience.

FVNL applies the Fortis Credit Policy. Given the characteristics of an insurance company, the emphasis is on managing the credit risk in the investment portfolio.

6.4.1.2 Outstanding credit risk

The total outstanding credit risk of FVNL is measured and presented as the sum of balance sheet totals and potential off-balance sheet balances of clients and counterparties as at 31 December. The outstanding credit risk is presented on the basis of the classification used in the balance sheet. The basic principle is that this best portrays the nature and the characteristics of the outstanding credit risk 1).

1) Investments regarding unit linked contracts are not included in the outstanding credit risk analysis because of the fact that those risk are for the account of the policyholder.

	2007	2006
Cash and cash equivalents (see chapter 14)	483	1,004
Impairments	0	0
Total net cash and cash equivalents	483	1,004
<i>Assets held for trading (see chapter 15)</i>		
Bonds	0	0
Derivatives	183	160
Total assets held for trading	183	160
<i>Due from banks</i>		
Interest-bearing deposits	179	188
Loans and advances	606	835
Reversed repurchase agreements	0	0
Securities lending	0	0
Other	158	154
Total due from banks (see chapter 15)	943	1,177
Impairments	0	0
Total net due from banks	943	1,177
<i>Due from customers (see chapter 15)</i>		
Government and public sector	436	463
Mortgage loans	2,364	2,616
Loans to private individuals	16	163
Loans to companies	1,808	1,692
Reversed repurchase agreements	0	0
Securities lending	0	0
Other	0	18
Total due from customers	4,624	4,952
Impairments	-34	-65
Total net due from customers	4,590	4,887
<i>Interest-bearing investments (see chapter 19)</i>		
Government securities	49	99
Government bonds	3,457	3,824
Corporate bonds	7,498	6,771
Structured credit instruments	2,341	2,814
Total interest-bearing investments	13,345	13,508
Impairments	-126	0
Total net interest-bearing investments	13,219	13,508
Reinsurance and other receivables	1,647	1,634
Impairments	-23	0
Total net reinsurance and other receivables	1,624	1,634
Total credit risk on balance sheet (gross)	21,225	22,435
Total credit risk on balance sheet (net)	21,042	22,370

6.4.1.3 Concentration of credit risk

The concentration of credit risk means an outstanding interest at a counterparty or a collection of outstanding interests at positively correlated (e.g. the tendency to remain in default under similar conditions) counterparties. These interests can produce a substantial loss if the counterparties remain in default.

The avoidance of concentrations is a fundamental part of the credit risk strategy of Fortis. It is important to maintain widely distributed, liquid and diversified portfolios.

Fortis applies the 'total one obligor' concept to avoid a concentration of credit risk. This means that groups of related counterparties are regarded as a single counterparty for the purpose of credit risk management. The credit risk policy of Fortis concerning concentration of credits is aimed at spreading this risk across various counterparties, sectors and countries. The table below shows the sector concentration of the investment portfolio of receivables due from customers as at 31 December.

Industry sector	2007		2006	
	Carrying amount of receivables due from customers	Total %	Carrying amount of receivables due from customers	Total %
Agriculture, afforestation and fisheries	2	0.04%	5	0.10%
Oil and gas	0	0.00%	1	0.02%
Primary metals	0	0.00%	0	0.00%
Raw materials and semimanufactures	0	0.00%	0	0.00%
Consumables	18	0.39%	29	0.59%
Wood, waste and paper products	0	0.00%	0	0.00%
Technology, media and telecommunications	0	0.00%	0	0.00%
Electricity, gas and water	30	0.65%	40	0.82%
Chemicals, rubber and plastics	1	0.02%	2	0.04%
Construction and engineering	0	0.00%	82	1.68%
Machines and equipment	0	0.00%	0	0.00%
Automotive industry	0	0.00%	0	0.00%
Transport	0	0.00%	0	0.00%
Trade and commodity financing	0	0.00%	0	0.00%
Retail trade	0	0.00%	0	0.00%
Real estate	118	2.57%	27	0.55%
Financial services	531	11.57%	721	14.75%
Overarching & other services	29	0.63%	1	0.02%
Public and social services	210	4.58%	306	6.26%
Private individuals	3,630	79.08%	3,672	75.14%
Unclassified	21	0.46%	1	0.02%
Total net receivables from customers	4,590	100%	4,887	100%
Impairments	-34		-65	
Total gross receivables from customers	4,624		4,952	

The table below shows the concentration of balance sheet credit risk as at 31 December according to the place of residence of the customer and the type of counterparty.

Customer's place of residence	2007		2006	
	Credit risk on balance sheet	Percentage	Credit risk on balance sheet	Percentage
Benelux	11,103	52.31%	11,454	51.05%
Other European countries	8,231	38.78%	9,252	41.24%
North America	1,282	6.04%	1,199	5.34%
Asia	125	0.59%	79	0.35%
Other	484	2.28%	451	2.01%
Total	21,225	100%	22,435	100%

The table below contains a breakdown of the balance sheet credit risk at 31 December, according to the place where the customer resides and the type of counterparty with which the transaction was concluded.

	Government and public sector	Credit institutions	Business customers	Retail customers	Other	Total
31 December 2007						
Balance sheet at						
Benelux	1,530	2,398	4,249	2,379	547	11,103
Other European countries	2,194	4,033	1,985	0	19	8,231
North America	93	410	779	0	0	1,282
Asia	8	73	44	0	0	125
Other	118	214	152	0	0	484
Total balance sheet	3,943	7,128	7,209	2,379	566	21,225

	Government and public sector	Credit institutions	Business customers	Retail customers	Other	Total
31 December 2006						
Balance sheet at						
Benelux	1,015	2,916	3,913	2,766	844	11,454
Other European countries	3,085	3,634	2,484	30	19	9,252
North America	165	335	699	0	0	1,199
Asia	11	28	40	0	0	79
Other	112	148	191	0	0	451
Total balance sheet	4,388	7,061	7,327	2,796	863	22,435

6.4.1.4 Credit risk rating

FVNL controls the credit risk in its investment portfolio with the aid of credit ratings such as those issued by external rating agencies.

All business segments of FVNL possess proper test instruments, guidelines and procedures to control credit risks, including a completely independent credit approval process with defined limits for creditworthiness and supervision procedures.

The table below provides an overview of credit quality itemised according to investment quality of debt certificates of Fortis at 31 December, based on external ratings.

	2007		2006	
	Carrying amount	Percentage	Carrying amount	Percentage
<i>Investment quality</i>				
AAA	4,100	31.02%	5,177	38.33%
AA	2,553	19.31%	2,289	16.95%
A	5,026	38.02%	4,493	33.26%
BBB	1,108	8.38%	1,150	8.51%
Total investment quality	12,787	96.73%	13,109	97.05%
Less than investment quality	290	2.19%	297	2.20%
Without credit rating	142	1.08%	102	0.75%
Total net investments in interest-bearing securities	13,219	100%	13,508	100%
Impairments	126		0	
Total gross investments in interest-bearing securities	13,345		13,508	

6.4.1.5 Reduction of credit risk

Risk avoidance is the technique of lowering the credit risk by hedging or by obtaining securities (pledges). Hedging is a financial technique that seeks to reduce or eliminate risks caused by products or activities.

A pledge is any undertaking or privilege given by the counterparty or a third party to which Fortis may seek recourse in order to limit impairments of receivables if the counterparty remains in default, or any other agreement or arrangement of a similar kind. Credit issuing is never purely and solely based on pledges or hedging. These forms of risk avoidance are invoked only in the second instance.

The table below shows the pledges and guarantees received as security for financial receivables and agreements.

	Carrying amount	Received pledges			Added value of pledges relative to impairments ¹⁾	Non-guaranteed outstanding amount
		Financial instruments	Property, plant and equipment	Other pledges and guarantees		
2007						
Cash and cash equivalents	483	0	0	0	0	483
Interest-bearing investments	13,219	0	0	0	0	13,219
Due from banks	943	0	0	0	0	943
<i>Due from customers</i>						
Government and public sector, total	436	0	0	0	0	436
Mortgage loans	2,364	0	2,565	0	617	416
Loans to private individuals	16	0	0	0	0	16
Loans to companies	1,774	0	0	191	79	1,662
Reverse buyback agreements	0	0	0	0	0	0
Securities borrowings	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total due from customers	4,590	0	2,565	191	696	2,530
Other receivables	1,624	0	0	0	0	1,624
Total balance sheet	20,859	0	2,565	191	696	18,799
Total off-balance sheet	0	0	0	0	0	0
Total credit risk	20,859	0	2,565	191	696	18,799

1) The amount of received securities and guarantees that exceeds the actual credit risk (calculated on contract basis).

	Carrying amount	Received pledges			Added value of pledges relative to impairments ¹⁾	Non-guaranteed outstanding amount
		Financial instruments	Property, plant and equipment	Other pledges and guarantees		
2006						
Cash and cash equivalents	1,004	0	0	0	0	1,004
Interest-bearing investments	13,508	0	0	0	0	13,508
Due from banks	1,177	0	0	0	0	1,177
<i>Due from customers</i>						
Government and public sector, total	463	0	0	0	0	463
Mortgage loans	2,613	0	3,279	0	801	135
Loans to private individuals	161	0	0	0	0	161
Loans to companies	1,649	0	0	174	108	1,583
Reverse buyback agreements	0	0	0	0	0	0
Securities financing	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total due from customers	4,886	0	3,279	174	909	2,342
Other receivables	1,634	0	0	0	0	1,634
Total balance sheet	22,209	0	3,279	174	909	19,665
Total off-balance sheet	0	0	0	0	0	0
Total credit risk	22,209	0	3,279	174	909	19,665

1) The amount of received securities and guarantees that exceeds the actual credit risk (calculated on contract basis).

6.4.1.6 Structured credit instruments

Insurance companies have access to long-term financing costs that, although low, can be increased by profit-sharing agreements. The corresponding investments require stable and balanced risks but high financial revenues in this context. Structured credits (and especially CDOs) have the advantage that they generate fixed, relatively high revenues on a diversified and highly valued portfolio of asset classes for terms of five to ten years. Moreover, they provide access to highly qualified management teams specialised in assets of this kind.

In addition to a well-organised approval process for credits, conservative portfolio selection and very solid analyses, Fortis's structured credits are predominantly at senior levels and AA and AAA-rated securities. This automatically leads to a substantial level of embedded credit enhancements and structural support to mitigate a large part of the credit risks.

The recent unrest in the market has resulted in low trading volumes for this activity. The held positions and placed items form part of the portfolio that has decreased in value. This exposure is subject to stringent surveillance by management of structured credits. Besides surveillance the focus is on monitoring, management and accountability.

6.4.1.7 Management of problem loans and impairments

Problem loans are outstanding positions for which the counterparty has incurred an impairment. It also concerns outstanding positions for which signals have been received that the loan of the counterparty may lead in the future to an impairment.

Outstanding credit risk in arrears

A financial asset is considered in arrears if:

1. The counterparty is found to be unable to make payment as contractually agreed, or
2. A recommended limit was passed, or
3. A limit has been recommended that is lower than the current position.

Financial receivables that have exceeded the limit of 90 days after the due date are automatically classified as reduced in value.

The table below provides information about the period of arrears since the due date of financial assets that have not yet undergone any impairment.

	2007					2006				
	Carrying amount of assets (classified without impairment)	< 30 days	> 30 days & < = 60 days	> 60 days	Total	Carrying amount of assets (classified without impairment)	< 30 days	> 30 days & < = 60 days	> 60 days	Total
Cash and cash equivalents	483	0	0	0	0	682	0	0	0	0
Interest-bearing investments	13,008	0	0	0	0	13,509	0	0	0	0
Due from banks	943	0	0	0	0	1,177	0	0	0	0
<i>Due from customers</i>										
Government and public sector	436	0	0	0	0	463	0	0	0	0
Mortgage loans	2,350	27	0	0	27	2,616	20	0	0	20
Loans to private individuals	16	0	0	0	0	163	3	1	15	19
Loans to companies	1,718	0	0	0	0	1,613	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Total due from customers	4,520	27	0	0	27	4,855	23	1	15	39
Other receivables	1,425	0	0	0	0	1,562	11	4	12	27
Total balance sheet	20,379	27	0	0	27	21,785	34	5	27	66

Impairment of financial assets

A financial asset is considered inferior (i.e. an asset that has undergone impairment) if one or more events may exert a negative effect on the future expected cash flows of that particular financial asset.

This concerns, for example, events whereby:

- the counterparty will probably not fulfil (or fulfil completely) its obligations towards Fortis without Fortis seeking recourse to security;
- the counterparty is more than 90 days in arrears in fulfilling an important credit obligation (bank advances in current account are considered in arrears as soon as the customer has exceeded the recommended limit or has received a limit that is lower than the current balance).

FVNL uses a number of prescribed and assessment-based signals that may produce the inferior status. Prescribed signals include bankruptcy, financial restructuring or payment arrears of more than 30 days. Situations that require a further assessment by Fortis include negative equity, regular payment problems, incorrect use of credit facilities and legal action by other creditors. These events may lead to a counterparty being classified as impaired.

An impairment for specific credit risks occurs if objective indications exist that FVNL will be unable to collect all owed amounts in accordance with the contractual conditions. The scale of the impairment is the difference between book value and realisable value, or the current value of the expected cash flow and the value of collaterals minus the costs that must be incurred to realise the collaterals.

The table below provides information about pledges and collaterals received as a guarantee for financial assets and credit undertakings that have undergone impairment.

	Gross outstanding amount subject to impairments	Financial instruments			Received pledges		Added value of pledges relative to impairments ¹⁾	Non-guaranteed outstanding amount
		< 30 days	> 30 days & <= 60 days	> 60 days	Property, plant and equipment	Other pledges and guarantees		
2007								
Interest-bearing investments	229		0	0	0	0	0	229
Due from banks	-	-	-	2007 0	0	0		2006
	Carrying amount of assets (classified impairment)	< 30 days	> 30 days & <= 60 days	> 60 days	Carrying amount of assets (classified impairment)	< 30 days	> 30 days & <= 60 days	> 60 days
<i>Due from customers</i>								
Government and public sector, total	0		0	0	0	0	0	0
Mortgage loans	13		0	26	0	13		0
Loans to private individuals	0		0	0	0	0		0
Loans to companies	88		0	0	0	0		88
Reverse buyback agreements	0		0	0	0	0		0
Securities financing	0		0	0	0	0		0
Other loans	0		0	0	0	0		0
Total due from customers	101		0	26	0	13		88
Other receivables	221		0	0	0	0		221
Total balance sheet	551		0	26	0	13		538
Total off-balance sheet	0		0	0	0	0		0
Total outstanding amount subject to impairments	551		0	26	0	13		538

1) The amount in received securities and guarantees that exceeds the actual credit risk (calculated on contract basis).

	Gross outstanding amount subject to impairments	Financial instruments	Received pledges		Added value of pledges relative to impairments ¹⁾	Non-guaranteed outstanding amount
			Property, plant and equipment	Other pledges and guarantees		
2006						
Interest-bearing investments	0	0	0	0	0	0
Due from banks	0	0	0	0	0	0
<i>Due from customers</i>						
Government and public sector, total	0	0	0	0	0	0
Mortgage loans	13	0	0	17	4	0
Loans to private individuals	17	0	0	6	3	14
Loans to companies	81	0	45	0	26	62
Reverse buyback agreements	0	0	0	0	0	0
Securities financing	0	0	0	0	0	0
Other loans	0	0	0	0	0	0
Total due from customers	111		45	23	33	76
Other receivables	86	0	0	0	0	86
Total balance sheet	197	0	45	23	33	162
Total off-balance sheet	0	0	0	0	0	0
Total outstanding amount subject to impairments	197	0	45	23	33	162

1) The amount in received securities and guarantees that exceeds the actual credit risk (calculated on contract basis).

The table below provides information about the term of impairments, i.e. the period between the first occurrence and 31 December.

	2007				2006			
	< 1 year subject to impairments	> 1 year subject to impairments	> 5 years subject to impairments	Total	< 1 year subject to impairments	> 1 year < 5 years subject to impairments	>5 years subject to impairments	Total
Cash and cash equivalents	0	0	0	0	0	0	0	0
Interest-bearing investments	229	0	0	229	0	0	0	0
Due from banks	0	0	0	0	0	0	0	0
<i>Due from customers</i>								
Government and public sector	0	0	0	0	0	0	0	0
Mortgage loans	13	0	0	13	12	1	0	13
Loans to private individuals	0	0	0	0	0	17	0	17
Loans to companies	16	72	0	88	0	81	0	81
Other	0	0	0	0	0	0	0	0
Total due from customers	29	72	0	101	12	99	0	111
Other receivables	217	2	2	221	79	6	1	86
Total balance sheet	475	74	2	551	91	105	1	197
Total off-balance sheet	0	0	0	0	0	0	0	0
Total outstanding amount subject to impairments	475	74	2	551	91	105	1	197

6.4.2 Market risk

Market risk concerns losses that may arise through unfavourable movements in the market that are related to trading in of holding a position in financial instruments. Market risk stems from a variety of factors, such as:

- interest-rate fluctuations that influence bonds, other assets with interest-sensitive income and insurance liabilities;
- changes to securities prices that influence the value of investment portfolios and insurance liabilities;
- foreign currency fluctuations that influence non-hedged cash flows;
- changes in the volatility of interest-rate levels and securities prices that influence options and other derivatives.

Market risk falls into two categories: ALM risk and trading risk, depending on the term. Trading risk concerns positions taken to make a short-term profit. This does not occur at FVNL, so no further attention will be devoted to this risk. ALM risk includes all other positions.

ALM risk is the risk that the difference in market value of assets and liabilities will change because of changes in interest rates, credit spreads, share prices, exchange rates, real estate prices and other market factors. The difference in market value between assets and liabilities is measured from an economic point of view of the group's equity. A decrease in the difference between the market value of the assets and the liabilities has a direct effect on total company value. This is even the case if, on the basis of income and cash flows, no losses are incurred.

ALM risk management

ALM risk is managed and measured by means of an independent framework using consistent methods (such as calculation of share values, stress tests, value at risk, worst-case sensitivities, etc.). The mission of the ALM function is to support management accurately and frequently in obtaining an insight into the market risk positions that have been taken on the consolidated balance sheet of FVNL and at underlying entities. This includes ensuring an assets allocation that is appropriate to the strategy and applying guidelines and limits for all market risks related to the balance sheet. ALM risk addresses changes in value and profit caused by the volatility of interest rates, exchange rates, share prices and real estate prices. The risk of volatility and credit spread changes has been disregarded in these figures.

ALCO measures and controls the ALM risk. All insurance companies operate within the limits and guidelines of the FINRC. Within these investment guidelines they have the freedom to arrange their own tactical asset allocation.

The ALM department focuses for ALCO on technical developments, implementation of models, scale distribution of parameters and optimisation of the assets mix.

ALM risk evaluation

All amounts stated in this section of the report are amounts before taxation.

ALM risks are assessed, monitored and reported according to four types of risks: interest rate risk, exchange rate risk, share risk and real estate risk.

The four most important sources of interest-rate risk:

- the interest-rate revision risk that is the result of an interest-rate mismatch between assets and liabilities (the customary mismatch);
- changes in the form of the interest curve (parallel, levelling or steepening);
- the basic risk that is the result of imperfect correlations between different interest rates (for example, swap rates and government bonds);
- options
 - certain financial instruments have options (hidden or explicit or otherwise) that exercise independent of the development of interest rates;
 - options can also be seen on the liabilities side of insurance operations (such as profit-sharing).

Measurement, monitoring and reporting of ALM risk

Interest risk:

Fortis measures, monitors and controls the ALM interest rate risk by means of the following indicators:

- Gap analysis of cash flows;
- Duration of equity
- Interest rate sensitivity of the fair value of equity
- Value-at-risk (VaR);
- Earnings-at-risk (EaR).

Gap analysis of cash flows

The table below shows the gap analysis of the cash flows of the insurance operations. For the purpose of insurance assets the cash flows are classified according to the expected interest-rate revision or expiry date, depending on which occurs first. In the case of liabilities that stem from life insurance agreements, however, the forecast for the cash flows is made using statistical information in conformity with embedded value reporting;

- the existing portfolio is regarded as coming to an end;
- allowance is made for future premium payments for existing contracts;
- forecasts of future benefits and claims are made on the strength of the best possible estimates;
- derivatives positions are not individualised.

For Non-life insurances the cash flows are calculated based on the best possible estimates, taking into account the natural churn in the portfolio.

	< 1 year	1-5 years	5 - 10 years	10-20 years	> 20 years
As at 31 December 2007 (in millions of euro):					
Assets	3,480	11,358	9,033	5,201	3,536
Liabilities	-4,638	-6,788	-4,956	-9,259	-15,683
Gap	-1,158	4,570	4,077	-4,058	-12,147
As at 31 December 2006 (in millions of euro):					
Assets	3,563	11,146	8,654	5,339	2,992
Liabilities	-3,776	-7,909	-5,858	-9,156	-15,055
Gap	-0,213	3,237	2,796	-3,817	-12,063

The typical long-term insurance liabilities produce a negative cash flow gap for the long-term duration categories (more than 10 years) and a positive one for the short-term categories. All interest-related items are reflected in the table above. Shares and real estate have been omitted.

Duration of equity

Duration is a criterion for the average term of cash flows of a portfolio with assets liabilities. The duration is calculated according to the net current value (NCV) of the cash flows. The interest rate used in the calculation of net current value is based on the yield curve. Duration of equity is an application of the duration analysis used to measure the consolidated interest rate sensitivity of Fortis. The duration of equity is calculated as the difference between the current value of the future weighted cash flows generated by the assets and the current value of the future weighted cash flows of the liabilities. Duration of equity is a widely used indicator for the mismatch in durations between assets and liabilities.

Duration is the value sensitivity of a minor parallel shift of interest rate Δi :

$$\frac{\Delta \text{Value}}{\text{Value}} = -\text{Duration} \cdot \Delta i$$

From this the following features of this criterion can be observed:

- a positive (negative) duration results in a decrease (increase) of the value if the interest rate increases (Δi is positive);
- the higher the absolute value of the duration, the higher will be the sensitivity of the value to its interest-rate movements.

The duration of equity is the duration that must be added to the difference between the value of the assets and liabilities so that the total balance sheet becomes insensitive to interest rate changes.

The table below shows the mismatch between the weighted durations of assets and liabilities. Insurance operations have a negative duration of equity. This means that an interest rate increase will cause a higher value for the insurance activities and vice versa.

	2007	2006
Duration of equity (in years)		
Insurance entity	(4)	(7)

At the Insurance entity the duration decreased as a result of an upswing of the curve in the first half of 2007.

Duration of equity measures the sensitivity of the value to minor interest rate movements. Fortis is naturally also interested in the value variation in the event of sharper interest rate decreases or increases. This matter is discussed in the next section.

Interest rate sensitivity of the fair value of equity

This method involves applying the stress tests of +/- 100 basis points to the fair value of an instrument or portfolio.

The table below illustrates the effect of a shift of 100 basis points (plus or minus) in the interest curve on the fair value of equity at 31 December. In other words, the table shows the impact on the fair value of all assets, minus the impact on the fair value of all liabilities.

	+ 100bp	-100bp
Insurance entity	2.7%	(6.2%)

The fair value of the insurance liabilities is determined as the net current value of the expected cash flows including options (embedded options) such as profit-sharing. In conformity with this market-consistent valuation, the contractual cash flows are discounted based on the risk-free interest, while non-contractual cash flows are valued as profit-sharing in accordance with risk-neutral principles.

The high convexity of insurance activities is reflected by the asymmetrical sensitivity of value to a shift of 100 basis points in the yield curve: an increase of approximately 2.7% if interest rises and a decrease of 6.2% if interest falls.

Exchange rate risk

All financial products are quoted in a specific currency. The exchange rate risk stems from a change in the exchange rate of the currency concerned relative to the reference currency used by Fortis (EUR).

Fortis policy requires complete cover of the exchange rate risk.

Generally speaking the exchange rate this does not need to be covered if:

- the exchange rate volatility is relatively small (<3% or < EUR 5 million);
- a firm belief exists that a value increase of foreign currency will exceed any interest in euro minus any additional hedging fees (such as non-deliverable forwards); or
- an (effective) hedge is not possible operationally.

The table below shows the main foreign currency positions at 31 December 2007. These are net positions (assets minus liabilities), after hedging.

Currency	USD	GBP	ZAR	BRL	NOK	TRY
	142	36	65	25	9	31

The high outstanding risk position in USD concerns USD shares.

Other risk factors

Besides the interest rate risk and exchange rate risk, the ALM risk includes the share risk and the real estate risk. The share risk concerns the risk of losses through unfavourable developments in the share markets. In the real estate market risk it is about the probability of losses caused by unfavourable developments in real estate prices. The risk factors are monitored using risk indicators like value at risk and earnings at risk.

1 Value-at-Risk (VaR)

VaR is a statistical estimate that indicates the potential maximum loss within a certain confidence interval and time period. Value-at-risk means the same as money-at-risk and capital-at-risk. These methods concern all types of risks in principle.

The table below shows the maximum loss in the 'worst-case' scenario² to which Fortis may be exposed. This is calculated using a VaR model with a time horizon of one year and a confidence interval of 99.97%. This worst-case scenario corresponds with the general framework for economic capital in the group.

2) Worst-case scenarios are based on assumptions related to probability calculations made using 10 years of historical observations.

	Insurance entity
Share risk	24%
Interest rate risk	12%
Real estate risk	14%
Exchange rate risk	1%

In the insurance entity the highest market risk occurs with held shares. Risk reducing strategies like CPPI and put options (refer to section on strategies for risk limitation) temper the risk. The large real estate portfolio in the Insurance entity creates a real estate risk. After the share risk, the interest-rate risk and the real estate risk are important, roughly equal, risk factors.

2. Earnings-at-risk

The earnings-at-risk criterion indicates the sensitivity of future profits under IFRS with hypothetical unfavourable changes to interest-rate saw share prices. Using this criterion the effect is examined by means of stress tests in respect of the estimated net income before tax.

	Insurance entity
+100bp	(1.0%)
- 100bp	0.9%
shares -20%	(4.8%)

Puts and swaps have not been included in this table (conservative assumption). The impact of the share market position on the income statement is the result of impairments and also a consequence of fees for the unit-linked contracts. The revenue sensitivities were calculated for the portfolio at year-end 2007.

ALM strategies for reducing risks

In its insurance operations FVNL mitigates the ALM risk by means of various instruments. The most important ones are summarised below.

Share risk: CPPI (Constant Proportion Portfolio Insurance) and put options

The share position of the Insurance entity is protected by means of a CPPI structure and a portfolio of put options on the AEX. CPPI is a computerised mechanism for buying and selling shares whereby a minimum value of the shares portfolio is indicated as a floor.

CPPI portfolio (in EUR millions)

Floor	Market value of CPPI portfolio	Market value of non-CPPI portfolio
1,134	1,414	2,035

The CPPI portfolio is protected against a value decrease of more than 26%.

Put opties (in EUR millions)

Exercise price	Market value of the shares	Expiry
288	354	Q1 2008

Put options limit the downward risk against a fall in market value by 20%.

Interest risk: swaptions

The swaptions programme builds in protection against the risk of the downward development of interest rates. This structure is used for insurance contracts with a guaranteed rate the equals the exercise price of the swaptions. Thanks to the structure the payment of the guarantee amount is assured, while it is sometimes also possible to benefit from an upward development of interest rates.

Exercise price	Average due date (in years)	Notional (in EUR millions)	Average term of swap (in years)
3.00%	7	4300	9
3.25%	3	81	12
4.00%	10	4142	9

Swaptions have been purchased to cover the low interest rate risk over the next 10 years for an amount of EUR 8.5 billion. The term of the underlying swaps varies and is about 10 years.

6.5 Liquidity risk

Liquidity risk is the risk that occurs if it is not possible to fulfil current (and potential) liabilities or pledged liabilities on the due date. It consists of two components:

1. Finance liquidity risk: the risk that it is not possible to meet expected and unexpected demand for cash by policyholders and other contractual parties without incurring unacceptable losses or damaging the conduct of business.
2. Market liquidity risk: the risk related to an inability to convert assets to cash flows because of unfavourable market conditions or because of market disruptions. In a certain sense it has to do with market risk. Market liquidity risk concerns the liquid value sensitivity of a portfolio due to changes in the size of the corrections to the cash flows and changes in market value. It is also related to the uncertain timeline in realising the liquid value of assets.

6.5.1 Management of liquidity risks

The managing of liquidity risks has two pillars and is a combination of managing borrowing sources on the one hand and watching over a portfolio on the other. The portfolio contains assets for which a demand exists in the market and can be liquidated as cover against unexpected cash flow disruptions. Fortis has a policy and a structure for managing liquidity risks in this way. The primary goal is to ensure that Fortis holds sufficient cash and liquidities to be able to meet at all times its present and future financial liabilities, during normal and abnormal circumstances.

Management of the liquidity risk must be compatible with a strategy that seeks to create value. Fortis has decided not to implement a maximisation policy (i.e. the pursuit of the most liquid possible composition). It has put into operation a policy aimed at optimisation. The desired liquidity profile is designed to meet the creditworthiness of Fortis and to contribute to profitability.

The liquidity risk is traditional in insurance operations and not large compared with banking operations. Payments made to policyholders are highly predictable, and there is hardly ever an unexpected demand for payments without acceptable losses on the liquidation of investments.

6.6 Technical insurance risk

The technical insurance risk concerns all risks associated with liabilities that stem from insurance activities. This excludes components that are included under market risk factors (such interest rates) or under operational risk factors (such as cost risks and commutation risks).

All technical insurance risks are modelled and measured in a consistent manner. They are based on determination of the fair value of assets and liabilities. Another key factor is the development of a model for a value spread around the best possible estimate in response to life and non-life technical insurance risk.

The technical insurance risk is subdivided into two groups: life risk and non-life risk:

- life risk includes the following (not exhaustive) causes of variation in the insurance value of the liabilities: longevity risk, mortality risk, health risk and disability risk. These risks are sometimes called biometric risks;
- non-life risk includes the following (not exhaustive) causes of variation in the insurance value of the liabilities: home and ownership risk, motor-vehicle risk³, third-party liability risk, accident risk, risk of interruption of business continuity, travel risk.

The most important components of all technical insurance risk types fall into the following categories:

- Volatility: the risk of arbitrary fluctuations in the frequency and scale of the technical insurance risk. If the risks are of an independent and homogenous nature, the volatility of the portfolio will decrease in step with the size of the portfolio. Examples are:
 - in the case of life: the arbitrary fluctuations of annual mortality rates relative to the modelled trend;
 - in the case of non-life: the arbitrary fluctuations of annual motor-vehicle claims relative to the expected average.

3) Also called the fire risk.

- Uncertainty: the risk that the actual outcomes will differ from the outcomes predicted by the model. This might occur on the one hand because the circumstances may have changed since the model was developed and on the other hand because the model and its parameters have not been specified up to a certain level. Examples are:
 - in the case of life: a greater than expected increase in life expectancy as a result of medical advances, or because the random sample on which the models were based is not representative of the company's portfolio;
 - in the case of non-life: higher-than-expected general insurance claims because of changes in customer behaviour or because of a legal decision not predicted in the model.
- Extreme events: these are events that do not occur very often, but have a major impact when they do occur. These are one-off shock movements at the unfavourable end of the distribution of probability. In effect, this is an extreme form of volatility. But these events are identified individually on account of their impact (they often carry a heavy weight in the risk measurement, especially in the high reliability intervals) and because they require specific modelling. Examples are:
 - in the case of life: a major accident at a company with which group insurance has been concluded leading to the death of a large number of people, or a revolutionary medicine against cancer that leads to a substantial adjustment of life expectancy;
 - in the case of non-life: a catastrophic natural disaster like a very severe storm, or man-made disasters like a car that causes a train accident.

When contracts roll over into the next accounting period, the entire insurance modelling will be subdivided in the following way:

- Reserve risk: this is related to liabilities that arise from events that have already occurred and for which a provision had already been explicitly created in the accounts⁴.
- Premium risk: this is related to the liabilities that arise from events covered by the existing contracts but that have not yet occurred⁵;
- New business risk: this is related to liabilities that arise from events covered under new or renewed contracts. Based on the approach with a time horizon of one year, only new or renewed policies that fall within the one-year horizon will be factored into the economic capital calculations.

Reinsurance and other forms of risk mitigation can alter the form of the value distribution. They are used to reduce or limit the volatility of income or to spread the negative impact on value as an alternative to capital

6.6.1 Insurance risk management

Fortis manages the insurance risk through a combination of acceptance policy, pricing, provisions and reinsurance agreements.

The departments charged with risk management are required at each insurance company to evaluate and manage the insurance risks associated with policies. They do this on the basis of the policy and guidelines laid down at Fortis level. The technical insurance risk is managed, together with the other risks (such as ALM) and other departments (such as investments).

6.6.2 Acceptance policy

Each insurance company sets its acceptance policy locally as part of general management of the insurance risk. Actuarial employees examine the risks and evaluate the claims history. To improve the pattern of claims and/or to ensure that pricing is adjusted correctly, the acceptance policy is refined by means of a number of indicators and statistical analyses.

6.6.3 Pricing

FVNL determines the level of premiums in such a way that the amount of premiums, together with the investment income that they generate, is larger than the total amount of claims, claim-handling costs and management costs. The setting of premiums for policies (pricing) is done by means of statistical analyses based on internal and external historical data. The correctness of pricing is tested using techniques and key performance indicators appropriate to the portfolio concerned. This takes place beforehand (e.g. through an examination of profitability) and afterwards (e.g. embedded value, combined ratio).

The factors taken into account in pricing insurance differ from product to product. They depend on the offered cover and benefits. Generally speaking the following factors are concerned:

- expected claims by insured parties, the expected payments and their timing;
- the degree and nature of the variance from the expected payments. Among other things this means that analyses are made of claims statistics that factor in the development of jurisprudence and economic climate and demographic developments;
- other production costs for the product concerned, such as distribution, marketing and administrative costs;
- financial circumstances that reflect the time value of money;
- legislation concerning solvency;
- targets for profitability;
- conditions in the insurance market, primarily the prices charged by competitors for similar products.

6.6.4 Policy on provisions

Each insurance company within FVNL creates its own provisions for future claims under policies and earmarks assets for the provisions. This involves making estimates and assumptions that in the coming year may influence assets, liabilities, equity and results. The estimates are evaluated at each reporting date with the aid of statistic analyses based on internal and external historical data.

Periodically there is an evaluation of the extent to which the insurance liabilities are adequate. Any increases in the liabilities found to be necessary are recognised immediately and charged to the income statement. The 'Fortis Adequacy Liability Testing Policy' and processes satisfy IFRS requirements. They were laid down to give management the assurance that sufficient assets are being held to cover the liabilities. This is done by means of the best possible estimate, on an economic basis and with a high degree of reliability. A mechanism that provides early warnings ensures that appropriate action will be taken. This occurs if the critical level of additional caution (i.e. assets held higher than the best possible estimated level of the liabilities) drops below the 90% reliability interval. Policy also ensures that all legal obligations and obligations in relation to the regulatory authority are met at both the group and local level. At FVNL local level testing takes place at a confidence interval of 95%.

The general adequacy of the liabilities under the insurance contracts as at 31 December 2007 was confirmed by internal and certificated external actuaries.

Potential inaccuracies are inherent in the techniques, assumptions and data used to make statistical analyses. Consequently, the risk that claims will ultimately turn out to be higher than the liabilities created under the insurance contracts cannot be eliminated entirely. To reduce the risk that Fortis will no longer be able to fulfil commitments to insured parties and others, ASR maintains a resilience capability.

The relative variation of the expected outcomes decreases as the portfolios become larger and more diversified. Factors that would lead to an increase in the insurance risk include a lack of risk diversification in terms of types of risks, risk amount, geographical location and sector; negative changes in the business environment (such as amendments to laws, etc.) and extreme events like severe storms.

If such factors occur at Fortis, the risk level is reduced to the level of Fortis's risk willingness. This is done by means of risk transfer mechanisms, like reinsurance. This includes, but is not confined to, European meteorological events.

6.6.5 Reinsurance

If necessary the insurance companies of Fortis conclude reinsurance contracts to limit the technical insurance risks. Reinsurance can take place for each individual policy (for each risk) or on a portfolio basis (for each event). This latter occurs when the risk concerning the individual insured parties is within the local limits but there is an unacceptable risk. This occurs because of an accumulation of claims at group level (catastrophic risk). These events are generally related to extreme weather conditions or arise through human action. The selection of reinsurance companies is based mainly on considerations concerning pricing and management of the risk that the counterparty represents. The risk that the counterparty represents is integrated in the total credit risk management.

4) Also called the 'written business'.

5) Also called the 'unwritten business'

The reinsurance strategy is coordinated centrally and arranged wherever possible via internal reinsurance companies. This allows Fortis to benefit from the combined purchasing power, diversification and best practice. In this way the companies have sufficient flexibility to determine their own risk tolerance based on local considerations. Fortis purchases the reinsurance according to capacity and diversification at group level.

Reinsurance is used mainly to reduce the influence of natural disasters. In the Netherlands this means severe storms, large single claims under policies with a high limit and multiple claims stemming from one and the same event caused by human action.

The table below provides an overview of the limits and retention of the risk for each product.

(in euro)	2007			2006		
	Highest retention	Highest retention	Lowest purchased cover	Highest retention	Highest retention	Lowest purchased cover
	at risk 1)	at event	per event	per risk 1)	per event	at event
Product segments						
Life/disability						
(incapacity for work)	600,000	5,000,000	15,000,000	600,000	5,000,000	15,000,000
Industrial accidents	250,000	250,000	1,250,000	250,000	250,000	1,250,000
Accidents (travel)	500,000	500,000	9,500,000	500,000	500,000	9,500,000
Third-party motor	1,000,000 2)	1,000,000	Unlimited	1,000,000 2)	1,000,000	Unlimited
Comprehensive motor	1,500,000	1,500,000	17,500,000	1,500,000	1,500,000	17,500,000
Damage to property	2,500,000	15,000,000 3)	145,000,000 3)	3,000,000	15,000,000 3)	155,000,000 3)
Third-party insurance	500,000	500,000	55,000,000	500,000	500,000	55,000,000
Shipping	250,000	250,000	7,250,000	250,000	250,000	7,250,000

1) Reinsurance in accordance with acceptance guidelines and policy limits.

2) Unlimited third-party cover for motor vehicles.

3) External agencies provide the risk models for natural disasters and catastrophes caused by human action in Western Europe.

Cover is within a probability interval of 99%.

The table below provides an overview of the premiums paid at product to reinsurers in 2007.

Insurance sector	Written	Reinsurance	2007
	Premiums	premiums	Net earned
Accidents and medical	1,128	-157	971
Motor	429	0	429
Fire and other damage to property	320	-16	304
Other	232	-18	214
Total	2,109	-191	1,918

	Written	Reinsurance	2006
	Premiums	premiums	Net earned
Accidents and medical	996	-183	813
Motor	427	-7	420
Fire and other damage to property	315	-20	295
Other	238	-17	221
Total	1,976	-227	1,749

	Written	Reinsurance	2005
	Premiums	premiums	Net earned
Accidents and medical	993	-182	811
Motor	434	-8	426
Fire and other damage to property	322	-25	297
Other	220	-19	201
Total	1,969	-234	1,735

6.6.6 Technical Insurance risk

6.6.6.1 Non-life risk

The time necessary to identify and resolve an insurance claim is an important factor in the non-life risk. Claims with a short lead time, such as motor claims and property claims, are usually reported within a few days or weeks and resolved shortly afterwards. But it can take years to resolve claims with a long lead time, such as bodily injury or liability. In the case of claims with a long lead time the nature of the claim means that information about the event (such as the required medical treatment) is not always immediately available. Moreover, claims with a long lead time are more difficult to analyse. Therefore, more detailed work is necessary. Moreover, the degree of uncertainty is greater than in the case of a claim with a short lead time.

Analyses are made of Fortis experience with similar cases and historical trends, such as the pattern of provisions, the growth of exposure to risks, payments made on claims, the scale of current and as yet unpaid claims, court rulings and economic conditions.

To limit the claim risk the insurance company applies a selection and acceptance policy based on claims history and risk models. This is done for each customer segment and each type of activity. Fortis also uses knowledge or expectations of the future development of the frequency and scale of claims. Fortis further benefits from diversification effects, i.e. non-life companies are active in numerous different fields in many different regions. This does nothing to change the average number of claims, but it does reduce the variation in the total claims portfolio and, by consequence, it also reduces the risk. The risk of unexpected large claims is confined by policy limits, concentration risk management and specially established risk transfer agreements (like reinsurance).

Liabilities for non-life claims are created for claim events that have already occurred but have not yet been resolved (expired risks). Generally speaking Fortis establishes liabilities for claims for each product category, cover and year. It does so by taking into account cautious, non-discounted benefit estimates concerning past claims and estimates of claims that have not (yet) occurred. Allowance is also made for the costs for resolving the claim and for inflation.

Current risks for claims for which premiums have been received but the risk has not yet ceased to exist are covered by the unearned premiums. The adequacy of the liabilities is tested at least once a quarter against group policy. Any adjustments that ensue from changes to the estimates of liabilities for insurance contracts are reflected in the current operating result.

The table below showing resolved claims provides information about the evolution of the prudent estimates of claims over the course of time according to the year of occurrence of the claim and provides an insight into the adequacy of the claims liabilities.

Analysis of historical development of claims

Year of claim

As at 31 December 2007

(in euro x 1,000)

All key figures are undiscounted

Gross claims (cumulative) for fire, damage to property and other damage and accident and health:

	2000 & Earlier	2001	2002	2003	2004	2005	2006	2007	Total
At end of first claims year		1,062,020	1,235,527	1,305,177	1,405,404	1,258,350	1,202,115	1,397,053	
2002		1,045,717							
2003		1,000,555	1,194,795						
2004		980,763	1,144,870	1,180,025					
2005		976,132	1,117,323	1,092,515	1,220,835				
2006		974,927	1,112,086	1,068,303	1,113,457	1,140,782			
2007		989,842	1,120,183	1,081,740	1,093,286	1,041,293	1,164,127		
Gross claims at 31 December 2007		989,842	1,120,183	1,081,740	1,093,286	1,041,293	1,164,127	1,397,053	
Cumulative gross paid claims at 31									
December 2007		888,597	995,089	959,785	965,507	816,973	806,628	624,314	
Gross outstanding claims liabilities									
(including IBNR)	500,990	101,245	125,094	121,955	127,779	224,320	357,499	772,739	2,331,621
Other claim liabilities (not included in the above claims)									238,261
Claims concerning incapacity for work (disability) and health									350
Total claim liabilities									2,570,232

This table shows the historical development of claims and the evolution of the prudence of the ultimate claims estimates over the course of time according to each claims year. The figures also provide an insight into the adequacy of the claims liabilities.

6.6.6.2 Mortality/longevity risk

Pricing, acceptance policy and regular evaluation of mortality tables play a role in managing the longevity risk. Mortality tables are used for pricing, forming provisions, limiting the contractual term and adapting prices on policy renewal. Fortis creates extra provisions if longevity is found to be increasing faster than indicated by the mortality tables. Wherever possible the premium tables are then adjusted.

The life expectancy of the insured population is expected to continue increasing. Therefore, the probability of an unexpected increase in the mortality risk in the existing activities at portfolio level is not considered significant at this stage. However, there is a chance of an extreme value in the mortality risk as a result of epidemics, an industrial disaster or terrorist attacks. This kind of mortality risk is reduced by conducting acceptance policy, responding alertly to mortality tables and having various insurance excesses and reinsurance agreements for major disasters.

6.6.6.3 Disability risk

The disability (incapacity for work) risk concerns the uncertainty about claims resulting from higher-than-expected disability percentages and levels. This may occur, for example, in portfolios with disability and medical expenses policies and accident insurance for workers.

Economic climate, government intervention, medical advances and costs influence the occurrence of disability and recovery. The standards applied in assessing disability also play a role. This risk is managed by regular evaluation of historical claims patterns, expected future developments, adjustment of pricing, liabilities and acceptance policy. Fortis limits the disability risk also by medical selection strategies and appropriate reinsurance.

The table below provides information about sensitivity concerning the main technical insurance risks. The sensitivities for the Life sector were chosen in accordance with the sensitivities used in the embedded value publication.

<i>Life</i>	<i>Effect on</i>	<i>Effect on</i>	<i>1)</i>
	<i>value</i>	<i>value</i>	
<i>Sensitivities</i>	<i>As at 31 December 2007</i>	<i>As at 31 December 2006</i>	
Mortality ratio -5%	7	20	
Expenses -10%	130	138	
Commutation ratio -10%	31	118	
	<i>Effect on</i>	<i>Effect on</i>	
<i>Non-life</i>	<i>profit before tax</i>	<i>value</i>	
<i>Sensitivities</i>	<i>As at 31 December 2007</i>	<i>As at 31 December 2006</i>	<i>1)</i>
Expenses -10%	63	61	
Accrued claims +5%	-56	-49	

1) Value determined using fair value method. Also see ALM insurance selection for more information about the ASR fair value method.

6.7 Operational risk

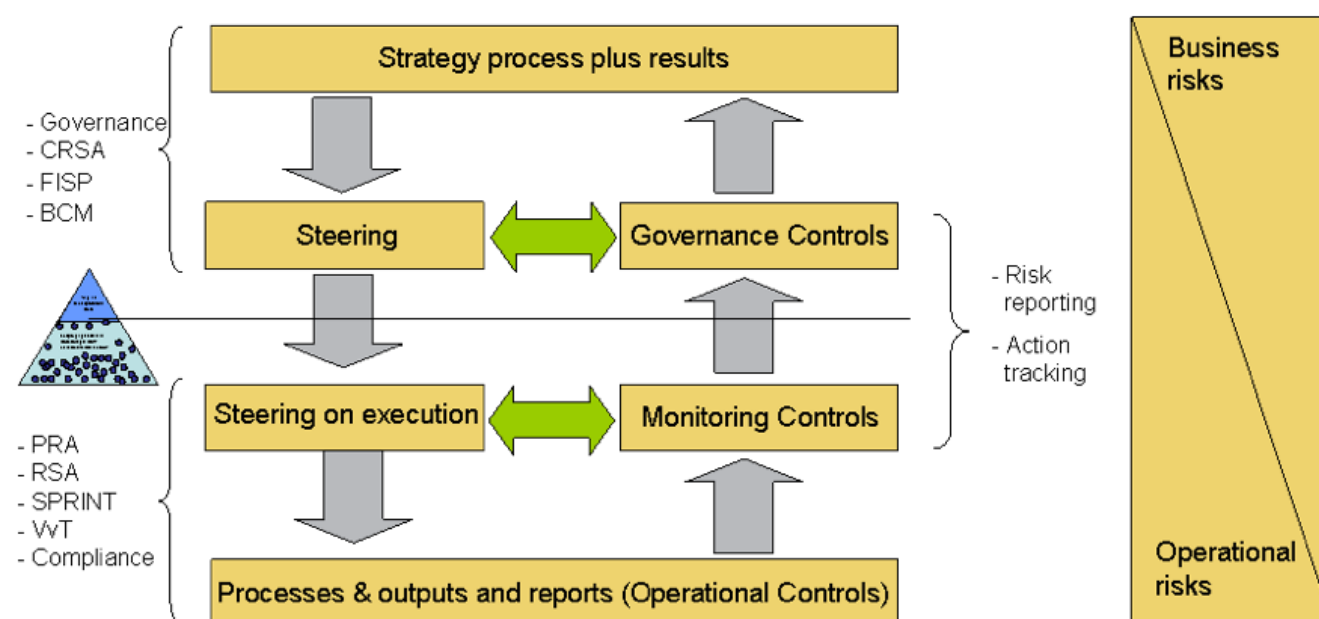
The Operational Risk & Management Control department determines policy in the field of Operational risk management within FVNL. Operational risks may result from external factors or uncontrolled internal factors. A distinction is made within operational risk between event risk and business risk.

Event risk concerns on the one hand the risk of losses through inadequate or failing internal processes, people and systems and on the other the risk of losses resulting from external events. Legal risks are considered to be part of event risk. Strategic risk and reputation risk fall outside of this. The event risk is controlled internally and can be limited by using the right control processes and controls.

The business risk concerns the risk of losses resulting from events that may harm a business activity or the business environment. Examples include changes in competition and financial changes. The effect generally takes the form of changes in volumes, pricing or margins in relation to a fixed cost level. The business risk is controlled externally but can be limited by effective management.

6.7.1 Operational Risk & Management Control

Within the specialised area of Operational Risk & Management Control, a distinction is made between four relevant areas, i.e.: Operational Event Risk, Management Control, Information Security & Business Continuity and Corporate Insurance. Implementation of these specialised areas at FVNL always follows the management control framework. The management control framework makes a distinction between a top-down approach whereby FVNL draws up standards for these areas and a bottom-up approach whereby the business units discharge responsibility through a 'comply or explain' approach. Further implementation of this framework will take place in the coming period. The figure below is a schematic representation of the Management Control Framework.



6.7.2 Operational Event Risk

Operational event risk is a field of attention with the following goals:

- identify, measure and control operational risk;
- manage and implement the Operational Risk Framework for Solvency II and the underlying methods like Risk Self Assessment and Loss Data Collection;
- calculate economic capital in order to cover the Operational Event Risk for FVNL;
- ensure that the Operational Risk framework and its implementation satisfy the applicable legislation like Solvency II and the Tabaksblat corporate governance code.

FVNL uses the following instruments and techniques to support effective and efficient identification and control of operational risks:

- gathering of loss data;
- risk evaluations;
- major risk indicators;
- equity requirements.

6.7.3 Management Control

The emphasis when managing Operational Event Risk is on operational event risks that cause a cash outflow. Management control addresses exclusively the management of operational risks.

Nevertheless, operational risk and management control are closely interrelated:

- The risk estimation methods, assessment of degree of control and approach to weaknesses take place in a similar manner:
 - business risk (including strategic risk and reputational risk): estimations are made via Control Risk Self Assessments (CRSAs) carried out annually by senior management and Process Risk Analyses (PRAs) performed by the responsible operational management;
 - Operational Event Risk: estimations are made by means of Risk Self Assessments (RSAs) performed by the responsible operational management.
- The results obtained from these risk analyses serve as input for the annual procedure leading to management control statements.

The management teams sign off their management control statements and formulate, if necessary, plans of action for improving control. The OR&MC department coordinates reporting on the status and progress of the action plans. The OR&MC department further ensures that the Management Control Framework and its implementation satisfy the applicable legislation like the Tabaksblad corporate governance code.

At the end of each year the Management Control Statements serve as affirmation of the functioning of risk management and internal control systems. The MCS process covers the entire FVNL organisation.

6.7.4 Business continuity management

Business Continuity Management (BCM) is the management process of identifying potential threats to the organisation and their impact if they were actually to occur. It provides a framework for building a resilient organisation that is capable of responding effectively to these threats. This is done in order to protect the interests of stakeholders, reputation, brand and value-creating activities.

As a financial service provider, Fortis recognizes the importance of BCM. The Fortis BCM method has been included in the BCM policy document of FVNL. The policy is based on international legislation and guidelines for best practices, as described by:

- The Business Continuity Institute: Good Practice Guidelines (BCI GPG);
- The British Standards Institute⁶.

The Business Continuity Officer works at the OR&MC department. This employee functionally controls the local Business Continuity Officers with the various Labels and Horizontal Functions of FVNL.

6.7.5 Information Security

Information is crucially important to a financial service provider like FVNL. A financial service provider has a high intensity of knowledge and information. Reliable information is vitally important to Fortis. Information must be properly protected all the time against a wide range of threats. Fortis achieves this by assuring a sufficient degree of confidentiality, integrity and availability of information. It does so by means of a structured approach to information security.

The 'Fortis Information Security Policy' sets out the organisational structure, governance and responsibilities. This policy also contains obligatory guidelines to be followed for information security for the entire Fortis group and third parties with which Fortis exchanges information. FVNL applies an information security policy based on the FISP and tailored to fit the specific situation at FVNL. The FISP and the information security policy of FVNL are both based on the existing international best practices ISO/IEC 27001 and ISO/IEC 17799-2005.

FVNL implements its information security policy according to the 'comply or explain' principle. This requires the accountability of business units by means of a standardised process. Responsibility for designing and implementing information security has been delegated to the Information Security & Business Continuity Board (IS&BC Board). A basic principle of the implementation strategy is to make the fullest possible use of existing best practices within FVNL.

The Information Security Officer works at the OR&MC department. This employee functionally controls the local Business Information Security Officers (BIOSs) with the various Labels and Horizontal Functions of FVNL.

⁶) BS25999-1 standard: Code of practice for Business Continuity Management en BS25999-2: Specifications for Business Continuity Management

6.7.6 Risk transfer by means of insurance: Corporate Insurance

FVNL consider insurance to be a useful instrument for mitigating operational risks. More specifically, FVNL is insured against financial loss caused by fraud, computer crime, professional liability and personal liability.

Entirely in line with established practices in the industry, Fortis and FVNL have concluded the following insurance agreements with third parties:

- professional liability insurance;
- directors' liability insurance;
- fraud insurance.

7 Supervision and solvency

As a financial institution FVNL is subject to supervision by regulatory authorities. Supervision is exercised at the level of FVNL and also at the level of individual operating companies.

7.1 Insurance entity

The insurance subsidiaries are required to hold a minimum test capital in relation to the premiums received for non-life insurance policies and the life insurance liabilities that stem from insurance and investment contracts or the payable benefits. The table below provides an overview of the consolidated solvency position of the FVNL subsidiaries at 31 December.

	31 December 2007	31 December 2006
Core capital	3,506	3,848
Core capital target	2,591	2,457
Amount of core capital above target	915	1,391
Total capital	4,193	4,594
Minimum solvency requirements	1,480	1,404
Amount of total capital above minimum solvency requirements	2,713	3,190
Total capital as a percentage of the minimum solvency requirements applied by FVNL	283 %	327 %

7.2 Solvency

FVNL strives not only for conformance with solvency requirements of regulators. It has also defined its own target for solvency at consolidated level, in the form of a lower limit for the available amount of net core capital and available amount of total capital. The lower limit (minimum) of the core capital is 175% of the minimum test capital and 225% of total capital.

The composition of the core capital and total capital of FVNL is:

	2007	2006
Share capital and reserves	829	1,387
Net profit attributable to shareholders	889	623
Unrealised gains and losses	544	1,247
Shareholders' equity	2,262	3,257
Non-innovative capital instruments	0	0
Non-controlling interests	97	54
Revaluation of real estate to fair value	1,128	1,062
Revaluation of debt certificates, net of tax and shadow accounting	129	-64
Revaluation of equity securities, net of taxes and shadow accounting	-67	-117
Goodwill	-36	-26
Expected dividend	0	-300
Other	-7	-18
Core capital	3,506	3,848
Innovative capital instruments	599	600
Expanded core capital	4,105	4,448
Subordinated liabilities	88	146
Other Prudential filters and deduction items on total capital	0	0
Total capital	4,193	4,594

8 Post-employment benefits and other long-term employee benefits.

The costs of post-employment benefits and other long-term employee benefits are stated in the table below.

	2007	2006	2005
Defined benefit plans	-59	-102	-75
Other post-employment benefits	-1	23	-9
Total post-employment benefits	-60	-79	-84
Other long-term employee benefits	-1	-1	-1
Total	-61	-80	-85

The costs concern all members of an FVNL pension plan, including a number of employees of other Fortis entities. In 2007, EUR 3 million of the aforementioned costs (2006: EUR 7 million; 2005: EUR 9 million) were charged on and were not for the account of FVNL.

8.1 Defined benefit pension plans and other post-employment benefits

FVNL provides defined benefit pension plans for its employees. These plans are financed partly by premiums paid by employees. The benefits under these plans are based on the number of years of service and the salary level. The pension obligations are determined using mortality figures, employee turnover, wage drift and economic assumptions regarding such matters as inflation, revenues of the plan assets and the discount rate. The discount rate is determined based on the return (zero coupon rate at the valuation date) of high-quality corporate bonds (AA rating) and the duration of the pension liability.

Besides pension benefits the costs of defined benefit plans include other post-employment payments. These include, for example, the reimbursement of part of health insurance premiums and favourable personnel conditions for financial products (like mortgages) that remain in place after employees retire.

The pension costs and other costs of post-employment benefits are stated in the table below.

	Pension plans			Other post-employment benefits		
	2007	2006	2005	2007	2006	2005
Service costs	-36	-72	-53	0	25	-4
Interest costs	-82	-76	-79	-1	-2	-4
Expected return on plant assets	58	46	57	0	0	-1
Total defined benefit expense	-60	-102	-75	-1	23	-9
Actual return on plan assets	-24	23	28	0	0	0

Under IFRS, assets managed by insurance companies that form part of the group do not count as qualifying assets. Therefore, the revenues of these assets have not been included in the above figures. The revenues of these assets are presented according to cost price valuation and came to EUR 11 million in 2007 (2006: EUR 10 million; 2005: EUR 0 million).

In 2006 an amount of EUR 24 million was presented as a one-off expense for pension plans in connection with the lump-sum remittance of certain pre-pension rights.

For the other post-employment benefits an amount of EUR 28 million was presented as one-off income in 2006. This was the result of the phase-out started in 2006 of the scheme under which the employer contributes to the medical insurance premiums of retirees.

The table below provides details of the amounts recognised in the balance sheet in respect of pensions and other post-employment benefits.

	Pension plans			Other post-employment benefits		
	2007	2006	2005	2007	2006	2005
Net current value of pension liabilities	1,637	1,700	1,923	20	26	91
Fair value of qualifying plan assets	-1,265	-1,344	-1,302	0	0	0
	372	356	621	20	26	91
Unrecognised actuarial gain (loss)	114	78	-212	24	19	-21
Net liabilities	486	434	409	44	45	70
<i>Balance sheet amounts:</i>						
Assets	0	0	0	0	0	0
Liabilities	-486	-434	-409	-44	-45	-70
Net assets (liabilities)	-486	-434	-409	-44	-45	-70

The table below provides an overview of changes in the net pension liabilities (assets) on the balance sheet.

	Pension plans		Other post-employment benefits	
	2007	2006	2007	2006
Net liabilities (assets) for defined benefit plans at 1 January	434	409	45	70
Total costs of defined benefit plans payable by FVNL	57	95	1	-21
Employer's contributions to pensions	7	5	0	0
Contributions to pension fund/insurer and contributions received	-11	-86	-3	-3
Purchase of subsidiaries	0	0	0	0
Transfer	3	7	0	0
Translation differences	0	0	0	0
Other	-4	4	1	-1
Net liabilities (assets) for defined benefit plans at 31 December	486	434	44	45

Assets managed by insurance companies that form part of the group have not been included in the above figures. At year-end 2007 the fair value of these assets came to EUR 183 million (2006: EUR 178 million; 2005: EUR 197 million).

The table below shows the assumptions applied at year-end.

	Pension plans			Other post-employment benefits		
	2007	2006	2005	2007	2006	2005
	%	%	%	%	%	%
Discount rate	5.35	4.60	3.95	5.05	4.15-4.25	3.95
Expected return on plan assets	4.90	4.28	3.43	0	0	0
Future salary increases (including price inflation)	2.30	2.10	2.30	2.30	2.10	2.30
Future pension increases (including price inflation)	1.90	1.80	1.80	0	0	0
Long-term increase in medical costs				-	-	4.30
Evolution of medical costs				-	-	4.30

The pension plan investments consist primarily of fixed-interest securities and investment contracts concluded with insurance companies. ASR wants gradually to adapt its asset allocation policy to arrive at a better match between the duration of the assets and the duration of the pension liabilities.

The table below shows the composition of pension plan investments.

Asset category	2007	2006	2005
Shares	11%	12%	11%
Debt certificates	0%	0%	2%
Fixed-interest securities	85%	84%	81%
Real estate	4%	4%	4%
Liquidities	0%	0%	2%
Other	0%	0%	0%

As a financier of pension plans, FVNL has drawn up General Guidelines for asset allocation based on criteria like geographical allocation and ratings. To ensure that the investment strategy remains in line with the structure of pension liabilities, ASR regularly conducts Asset Liability Management Studies. Asset allocation is determined on the basis of guidelines and the outcomes of the studies.

The assets are generally invested worldwide in shares and bonds.

8.2 Other long-term employee benefits

The other long-term employee benefits consist of the employer's liabilities arising from long-term disbursements. The table below shows the liabilities for these disbursements recognised in the balance sheet.

	2007	2006	2005
Present value of the liability	6.5	6.0	6.1
Fair value of plan assets	0	0.2	0.1
Net recognised liabilities	6.5	6.2	6.2
Actuarial year-end assumptions:			
Discount rate	5.00%	4.20%	4.15%
Salary increase	2.30%	2.10%	2.30%

The table below provides an overview of the costs of other long-term employee benefits.

	2007	2006	2005
Service costs	0.6	0.7	0.6
Interest costs	0.3	0.2	0.2
Net actuarial loss (gain) recognised immediately	0	-0.3	0
Total costs	0.9	0.6	0.8

The table below shows the changes to liabilities concerning other long-term employee benefits during the year.

	2007	2006	2005
Net provision as at 1 January	-6.2	-6.2	-6.0
Total expenses	-0.9	-0.6	-0.8
Paid contributions	0.4	0.6	0.8
Other	0.2	0	-0.2
Net provision as at 31 December	-6.5	-6.2	-6.2

9 Remuneration in shares and options

9.1 Employee options

FVNL decides from year to year whether to offer Fortis N.V. options to the personnel. Over the past years FVNL offered shares in Fortis N.V. to a select group of senior managers to secure their loyalty and to align their interests to those of the company. Options are generally exercisable five years after the date of being awarded, regardless of whether they are awarded conditionally or unconditionally.

The options awarded by FVNL are 10-year American at the money call options with a 5-year blocking period. They are valued using the Simple Cox model. The following parameters were applied to value the fair value of the awarded options:

	2007	2006	2005
Option allocation date	31 March 2007	31 March 2006	11 April 2005
First exercise date	2 April 2012	3 April 2011	11 April 2010
End of term	2 April 2017	3 April 2016	10 April 2015
Dividend percentage	5.82%	5.13%	5.00%
10-year interest rate	4.08%	3.74%	3.80%
Share price at allocation date	32.53	29.48	21.84
Volatility	26.04%	24.80%	23.27%
Fair value of option	15.31%	16.01%	15.36%

All options plans and plans for conditional shares (see below) are carried out by delivering shares of Fortis N.V. There is no cash settlement. It has been specifically stated for a number of options plans and plans for conditional shares that in the event of exercise existing shares must be delivered, while for the other plans new shares may be issued.

To meet the commitment to deliver existing shares, shares are purchased, taking into account the likelihood of their exercise. The shares are deemed to be sufficient to meet the expected delivery obligation.

9.2 Offering of shares to employees

In the years of 2002, 2003 and 2004, FVNL offered its employees an opportunity to purchase Fortis NV shares at a discount. The shares cannot be sold until expiry of a period of five years. The personnel were not offered any shares in 2007, 2006 and 2005.

The table below provides an overview of the shares provided to personnel at a discount:

(number of shares x 1000)	2004	2003	2002
Number of shares placed	76	103	96
Price of placement	15.64	12.04	20.14
Date shares are freely tradeable	2 November 2009	3 November 2008	8 June 2007

10 Remuneration of Supervisory Board and Board of directors of FVNL

For every proposal, every recommendation and every decision concerning remuneration of members of the Board of Directors, the Board of Directors acts in accordance with the stipulations contained in the Fortis Governance Statement. This statement sets out remuneration policy.

10.1 Remuneration of members of the Supervisory Board

Members of the Supervisory Board of FVNL receive no remuneration.

10.2 Remuneration of directors and former directors

The Supervisory Board sets the remunerations receivable by directors and former directors and the amounts are stated below.
(in euros)

	Regular Remuneration	Remuneration payable in due course	Profit-sharing and bonuses
2007	2,005,489	454,817	1,178,443
2006	1,869,684	708,157	1,006,231
2005	1,848,936	690,870	1,099,000

10.3 Option rights for directors and former directors

As a result of the share issue of Fortis SA/NV, the restricted shares and option rights receivable by directors and former directors have been adjusted to reflect the dilution that occurred. Directors and former directors were awarded the following option rights:

Name of director	'Restricted shares'	Options awarded in 2007	Options exercised in 2007	Options outstanding at 31 December 2007	Options exercise- price	Options expiry date
J.P.M. Baeten	-	-	-	17,918	26.98	29-04-2008
	8,362	-	-	9,628	12.44	28-04-2009
	3,315	-	-	5,071	15.31	12-04-2010
	12,907	-	-	17,476	18.65	10-04-2011
	9,544	-	-	13,940	24.68	02-04-2012
	10,380	12,339	-	12,339	28.62	01-04-2013
J.C. van Ek	-	-	-	26,279	26.98	29-04-2008
	16,078	-	-	18,545	12.44	28-04-2009
	6,206	-	-	9,484	15.31	12-04-2010
	27,964	-	-	37,866	18.65	10-04-2011
V.I. Goedvolk	-	-	-	26,279	26.98	29-04-2008
	10,010	-	-	11,539	12.44	28-04-2009
	1,935	-	-	2,950	15.31	12-04-2010
P.B.G. van Harten	5,752	-	-	6,630	12.44	28-04-2009
	3,315	-	-	5,071	15.31	12-04-2010
	15,535	-	-	21,036	18.65	10-04-2011
	20,259	-	-	29,577	24.68	02-04-2012
	24,954	29,660	-	29,660	28.62	01-04-2013
J.W.M. van der Knaap	4,145	-	-	4,778	12.44	28-04-2009
	2,759	-	-	4,229	15.31	12-04-2010
	10,679	-	-	14,460	18.65	10-04-2011
	7,167	-	-	10,452	24.68	02-04-2012
	7,788	9,258	-	9,258	28.62	01-04-2013

M.N. Kok	-	-	-	4,181	18.65	10-04-2011
	-	-	-	8,959	24.68	02-04-2012
	7,788	9,258	-	9,258	28.62	01-04-2013
T. Meinders	4,145	-	-	4,778	12.44	28-04-2009
	2,759	-	-	4,229	15.31	12-04-2010
	10,679	-	-	14,460	18.65	10-04-2011
T. Pluijter	2,759	-	-	4,229	15.31	12-04-2010
	10,679	-	-	14,460	18.65	10-04-2011
	7,167	-	-	10,452	24.68	02-04-2012
	7,788	9,258	-	9,258	28.62	01-04-2013
H. Rutten	-	-	-	26,279	26.98	29-04-2008
C. de Swart	-	-	-	42,405	26.98	29-04-2008
R. Wijmenga	-	-	-	26,279	26.98	29-04-2008
R.H.A. van Vledder	7,167	-	-	10,452	24.68	02-04-2012
	7,788	9,258	-	9,258	28.62	01-04-2013

11 Auditor's fees

The fees paid to accountants for the years of 2008, 2007 and 2005 fall into the following categories:

- fees for auditing: these include the fees for auditing the consolidated financial statements, quarterly reports and other reports under the articles of association;
- other fees unrelated to auditing: these include the costs of providing support and advice on acquisitions.

A breakdown of the auditor's fees is provided below:

	2007	2006	2005
Audit fees	2	2	1
Other non-audit fees	2	1	1
Total	4	3	2

12 Transactions with related parties

Parties related to FVNL include non-controlling interests, pension funds, joint ventures, members of the Board of Directors, members of the Supervisory Board and immediate family members of the aforementioned persons. These parties further include entities over which the aforementioned persons exercise control or exercise substantial influence and other related entities.

FVNL regularly enters into transactions with related parties during the conduct of its business. The transactions concern mainly loans, deposits, commission and reinsurance contracts and are carried out under the commercial and market conditions applied to non-related parties.

Chapter 10 contains a description of the remuneration and the combined share ownership of the members of the Board of Directors. At 31 December 2007 there were no FVNL loans or credits outstanding to members of the Board of Directors.

During the normal conduct of business FVNL entities may issue business credits, loans or bank guarantees to members of the Board of Directors, members of the Supervisory Board or to immediate family members of those Boards. At 31 December 2007 there were no outstanding issued credits, loans and bank guarantees other than those customary in the normal conduct of business.

The table below shows the financial scope of the activities FVNL entered into with the following related parties:

- associates;
- joint ventures;
- parent company Fortis Insurance N.V.;
- ultimate parent company Fortis N.V.;
- Fortis group companies;
- other related parties.

Balance sheet items with related parties as at 31 December:	2007	2006	2005
Investments in associates	326	172	172
Other assets	1,345	1,741	829
Debt certificates, subordinated liabilities and other loans	2,161	2,505	1,380
Other liabilities	109	184	183
Transactions in the income statement for the financial year	2007	2006	2005
Interest income	131	140	96
Interest expense	208	151	120
Insurance premiums, net after reinsurance (earned)	20	9	23
Fee and commission income	50	63	28
Other income	69	198	238
Operational, administrative and other costs	154	131	99

13 Information by segment

FVNL is a financial service provider active in insurance. FVNL provides products and services and operates in market segments that are subject to different levels of profitability, growth opportunities, future prospects and risks.

The segment report of FVNL reflects the complete economic contribution of the various segments. FVNL makes a distinction between Life and Non-life segments. The purpose of this report is the full allocation of all items in the balance sheet and income statement to the segments that hold complete management responsibility for them.

The segment information is prepared in accordance with the valuation principles used in the preparation of the consolidated financial statements of FVNL (refer to chapter 2).

Transactions between the various segments occur under normal market conditions (at arm's length).

13.1 Insurance

FVNL cultivates the market through independent intermediaries and offers its business and private customers a wide range of life, non-life, medical and disability insurances plus mortgages and savings products.

Allocation rules

In accordance with the FVNL business model, the service-providing activities of the insurance companies are not reported separately.

Balance sheet items are allocated to segments according to the products sold to external customers.

For balance sheet items that cannot be related to products sold to customers, a modified allocation that applies to all reporting segments is used.

13.2 Income statement for Life and Non-life business

Income, 2007	Life	Non-life	Eliminations	Total
Insurance premiums	3,108	2,091	-2	5,197
Interest income	1,082	157	-6	1,233
Fee and commission income	19	95	0	114
Dividend and other investment income	276	22	0	298
Other income	184	151	0	335
Income from investments related to unit-linked products	119	0	0	119
Other realised and unrealised gains and losses	685	83		768
Share in result of associates and joint ventures	38	0	0	38
Total income	5,511	2,599	-8	8,102
Expenses				
Insurance claims and benefits	-2,831	-1,459	2	-4,288
Fee and commission expense	-153	-401	0	-554
Depreciation and amortisation of tangible and intangible assets	-62	-6	0	-68
Operating and staff expenses	-495	-367	0	-862
Interest expense	-314	-61	6	-369
Expenses related to unit-linked products	-785	0	0	-785
Changes in impairments	-130	-29	0	-159
Total expenses	-4,770	-2,323	8	-7,085
Profit before tax	741	276	0	1,017
Income tax expense	-67	-44	0	-111
Net profit for the period	674	232	0	906
Net profit attributable to non-controlling interests	-17	0	0	-17
Net profit attributable to shareholders	657	232	0	889
Income, 2006				
Income, 2006	Life	Non-life	Eliminations	Total
Insurance premiums	3,437	1,977	-36	5,378
Interest income	1,306	149	-94	1,361
Fee and commission income	50	99	-27	122
Dividend and other investment income	259	31	0	290
Other income	136	44	-36	144
Income from investments related to unit-linked products	998	0	0	998
Other realised and unrealised gains and losses	200	19	0	219
Share in result of associates and joint ventures	28	3	0	31
Total income	6,414	2,322	-193	8,543
Expenses				
Insurance claims and benefits	-3,524	-1,237	49	-4,712
Fee and commission expense	-212	-392	27	-577
Depreciation and amortisation of tangible and intangible assets	-72	-8	0	-80
Operating and staff expenses	-427	-323	23	-727
Interest expense	-362	-61	94	-329
Expenses related to unit-linked products	-1,286	0	0	-1,286
Changes in impairments	-20	-4	0	-24
Total expenses	-5,903	-2,025	193	-7,735
Profit before tax	511	297	0	808
Income tax expense	-102	-77	0	-179
Net profit for the period	409	220	0	629
Net profit attributable to non-controlling interests	-5	0	0	-5
Net profit attributable to shareholders	404	220	0	624

13.3 Balance sheet for Life and Non-life business

The table below shows the balance sheet data itemised according to life and non-life as at 31 December.

	Life	Non-life	Eliminations	Total
Assets 31 December 2007				
Cash and cash equivalents	428	115	-60	483
Other assets and receivables	7,324	878	-54	8,148
Investments available for sale	13,059	2,509	0	15,568
Investments held at fair value through profit or loss	1,169	306	0	1,475
Investment property	1,260	413	0	1,673
Investments in associates and joint ventures	175	10	0	185
Investments related to unit-linked products	10,234	0	0	10,234
Reinsurance	35	493	0	528
Property, plant and equipment	206	21	0	227
Goodwill and other intangible assets	391	14	0	405
Total assets	34,281	4,759	-114	38,926
Liabilities				
Accrued interest and other liabilities	2,372	273	-11	2,634
Due to banks	1,207	0	0	1,207
Liabilities arising from insurance contracts	16,922	3,123	0	20,045
Liabilities related to unit-linked products	10,633	0	0	10,633
Other borrowings	831	135	91	1,057
Current and deferred tax liabilities	231	47	0	278
Provisions	25	1	0	26
Subordinated liabilities	91	610	-14	687
Liabilities	32,312	4,189	66	36,567
Shareholders' equity	1,969	570	-277	2,262
non-controlling interests	0	0	97	97
Equity	1,969	570	-180	2,359
Total liabilities and equity	34,281	4,759	-114	38,926

	Life	Non-life	Eliminations	Total
Assets at 31 December 2006				
Cash and cash equivalents	501	503	0	1,004
Other assets and receivables	7,491	1,096	-39	8,548
Investments available for sale	13,436	2,623	0	16,059
Investments at fair value with impairments in the income statement	1,423	326	0	1,749
Investment property	1,625	0	0	1,625
Investments in associates and joint ventures	201	10	0	211
Investments related to unit-linked products	9,504	0	0	9,504
Reinsurance	106	462	0	568
Property, plant and equipment	301	28	0	329
Goodwill and other intangible assets	408	20	0	428
Total assets	34,996	5,068	-39	40,025
Accrued interest and other liabilities	2,076	442	-37	2,481
Due to banks	1,690	0	0	1,690
Liabilities arising from insurance contracts	17,288	2,947	-2	20,233
Liabilities related to unit-linked products	9,797	0	0	9,797
Other borrowings	1,092	231	0	1,323
Current and deferred tax liabilities	315	102	0	417
Provisions	26	0	0	26
Subordinated liabilities	110	637	0	747
Liabilities	32,394	4,359	-39	36,714
Shareholders' equity	2,548	709	0	3,257
non-controlling interests	54	0	0	54
Equity	2,602	709	0	3,311
Total liabilities and equity	34,996	5,068	-39	40,025

Notes to the balance sheet

14 Cash and cash equivalents

Cash positions include cash on hand and other financial instruments with terms of less than three months after acquisition date. The cash positions as at 31 December consisted of:

	2007	2006	2005
Funds	0	0	1
Due from banks	561	682	1,058
Other	-78	322	-501
Total	483	1.004	558

15 Other assets and receivables

Other assets and receivables as at 31 December were:

	2007	2006	2005
Derivatives held for trading	183	160	123
Due from banks	943	1,177	1,195
Due from customers	4,592	4,887	5,330
Trade and other receivables	1,095	1,029	995
Accrued interest and other assets	1,335	1,295	1,438
Other assets and receivables	8,148	8,548	9,081

15.1 Derivatives held for trading

Derivative financial instruments held for trading as at 31 December were:

	2007	2006	2005
Derivative financial instruments			
Unlisted	181	149	122
Listed	2	11	1
Total derivative financial instruments	183	160	123

The details of the derivatives are described in chapter 28, 'Derivatives'. Chapter 29, 'Fair values of financial assets and financial liabilities', provides further details of the calculation of fair values.

The hedging strategies are described in chapter 6, 'Risk management'.

15.2 Due from banks

Receivables due from banks as at 31 December were:

	2007	2006	2005
Interest-bearing deposits	179	188	105
Loans and advances	606	835	942
Other	158	154	148
Total due from banks	943	1,177	1,195

Receivables due from banks are business loans and deposits. They are carried at amortised value, if necessary less a provision for bad debts.

15.3 Due from customers

Receivables due from customer as at 31 December were:

	2007	2006	2005
Government and official institutions	436	463	573
Mortgage loans	2,366	2,616	2,860
Private loans	0	163	377
Business loans	1,808	1,692	1,580
Securities lending	0	0	1
Policy loans	16	18	19
Total due from customers	4,626	4,952	5,410
Less impairments			
- Specific credit risks	-31	-65	-80
- Incurred but not reported (IBNR)	-3	0	0
Net due from customers	4,592	4,887	5,330

The loans concern business credits and are carried at par value, if necessary less a provision for bad debts.

15.4 Trade and other receivables

Trade and other receivables as at 31 December were:

	2007	2006	2005
Due from insured parties	313	321	179
Due for operating leases	1	1	1
Due from intermediaries	121	145	168
Due from reinsurance actions	221	217	153
Other	462	382	527
Total, gross	1,118	1,066	1,028
Impairment	-23	-37	-33
Total	1,095	1,029	995

The other receivables concern matters like VAT and other indirect taxes.

15.5 Accrued interest and other

Accrued interests and other assets as at 31 December were:

	2007	2006	2005
Deferred acquisition costs	678	689	709
Accrued investment and interest revenues	435	395	411
Buildings held for sale	173	128	72
Deferred tax claims	17	12	192
Immediate tax claims	7	8	2
Other	42	63	52
Total, gross	1,352	1,295	1,438
Impairment	-17	0	0
Total	1,335	1,295	1,438

All purchased and sold financial assets with obligatory delivery within a period of time prescribed by regulation or market convention are recognised at transaction date. This is the date at which FVNL enters into the contractual provisions of the instrument. The 'Other' line contains mainly the balance of the temporary difference between the amounts at purchase date and at delivery date.

The impairment of EUR 17 million in 2007 concerns buildings held for sale.

Changes to deferred acquisition costs

The table below shows movements in deferred acquisition costs in connection with insurance contracts over the year.

	2007	2006	2005
Balance sheet at 1 January	689	709	702
Deferred acquisition costs	118	123	103
Depreciation	-130	-128	-129
Purchased group companies	0	9	9
Other adjustments including translation differences	1	-24	24
Balance sheet at 31 December	678	689	709

16 Investments

Financial assets and liabilities, including derivatives, are brought together in specific portfolios within the defined investment strategies. Their performance and risk are controlled and evaluated based on fair value.

As at 31 December the composition of investments was:

	2007	2006	2005
<i>Investments</i>			
Available for sale	15,781	16,164	14,910
Held at fair value through profit or loss	1,475	1,749	1,585
Investment property	1,711	1,654	1,412
Investments in associates and joint ventures	185	211	214
Total, gross	19,152	19,778	18,121
Impairments	-251	-134	-165
Total	18,901	19,644	17,956

16.1 Investments available for sale

The table below shows the fair value and amortised cost price and related unrealised gains and losses of investments available for sale as at 31 December:

	Historical amortised cost price	Revaluation	Impairment	Fair values
31 December 2007				
<i>Investments available for sale</i>				
Short-term government securities and other discountable securities	49	0	0	49
Government bonds	3,495	-38	0	3,457
Corporate bonds	7,824	-387	-17	7,420
Debt certificates covered by mortgage	333	-9	0	324
Debt certificates covered by other assets	656	-26	-109	521
Private equities and venture capital	13	112	-1	124
Other shares	2,453	725	-86	3,092
Other investments	581	0	0	581
Total	15,404	377	-213	15,568

	Historical amortised cost price	Revaluation	Impairment	Fair values
31 December 2006				
<i>Investments available for sale</i>				
Short-term government securities and other discountable securities	99	0	0	99
Government bonds	3,767	57	0	3,824
Corporate bonds	6,657	114	0	6,771
Debt certificates covered by mortgage	379	0	0	379
Debt certificates covered by other assets	688	-2	-1	685
Private equities and venture capital	80	83	-14	149
Other shares	2,411	1,283	-90	3,604
Other investments	548	0	0	548
Total	14,629	1,535	-105	16,059

	Historical amortised cost price	Revaluation	Impairment	Fair values
31 December 2005				
<i>Investments available for sale</i>				
Short-term government securities and other discountable securities	0	0	0	0
Government bonds	3,646	244	0	3,890
Corporate bonds	6,323	410	-3	6,730
Debt certificates covered by mortgage	22	2	0	24
Debt certificates covered by other assets	570	0	0	570
Private equities and venture capital	182	29	-13	198
Other shares	2,111	819	-119	2,811
Other investments	552	0	0	552
Total	13,406	1,504	-135	14,775

Impairments of investments available for sale

The following table shows the changes in impairments of investments available for sale:

	2007	2006	2005
Balance sheet as at 1 January	-105	-135	-267
Increase in impairments	-139	-3	-8
Released through sale of impairments	0	34	139
Translation differences and other adjustments	31	-1	1
Balance sheet as at 31 December	-213	-105	-135

The increase in translation differences and other adjustments stem mainly from exchange rate differences on investments available for sale.

16.2 Investments at held fair value through profit or loss

The table below contains details of the kept investments at fair value with the incorporation of unrealised impairments in the income statement as at 31 December:

	2007	2006	2005
Debt certificates covered by other assets	1,475	1,749	1,585
Total	1,475	1,749	1,585

Debt certificates covered by other assets are mainly synthetic collateralised debt obligations with embedded derivatives. The decrease in 2007 was caused mainly by the lowering of the value of the CDOs because of changed market conditions in the second half of 2007.

16.3 Investment property

Investments in real estate concern mainly land, homes, offices, shops and car parks, primarily in the Netherlands. Real estate investments as at 31 December were:

	2007	2006	2005
Cost price as at 1 January	2,022	1,769	1,586
Additions	133	870	245
Improvements	9	4	2
Reversal through divestments	-163	-544	-64
Transfer to (from) real estate for own use	121	-77	0
Other	-48	0	0
Cost price as at 31 December	2,074	2,022	1,769
Cumulative depreciation as at 1 January	-368	-357	-289
Depreciation	-29	-36	-43
Reversal of depreciation through divestments	14	25	3
Other changes	20	0	-28
Cumulative depreciation as at 31 December	-363	-368	-357
Impairments as at 1 January	-29	-30	-61
Increase in impairments	-16	-4	-1
Reversal of impairments	7	5	1
Other	0	0	31
Impairments as at 31 December	-38	-29	-30
Net Investment property	1,673	1,625	1,382

Depreciation on buildings is calculated on a straight-line basis. Costs are written down over the estimated useful life to the residual value. Real estate investments have been divided into the following components: land, skeleton, outer shell, systems, furnishings (both rough finishing and detailed finishing) and long lease.

The maximum useful life of the components can be found in the financial reporting principles in the Property, plant and equipment section (chapter 2.19).

The fair value of real estate investments stood at EUR 3,059 at year-end 2007 (year-end 2006: EUR 2,927; year-end 2005: EUR 2,647 million).

16.4 Investments in associates and joint ventures

The table below provides an overview of the carrying amount of the main investments in associates and joint ventures:

	2007	2006	2005
<i>Joint ventures</i>			
Deltafort	149	171	175
<i>Associates</i>			
Other	36	40	39
Total	185	211	214

The interests held by FVNL in associates and joint ventures at 31 December were:

	Total assets	Total liabilities	Total income	Total expense
2007				
Deltafort	149	0	12	0
Other	229	188	294	252
2006				
Deltafort	171	0	11	0
Other	224	181	292	271
2005				
Deltafort	175	0	9	0
Other	145	106	166	147

17 Property, plant and equipment

Property, plant and equipment as at 31 December:

	2007	2006	2005
Land and buildings for own use	113	114	121
Inventory and motor vehicles	12	10	42
Buildings under construction	102	205	0
Total	227	329	163

Starting 2006 real estate investments under construction are presented under Property, plant and equipment.

Changes to property, plant and equipment

The table below shows changes to Property, plant and equipment in the years of 2007, 2006 and 2005.

2007

	Land and buildings for own use	Inventory and motor-vehicles	Buildings under construction	Total
Cost price as at 1 January	187	110	205	502
Additions	-4	11	18	25
Reversal through divestments	0	-3	0	-3
Transfer of investment property	0	0	-121	-121
Other	8	-1	0	7
Cost price as at 31 December	191	117	102	410
Cumulative depreciation as at 1 January	-73	-100	0	-173
Depreciation	-5	-9	0	-14
Reversal through divestments	0	3	0	3
Other	0	1	0	1
Cumulative depreciation as at 31 December	-78	-105	0	-183
Impairments as at 1 January	0	0	0	0
Impairments charged to the result	0	0	0	0
Reversal of impairments	0	0	0	0
Other	0	0	0	0
Impairments as at 31 December	0	0	0	0
Net Property, plant and equipment	113	12	102	227

2006

	Land and buildings for own use	Inventory and motor- vehicles	Buildings under construction	Total
Cost price as at 1 January	189	173	0	362
Additions	2	4	128	134
Reversal through divestments	-4	-70	0	-74
Transfer of investment property	0	0	77	77
Other	0	3	0	3
Cost price as at 31 December	187	110	205	502
Cumulative depreciation as at 1 January	-68	-131	0	-199
Depreciation	-5	-11	0	-16
Reversal through divestments	0	44	0	44
Other	0	-2	0	-2
Cumulative depreciation as at 31 December	-73	-100	0	-173
Impairments as at 1 January	0	0	0	0
Impairments charged to the result	0	0	0	0
Reversal of impairments	0	0	0	0
Other	0	0	0	0
Impairments as at 31 December	0	0	0	0
Net Property, plant and equipment	114	10	205	329

2005

	Land and buildings for own use	Inventory and motor- vehicles	Buildings under construction	Total
Cost price as at 1 January	202	159	0	361
Additions	4	26	0	30
Reversal through divestments	-7	-12	0	-19
Transfer of investment property	0	0	0	0
Other	-10	0	0	-10
Cost price as at 31 December	189	173	0	362
Cumulative depreciation as at 1 January	-64	-124	0	-188
Depreciation	-4	-14	0	-18
Reversal through divestments	0	12	0	12
Other	0	-5	0	-5
Cumulative depreciation as at 31 December	-68	-131	0	-199
Impairments as at 1 January	0	0	0	0
Impairments charged to the result	0	0	0	0
Reversal of impairments	0	0	0	0
Other	0	0	0	0
Impairments as at 31 December	0	0	0	0
Net Property, plant and equipment	121	42	0	163

Depreciation on buildings is calculated on a straight-line basis. Costs over the estimated useful life are written down to residual value. Land and buildings for ASR's own use are divided into the components of land, skeleton, outer shell, systems and furnishings (rough finishing and detailed finishing). The maximum useful life of the components can be found in the financial reporting principles in the Property, plant and equipment section (chapter 2.19).

IT, office and other equipment and motor vehicles are written down over their respective individually-determined life cycles. As a general rule residual values are set to nil.

The fair value of land and buildings for the company's own use at year-end 2007 amounted to EUR 241 million (year-end 2006: EUR 237 million; year-end 2005: EUR 260 million).

18 Goodwill and other intangible assets

Intangible assets as at 31 December were:

	2007	2006	2005
Goodwill	36	26	1
Value of business acquired (VOBA)	363	385	405
Software and other intangible assets	6	17	8
Total goodwill and other intangible assets	405	428	414

Changes in goodwill and other intangible assets

The table below shows the changes in goodwill and other intangible assets in the years of 2007, 2006 and 2005:

2007	Goodwill	Value of business acquired (VOBA)	Software and other intangible assets	Total
Cost price as at 1 January	31	500	56	587
Purchased group companies	11	0	-7	4
Other	-1	2	-5	-4
Cost price as at 31 December	41	502	44	587
Cumulative amortisation as at 1 January	0	-113	-39	-152
Amortisation	0	-20	-4	-24
Other	0	-1	6	5
Cumulative amortisation as at 31 December	0	-134	-37	-171
Impairments as at 1 January	-5	-2	0	-7
Impairments	0	-3	-1	-4
Impairments as at 31 December	-5	-5	-1	-11
Net intangible assets	36	363	6	405

2006	Goodwill	Value of business acquired (VOBA)	Software and other intangible assets	Total
Cost price as at 1 January	2	502	33	537
Purchased group companies	25	0	15	40
Other	4	-2	8	10
Cost price as at 31 December	31	500	56	587
Cumulative amortisation as at 1 January	0	-97	-25	-122
Amortisation	0	-20	-9	-29
Other	0	4	-5	-1
Cumulative amortisation as at 31 December	0	-113	-39	-152
Impairments as at 1 January	-1	0	0	-1
Impairments	-4	-2	0	-6
Impairments as at 31 December	-5	-2	0	-7
Net intangible assets	26	385	17	428
2005	Goodwill	Value of business acquired (VOBA)	Software and other intangible assets	Total
Cost price as at 1 January	0	493	25	518
Purchased group companies	2	9	8	19
Other	0	0	0	0
Cost price as at 31 December	2	502	33	537
Cumulative amortisation as at 1 January	0	-76	-20	-96
Amortisation	0	-21	-5	-26
Other	0	0	0	0
Cumulative amortisation as at 31 December	0	-97	-25	-122
Impairments as at 1 January	0	0	0	0
Impairments	-1	0	0	-1
Impairments as at 31 December	-1	0	0	-1
Net intangible assets	1	405	8	414

Amortisation on intangible assets takes place according to the expected useful life. There is no amortisation on goodwill, in accordance with IFRS. At least once a year there is an evaluation of whether there is an impairment by comparing the carrying amount with the fair value.

Software and other intangible assets generally have a useful life of three years at most.

Amortisation schedule for Value of Business Acquired (VOBA)

VOBA is recognised at the time of acquisition of an insurance company or an insurance portfolio. VOBA is written down over the expected term of the acquired portfolio. At least once a year there is an evaluation of whether there is an impairment. This occurs by comparing the carrying amount with the fair value. The expected amortisation schedule for future years is shown below.

Estimated amortisation of VOBA	2008	2009	2010	2011	2012	Later
	19	20	20	19	19	266

19 Accrued interest and other liabilities

Accrued interest and other liabilities at 31 December were:

	2007	2006	2005
Derivatives held for hedging	1	1	0
Derivatives held for trading	22	25	28
Debt certificates	5	5	5
Due to customers	16	13	84
Accrued interest and other liabilities	2,590	2,437	2,591
Total	2,634	2,481	2,708

19.1 Due to customers

Debts owed tot customers as at 31 December were:

	2007	2006	2005
Deposits of reinsurers	5	6	76
Other liabilities	11	7	8
Total	16	13	84

19.2 Accrued interest and other liabilities

Accrued interest and other liabilities as at December 31 were:

	2007	2006	2005
Deferred revenues	6	5	9
Accrued interest	124	110	139
Deferred costs	1	3	136
Derivates held for trading	1	1	0
Other employee benefits	108	89	151
Pension liabilities	486	434	409
Trade debts	179	184	85
Debts to agents, policyholders and intermediaries	791	765	660
VAT and other payable taxes	2	6	7
Payable dividend	2	0	1
Debts to reinsurers	91	117	80
Other liabilities	799	723	914
Total	2,590	2,437	2,591

Further details of pension liabilities can be found in chapter 8, 'Post-employment benefits and other long-term employee benefits'. Other employee benefits include other long-term employee benefits (see chapter 8), social security contributions, severance schemes and accrued holiday entitlements.

All purchased and sold financial assets with obligatory delivery within a period of time prescribed by regulation or market convention are recognised at transaction date. This is the date at which FVNL enters into the contractual provisions of the instrument.

20 Due to banks

Amounts owed to banks as at 31 December were:

	2007	2006	2005
<i>Bank deposits</i>			
Payable on demand	0	121	0
Term deposits	0	567	0
Total deposits	0	688	0
Loaned out securities	1,207	1,000	0
Other	0	2	0
Total	1,207	1,690	0

There is no significant difference between the carrying amount of the liabilities held at fair value through profit or loss in the income statement and the face value of the liabilities.

The loan out securities consist of two deposits and one loan, i.e.:

- Deposit: EUR 439 million, due date 21 January 2008, interest 4.5592%
- Deposit: EUR 168 million, due date 7 February 2008, interest 4.58% and
- Loan: EUR 600 million, due date 21 January 2008, interest 4.735%.

Contractual terms of deposits of banks

The contractual term of deposits held by banks at 31 December were:

	2007	2006	2005
Expiring in 2008	0	0	0
Expiring in 2007	0	688	0
Expiring in 2006	0	0	0

21 Liabilities arising from insurance contracts

Liabilities arising from insurance contracts as at 31 December were:

	2007			2006			2005		
	Life	Non-life	Total	Life	Non-life	Total	Life	Non-life	Total
Gross									
Liability for future benefits	17,280	0	17,280	17,168	0	17,168	16,852	0	16,852
Liability for claims	0	2,570	2,570	0	2,416	2,416	0	2,399	2,399
Unearned premiums	0	550	550	0	532	532	0	528	528
Liability for profit-sharing	20	0	20	24	0	24	7	0	7
Shadow accounting adjustment	-378	3	-375	94	-1	93	540	17	557
	16,922	3,123	20,045	17,286	2,947	20,233	17,399	2,944	20,343
Reinsurance	-35	-493	-528	-106	-462	-568	-223	-491	-714
Net	16,887	2,630	19,517	17,180	2,485	19,665	17,176	2,453	19,629

The table below shows the movements of liabilities arising from insurance contracts:

	Life insurance- contracts
Balance sheet as at 1 January 2005	16,611
Additions charged to the income statement	539
Shadow accounting adjustment	26
Balance sheet as at 31 December 2005	17,176
Additions charged to the income statement	450
Shadow accounting adjustment	-446
Balance sheet as at 31 December 2006	17,180
Additions charged to the income statement	179
Shadow accounting adjustment	-472
Balance sheet as at 31 December 2007	16,887

22 Liabilities related to unit-linked products

The table below shows movement of liabilities related to unit-linked products based on insurance contracts.

	2007	2006	2005
Balance sheet as at 1 January	9,797	8,658	6,986
Premiums	785	1,062	1,034
Other changes	51	77	638
Balance sheet as at 31 December	10,633	9,797	8,658

Impairments on investments, interest and dividend income and commutations are presented under 'Other changes'.

23 Other borrowings

Other borrowings as at 31 December were:

	2007	2006	2005
Other	1,057	1,323	1,139
Total other borrowings	1,057	1,323	1,139

This item mainly concerns privately placed loans. Against the outstanding privately placed loans FVNL has pledged assets (investment assets and assets held for trading) to Fortis Bank for an amount of approximately EUR 100 million.

24 Current and deferred tax liabilities

The table below shows the taxation position:

	2007			2006			2005		
	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total
Assets	7	17	24	8	12	20	2	192	194
Liabilities	37	241	278	224	193	417	446	141	587
Net position	-30	-224		-216	-181		-444	51	

Current and deferred tax receivables are included under 'Accrued interest and other assets' (chapter 15.5).

	Balance sheet as at		
	2007	2006	2005
<i>Deferred tax assets:</i>			
Assets held for trading (securities trading portfolio/derivative financial instruments/other trading assets)	10	2	1
Investments (held until maturity/available for sale)	40	1	1
Investment property	4	0	1
Property, plant and equipment	0	3	4
Intangible assets (excluding goodwill)	0	1	1
Insurance policy and claim reserves	140	278	456
Impairment on loans	0	0	-1
Debt certificates and subordinated liabilities	0	1	5
Provisions for pensions and benefits after employment ends	33	66	75
Other Provisions	1	3	5
Deferred costs and revenues received in advance	17	8	2
Unused compensable losses	0	0	0
Other	7	18	177
Gross deferred tax assets	252	381	727
Write-down of deferred tax assets	0	0	0
Total deferred tax assets, net of write-down	252	381	727

	Balance sheet as at		
	2007	2006	2005
<i>Deferred tax assets:</i>			
Trading assets (securities trading portfolio/derivative financial instruments/other trading assets)	25	5	5
Trading liabilities (sold securities/derivative financial instruments/other trading liabilities)	0	0	6
Investments (held until maturity/available for sale)	31	214	299
Investment property	35	39	25
Property, plant and equipment	166	138	157
Intangible assets (excluding goodwill)	0	0	0
Due from customers	0	0	2
Debt certificates and subordinated loans	0	0	0
Other Provisions	2	-1	-3
Prepaid costs and deferred assets	137	132	173
Other	80	35	12
Total deferred liabilities	476	562	676
Net deferred taxes	-224	-181	51

As deferred taxes on profits may be netted under fiscal regimes, they have been presented in the balance sheet in the following manner:

	2007	2006	2005
Deferred tax liabilities	17	12	192
Deferred tax debts	241	193	141
Net deferred taxes	-224	-181	51

	Income statement		
	2007	2006	2005
<i>Deferred tax assets:</i>			
Assets held for trading (securities trading portfolio/derivative financial instruments/other trading assets)	0	2	1
Investments (held until maturity/available for sale)	4	-4	0
Investment property	1	-1	0
Property, plant and equipment	0	0	3
Intangible assets (excluding goodwill)	0	0	1
Insurance policy and claim reserves	-46	-60	-11
Impairment on loans	-1	0	1
Debt certificates and subordinated liabilities	-1	-4	-9
Provisions for pensions and benefits after employment ends	-33	-10	76
Other Provisions	-2	-2	-5
Deferred costs and revenues received in advance	9	6	1
Unused compensable losses	0	0	0
Other	-3	-152	0
Gross deferred tax assets	-72	-225	58
Write-down of deferred tax assets	0	0	0
Total deferred tax assets, net of write-down	-72	-225	58

	Income statement		
	2007	2006	2005
<i>Deferred tax liabilities:</i>			
Trading assets (securities trading portfolio/derivative financial instruments/other trading assets)	-20	0	0
Trading liabilities (sold securities/derivative financial instruments/other trading liabilities)	0	6	2
Investments (held until maturity/available for sale)	42	14	-8
Investment property	3	-14	7
Property, plant and equipment	-28	15	-1
Intangible assets (excluding goodwill)	0	0	1
Due from customers	1	3	-20
Debt certificates and subordinated loans	0	0	-4
Other Provisions	-3	-2	12
Prepaid costs and deferred assets	6	41	-30
Other	-54	-28	56
Total deferred liabilities	-53	35	15
Deferred tax income	-125	-190	73

The final figures for deferred tax revenues reconcile with chapter 39, 'Income tax expense'.

25 Provisions

The table below shows the movements in provisions:

	2007	2006	2005
Balance sheet as at 1 January	26	39	51
Additional foreseen amounts	9	9	9
Reversal of unused amounts	0	-1	0
Usages in course of year	-10	-28	-26
Other	1	7	5
Balance sheet as at 31 December	26	26	39

The provisions are for:

- fiscal and legal matters;
- premature departure of personnel;
- increasing the quality of management as announced that year-end 2005.

The provision for legal matters is based on the best possible estimates available at year-end. They take account of the recommendations of legal advisers. The time of the outgoing cash flows related to these provisions is uncertain by definition. This is because of the unpredictability of the outcome of and the time required for the settlement of disputes.

The provisions for premature departure of personnel are based on arrangements agreed in the collective labour agreement and are created at the time of conclusion of the agreement. The outgoing cash flows have the same time horizon as the collective labour agreement.

26 Subordinated liabilities

Subordinated liabilities as at 31 December were:

	2007	2006	2005
Perpetual loans	0	0	540
Other loans	687	747	771
Total	687	747	1,311

The subordinated loans concern:

- perpetual loans in euro were repaid in 2006 (2005: EUR 540.0 million). The interest rate was 6.6% (2005: 6.6%);
- other subordinated loans for EUR 687 million (2006: EUR 747 million; 2005: EUR 771 million) with an average interest rate of 5.5% (2006: 5.6%; 2005: 6.1%).

27 Non-cumulative guaranteed Trust Capital Securities

To strengthen the capital base of insurance operations, FVNL issued non-cumulative guaranteed Trust Capital Securities in April 1999 for an amount of EUR 650 million. A subsidiary was established especially for this purpose in the United States. The subsidiary is only allowed to possess debts or other securities owed by FVNL group companies. The Trust Capital Securities are guaranteed by parent companies and have a perpetual term. However, after ten years FVNL is allowed to make cash repayment on the payment date.

The issue consisted of three tranches:

- a tranche of EUR 400 million with a variable coupon of 3-month Euribor plus 1.30% for the first 10 years and an interest-rate of 3-month Euribor plus 2.30% in the subsequent years;
- a tranche of EUR 200 million with a fixed coupon of 5.50% for the first 10 years and an interest rate of 3-month Euribor plus 2.30% in the subsequent years;
- a tranche of EUR 50 million with a fixed interest rate of 6.25% per year. This applies to the entire term of the instrument, which has been classified as a non-controlling interest (for information refer to chapter 5, 'Non-controlling interests').

The tranche of EUR 50 million has been classified as a non-controlling interest. The tranches of EUR 400 million and EUR 200 million have been classified as subordinated liabilities. This is because FVNL expects these tranches to be repaid on the contractual interest rate change date.

28 Derivatives

Derivatives include swaps, futures, forward contracts and options contracts. The value of all derivative types is derived from underlying interest rates, exchange rates, commodities prices or share prices.

A derivative contract is tradable on the stock market or over-the-counter ('OTC'). Derivatives traded on the stock market, such as futures and options, are standardised. As a result of the margin obligations imposed by the various stock exchanges they do not generally carry any significant counterparty risk. Derivative contracts traded over-the-counter are agreed mutually by the contractual parties. Other derivatives include the derivatives embedded in some contracts. The hybrid instrument also includes a non-derivative host contract. Consequently, certain cash flows of the hybrid instrument vary in the same way as a separate derivative.

The notional amounts are not recognised as assets or liabilities in the balance sheet. They do not reflect the potential gain or loss that can accompany such a transaction. The risk that FVNL runs if a counterparty is unable to fulfil its obligations is limited to the positive net replacement value of the OTC contracts.

Interest rate swaps are contractual agreements between two parties under which interest cash flows are exchanged in the same currency. These liabilities are calculated based on different interest types. For most interest rate swaps there is a net exchange of cash flows. This consists of the difference between the fixed and variable interest payments. FVNL uses interest rate swaps among other things to alter the interest features of certain assets and liabilities. For long-term liabilities, for example, an interest rate swap can be entered into so as to convert an interest instrument with a fixed interest rate to one with a variable rate with a view to reducing the interest rate mismatch. Additionally, FVNL uses interest rate swaps to hedge the risk of price fluctuations in the commercial portfolio of securities.

In their most simple form currency swaps are contractual agreements under which payments in different currencies are exchanged regularly or at one point in time only. The value of the contracts depends on the expiry date, interest rates, exchange rates and timing of payments.

Exchange rate contracts, including spot, forward and future contracts, are agreements for exchanging payments in different currencies on a certain date at a pre-agreed exchange rate. The purpose of these contracts is to hedge the net investment and foreign exchange positions.

Swaptions are presented under the options of interest rate contracts. These are option contracts in order to conclude interest rate swaps at expiry date. FVNL concludes these contracts to hedge the risk of a low interest rate.

Share derivatives concern share swaps, options, futures and forward contracts. A share swap is a swap whereby the exchanged cash flows are based on the total revenues of a certain stock market index and an interest rate (fixed or variable). Share options carry the right to purchase (in the case of a call option) or sell (in the case of a put option) a fixed amount of shares, at a predetermined price, before or on a deadline.

28.1 Derivatives held for trading

The table below shows derivatives held for trading as at 31 December:

	Fair values	Assets notional amount	Fair values	Liabilities notional amount
2007				
<i>Exchange rate contracts</i>				
Forward contracts	2	177	0	174
Interest rate and exchange rate swaps	41	316	0	263
Total	43	493	0	437
<i>Interest rate contracts</i>				
Swaps	4	3,740	23	3,735
Options	66	8,680	0	8,680
Total	70	12,420	23	12,415
<i>Capital and indexation contracts</i>				
Forwards and futures	0	7	0	17
Options and warrants	70	309	0	0
Total	70	316	0	17
Balance sheet as at 31 December 2007	183	13,229	23	12,869
Fair values based on market data	183	0	23	0
Fair values obtained using a valuation technique	0	0	0	0
Total	183	0	23	0
Unquoted derivatives (OTC)	181	12,934	23	12,852
Quoted derivatives	2	295	0	17
Total	183	13,229	23	12,869

	Fair values	Assets notional amount	Fair values	Liabilities notional amount
2006				
<i>Exchange rate contracts</i>				
Forward contracts	1	186	4	188
Interest rate and exchange rate swaps	22	210	1	191
Total	23	396	5	379
<i>Interest rate contracts</i>				
Swaps	5	3,799	20	3,784
Options	73	5,577	0	5,578
Total	78	9,376	20	9,362
<i>Capital and indexation contracts</i>				
Options and warrants	59	788	0	24
Total	59	788	0	24
Balance sheet as at 31 December 2006	160	10,560	25	9,765
Fair values based on market data	160	0	25	0
Fair values obtained using a valuation technique	0	0	0	0
Total	160	0	25	0
Unquoted derivatives (OTC)	149	9,794	25	9,741
Quoted derivatives	11	766	0	24
Total	160	10,560	25	9,765
2005				
<i>Exchange rate contracts</i>				
Forward contracts	5	6	15	177
Interest rate and exchange rate swaps	8	224	9	25
Total	13	230	24	202
<i>Interest rate contracts</i>				
Swaps	40	1,737	3	58
Options	30	1,882	0	0
Total	70	3,619	3	58
<i>Capital and indexation contracts</i>				
Options and warrants	40	291	1	7
Total	40	291	1	7
Balance sheet as at 31 December 2005	123	4,140	28	267
Fair values based on market data	76	0	9	0
Fair values obtained using a valuation technique	47	0	19	0
Total	123	0	28	0
Unquoted derivatives (OTC)	83	3,859	27	260
Quoted derivatives	40	281	1	7
Total	123	4,140	28	267

28.2 Derivatives held for hedging purposes

Derivatives held for hedging consist mainly of cash flow hedges. FVNL uses derivatives, especially interest rate swaps, to hedge positions in the management of its own assets and liabilities portfolios and to hedge structural positions. This allows FVNL to limit the market risk that would otherwise occur through structural disparities between the terms and other features of its assets and liabilities.

The table below shows the derivatives held for hedging as at 31 December:

	Fair values	Assets notional amount	Fair values	Liabilities notional amount
2007				
<i>Exchange rate contracts</i>				
Forward contracts	0	0	0	0
Interest rate and exchange rate swaps	0	0	0	0
Options	0	0	0	0
Total	0	0	0	0
<i>Interest rate contracts</i>				
Swaps	0	123	1	123
Total	0	123	1	123
Balance sheet as at 31 December 2007	0	123	1	123
Unquoted derivatives (OTC)	0	123	1	123
Total	0	123	1	123
2006				
<i>Exchange rate contracts</i>				
Forward contracts	0	0	0	0
Interest rate and exchange rate swaps	0	42	0	38
Options	0	0	0	0
Total	0	42	0	38
<i>Interest rate contracts</i>				
Swaps	0	100	1	100
Total	0	100	1	100
Balance sheet as at 31 December 2006	0	142	1	138
Unquoted derivatives (OTC)	0	142	1	138
Total	0	142	1	138
2005				
<i>Interest rate contracts</i>				
Swaps	0	33	0	0
Total	0	33	0	0
Balance sheet as at 31 December 2005	0	33	0	0
Unquoted derivatives (OTC)	0	33	0	0
Total	0	33	0	0

29 Fair value of financial assets and financial liabilities

The table below shows the carrying amount and the fair value of financial assets and financial liabilities that are not carried at their fair value on the consolidated balance sheet of FVNL. The table has been fleshed out with a description of the methods used to determine the fair value of financial instruments.

2007

	Carrying amount	Fair value
<i>Assets</i>		
Cash and cash equivalents	483	483
Due from banks	943	996
Due from customers	4,592	4,510
Reinsurance, trade and other receivables	1,623	1,623
Total financial assets	7,641	7,612
<i>Liabilities</i>		
Due to banks	1,207	1,207
Due to customers	16	16
Debt certificates	5	5
Subordinated liabilities	687	726
Other borrowings	1,057	1,058
Total financial liabilities	2,972	3,012

2006

	Carrying amount	Fair value
<i>Assets</i>		
Cash and cash equivalents	1,004	1,004
Due from banks	1,177	1,300
Due from customers	4,887	5,032
Reinsurance, trade and other receivables	1,597	1,597
Total financial assets	8,665	8,933
<i>Liabilities</i>		
Due to banks	1,690	1,690
Due to customers	13	13
Debt certificates	5	5
Subordinated liabilities	747	751
Other borrowings	1,323	1,332
Total financial liabilities	3,778	3,791

2005

	Book value	Fair value
<i>Assets</i>		
Cash and cash equivalents	558	613
Due from banks	1,195	1,195
Due from customers	5,330	5,346
Reinsurance, trade and other receivables	1,709	1,685
Total financial assets	8,792	8,839
<i>Liabilities</i>		
Due to banks	0	0
Due to customers	84	84
Debt certificates	5	5
Subordinated liabilities	1,311	1,502
Other borrowings	1,139	1,139
Total financial liabilities	2,539	2,730

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction

FVNL uses the following hierarchy to determine the fair value of financial instruments:

- listed (quoted prices in an active market);
- valuation methods;
- cost price

If a financial instrument is traded in an active and liquid market, the quoted price or value is the best indicator of the fair value. This will then be applied. The fair value of a large holdings of shares will not be adjusted, unless a binding agreement has been made to sell the shares at a price other than the market price. The most appropriate market price for an asset held or a liability to be issued is the current bid price and for an asset to be acquired or a liability held, the asking price. If FVNL holds assets and liabilities with offsetting market risks, mid-market prices are used as a basis for determining the fair value.

If a market price in an active market is unavailable, the fair value is calculated based on the present value or some other valuation method. This will be based on the market conditions prevailing at reporting date. If a valuation method is customarily used in the market to determine the price of an instrument and it has been demonstrated that this method produces a reliable estimate of the price in an actual market transaction, FVNL will use this method.

Generally accepted methods in the financial market are recent market transactions, discounted cash flows and option pricing models. An accepted valuation method includes all factors that market players consider important for pricing purposes. The method must also be consistent with accepted economic models for pricing financial instruments.

The basic principles for determining fair value are:

- maximisation of market influences and minimisation of internal estimates and forecasts;
- adjustment of the estimation method (valuation method) occurs only if an improvement of the valuation can be demonstrated, or if the valuation is necessary because insufficient information is available.

The fair value presented is the fair value excluding accrued interest ('clean fair value'). Accrued interest is presented separately.

The methods and assumptions used to determine fair value depend largely on whether the instrument is traded in a financial market and which information is available to be incorporated into valuation models. A summary is provided below of the various financial instruments with the applied fair value method.

Quoted prices must be used for financial instruments traded in a market with quoted prices.

Unlisted financial instruments are often traded in over-the-counter (OTC) markets where the market prices are obtainable from traders or other intermediaries.

Market quotations are obtainable from various sources for a number of financial instruments regularly traded on an OTC market. Examples of such sources include the financial press, stock market publications and information from individual market makers.

Quoted market prices are the most reliable fair values for derivatives traded on the market. Fair value for derivatives not traded on a recognised exchange is considered to be the value that could be realised through termination or assignment of the derivative.

Customary methods for valuing an interest rate swap (IRS) compare the yield of the swap with the current market yield. The swap yield curve is derived from the quoted swap yields. For customary IRSs buy and sell prices are generally available for parties with a rating.

Factors that influence the valuation of individual derivatives include the credit risk of the counterparty and the complexity of the derivative. If these factors differ from the basic factors, there will be consideration of whether an adjustment of the quoted price is necessary.

The calculation of the fair value of financial instruments not traded actively in financial markets is summarised below.

Type of instrument	FVNL products	Fair value calculation
Instruments with no stated maturity	On-demand accounts (current account), savings accounts, etc.	Nominal value.
Instruments without optional features	Straight loans, deposits, etc.	Discounted cash flow methodology; discounting yield curve is the swap curve plus spread (assets) or the swap curve minus spread (liabilities); spread is based on commercial margin computed based on the average on new production during the last three months.
Instruments with optional features	Preference shares convertible to ordinary shares	Fair value.
Subordinated liabilities	Subordinated liabilities	Discounted cash flow methodology in which spread is based on subordination cost for FVNL based on market quotations.
Private Equity	Unquoted shares and unquoted participating interests	Generally base don the guidelines of the European Venture Capital Association using among other things the ratios of company value/EBITDA, company value/cash flow and company value/net result.

FVNL has formulated a policy for quantifying and monitoring the uncertainties concerning calculation of fair value by means of valuation methods and internal models. Related uncertainties are named in the 'model risk' concept.

Model risk occurs when the product valuation method used has not yet been standardised, or when input data is used that is not immediately visible in the market but is based on assumptions.

The development of new, complex products in the market results in the development of mathematical models for valuing them. These models replicates the complex pattern of the function of an option, based on assumptions concerning the stochastic behaviour of the underlying variables, numerical algorithms and other theoretical approaches.

The underlying hypotheses of a model depend on general market conditions (specific interest rate levels, volatility, etc.) prevailing at the time of development of the model. There is no guarantee that the model will still present the correct results if market conditions change radically.

The FVNL procedure for fair value adjustment goes beyond existing procedures that attempt to assess the quality of the normal fair value determination processes. A quantified uncertainty within a model forms the basis for adjusting the fair value calculation by the valuation methods and internal models.

Notes to the income statement

30 Insurance premiums

The table below shows the structure of the Insurance premiums presented in the income statement.

	2007	2006	2005
<i>Earned Insurance premiums:</i>			
Life insurance products	3,108	3,437	2,635
Non-life products	2,124	1,977	1,989
Other and eliminations	-35	-36	-33
Total gross premiums	5,197	5,378	4,591
Reinsurance premiums	-260	-230	-236
Total net premiums	4,937	5,148	4,355

The table below shows the single and regular insurance premiums.

	2007	2006	2005
Unit-linked products			
<i>Group business</i>			
Single premiums written	360	41	43
Regular premiums written	141	93	87
Group business total	501	134	130
<i>Individual business</i>			
Single premiums written	101	139	116
Regular premiums written	873	868	867
Group business total	974	1,007	983
Unit-linked contracts total	1,475	1,141	1,113
Non-unit-linked products			
<i>Group business</i>			
Single premiums written	93	718	145
Regular premiums written	160	242	148
Group business total	253	960	293
<i>Individual business</i>			
Single premiums written	808	767	645
Regular premiums written	572	569	584
Individual business total	1,380	1,336	1,229
Non-unit-linked products total	1,633	2,296	1,522
Total written premiums	3,108	3,437	2,635

The table below provides an overview of the gross earned non-life insurance premiums. Insurance premiums for motor, fire and other have been combined under 'Other Non-life'.

	Accident and health	Other non-life	Total
2007			
Gross premiums	1,163	981	2,144
Changes in provisions for unearned premiums	-21	1	-20
Gross earned premiums	1,142	982	2,124
2006			
Gross premiums	996	981	1,977
Changes in provisions for unearned premiums	-6	6	0
Gross earned premiums	990	987	1,977
2005			
Gross premiums	993	976	1,969
Changes in provisions for unearned premiums	10	10	20
Gross earned premiums	1,003	986	1,989

31 Interest income

The table below shows a breakdown of interest income per product:

	2007	2006	2005
Interest income on cash equivalents	22	22	8
Interest income on receivables due from credit institutions	70	66	78
Interest income on investments	670	573	550
Interest income from receives due from customers	281	370	390
Other interest income	190	330	64
Total interest income	1,233	1,361	1,090

Other interest income concerns mainly derivatives.

32 Dividend and other investment income

The table below itemises dividend and other investment income.

	2007	2006	2005
Dividend on shares	110	114	99
Rent revenues from investment property	175	174	165
Other revenues from investments	13	2	6
Total dividend and other investment income	298	290	270

33 Other income

Other income consists of the following components:

	2007	2006	2005
Share of reinsurers in paid claims	125	179	357
Share of reinsurers in changes to liabilities	23	-140	-262
Sale revenues from investment property under development	127	60	14
Other	60	45	93
Total other income	335	144	202

34 Other realised and unrealised gains and losses on investments

The table below shows other realised and unrealised gains and losses on investments:

	2007	2006	2005
Realised (gains) losses on investments	867	231	328
Other realised and unrealised gains and losses	-99	-12	-11
Total other realised and unrealised gains and losses on investments	768	219	317

34.1 Realised (gains) losses on investments

The table below itemised the realised and unrealised (gains) losses on investments.

	2007	2006	2005
Debt certificates	-26	42	163
Shares	818	101	106
Real estate	72	89	55
Group companies, associates and joint ventures	3	-1	4
Realised and unrealised (gains) losses on investments	867	231	328

34.2 Other realised and unrealised gains and losses

Other realised and unrealised gains and losses presented in the income statement concern:

	2007	2006	2005
Assets/liabilities held for trading and derivatives	2	-11	-9
Assets/liabilities at fair value with impairments in the income statement	-95	-2	-2
Other	-6	1	0
Other realised and unrealised gains/losses	-99	-12	-11

All changes to the fair value as presented here are changes to the clean fair value. This is the value without taking into account the allocated interest recognised under interest income and interest expense.

Assets and liabilities held for trading are purchased specifically with a view to achieving a gain through short-term fluctuations in the price or the trading margin. The initial valuation is made at acquisition price, including transaction costs of the acquisition of the assets liabilities. After the initial valuation the valuation takes place at fair value, as determined based on the market. The realised and unrealised difference between carrying amount and fair value is presented under other realised and unrealised income and expense.

Derivatives held for trading include all derivatives not held for hedging purposes (hedge accounting). The changes to the fair value of derivatives held for trading are presented in this section.

All changes to the fair value of assets and liabilities held at fair value with value changes in the income statement are presented in this column. They include unrealised gains and losses through revaluation and realised gains and losses on the sale of assets or the settlement of liabilities.

The results of hedging contain the changes to the fair value attributable to the hedged risk. In most cases this concerns the interest rate risk of hedged assets and liabilities and the change to the fair value of the hedging instruments.

For the portfolio hedging of interest rate risks (macro hedging), the initial difference between the fair value and the carrying amount of the hedged item is amortised on allocation of the hedge relationship over the remaining term of the hedged item.

35 Insurance claims and benefits

The table below shows the structure of claims and benefits presented in the income statement.

	2007	2006	2005
Life insurance products	-2,831	-3,524	-2,493
Non-life products	-1,459	-1,237	-1,310
Other and eliminations	2	49	33
Total claims expense and benefits	-4,288	-4,712	-3,770

The table below shows details of the net claims expense and benefits for life Insurance.

	2007	2006	2005
Commutations and expiration, gross	-2,439	-2,939	-2,014
Changes to life insurance liabilities, gross	-364	-559	-455
Issued reinsurances premiums	-28	-26	-24
Total claims expense and benefits, Life	-2,831	-3,524	-2,493

The table below shows details of the net claims expense and benefits for non-life Insurance.

	2007	2006	2005
Claims and changes to provision for payable claims	-1,093	-986	-982
Changes to unearned premiums	-154	-24	-94
Changes to liabilities arising from insurance contracts	-212	-227	-234
Total claims expense and benefits, Non-life	-1,459	-1,237	-1,310

36 Operating and staff expenses

The table below itemises operating expenses and personnel expenses:

	2007	2006	2005
operating expenses	-567	-426	-403
staff expenses	-295	-301	-346
Total operational expenses and staff expenses	-862	-727	-749

36.1 Operating expenses

The table below itemises operating expenses.

	2007	2006	2005
Rent and related costs of operating lease	-5	-5	-28
Rent and other direct costs for property investment	-26	-27	-29
Consultancy costs	-45	-39	-30
Changes to deferred acquisition costs	-12	5	-32
Marketing, advertising and public relations	-32	-22	-24
Technology and system costs	-33	-32	-27
Other investment costs	32	9	-7
Maintenance and repair costs	-2	-1	-9
Temporary workers	-125	-82	-64
Cost price of sales of investment property under development	-106	-43	-8
Depreciation costs	-69	-81	-85
Other	-144	-108	-60
Total operating expenses	-567	-426	-403

The increase in the number of temporary workers was caused mainly by the higher number of projects in 2007 and the filling of vacancies. 'Other' includes travel and subsistence expenses, postage, telephone and staff training. The increase of the 'Other' category is mainly due to a different allocation of costs of the facility services organisation.

36.2 Staff expenses

The table below itemises staff expenses.

	2007	2006	2005
Salaries	-212	-208	-197
Social security expenses	-22	-22	-24
Pension expenses	-34	-66	-75
Other	-27	-5	-50
Total staff expenses	-295	-301	-346

The decrease in pension expenses was the result of a higher discount rate than in 2006.

The personnel establishment at 31 December (in FTEs) was:

	2007	2006	2005
Employees	4,626	4,210	4,652
External employees	617	437	651

37 Interest expense

The table below shows the interest expenses according to product.

	2007	2006	2005
Interest due to credit institutions	-71	-17	-11
Interest due to customers	0	-1	-3
Interest expense on subordinated liabilities	-37	-57	-89
Interest expense on other loans	-47	-71	-65
Interest expense on trading liabilities and derivatives	-180	-78	-53
Other interest expenses	-34	-105	-118
Total interest expenses	-369	-329	-339

The other interest expenses mainly concern derivatives.

38 Change in impairments

The table below itemises changes in impairments.

	2007	2006	2005
Due from customers	10	-7	-8
Investments	-139	-3	-8
Real estate investments	-16	-3	0
Reinsurance, trade and other receivables	-1	-6	-6
Goodwill and other intangible assets	-2	-3	-2
Other assets	-11	-2	0
Total changes in impairments	-159	-24	-24

39 Income tax expense

This table shows the components of income tax expenses.

	2007	2006	2005
Tax over current financial year	-76	-151	-286
Entered adjustment of tax expenses previous years	90	154	-1
Previously unrecognised tax losses, tax credits and other temporary differences that reduce present profit taxation		8	0
Total current tax expenses	14	11	-287
Deferred tax over current financial year	-125	-172	97
Influence on tax rate changes on deferred taxes	0	-6	-15
Deferred taxes arising from write-down or reversal of a write-down of a deferred tax liability	0	0	0
Previously unrecognised tax losses, tax credits and other temporary differences that reduce deferred tax expense	0	-12	-9
Total deferred tax expense (income)	-125	-190	73
Total tax expense	-111	-179	-214

The table below shows a reconciliation of expected profit taxation with actual profit taxation. The expected profit taxation was determined by relating the result before tax to the tax rate in the Netherlands. In 2008 the rate was 25.5% (2007: 29.6%; 2005: 31.5%).

	2007	2006	2005
Profit before tax	1,017	808	750
Prevailing tax rates	25.5%	29.6%	31.5%
Expected income tax expense	-259	-239	-237
<i>Increase/decrease of tax through:</i>			
Tax-free interest	11	17	12
Tax-free dividends	19	23	12
Tax-free capital gains	102	14	13
Share in the result of associates and joint ventures after taxes	0	0	34
Change in impairment of goodwill	-4	0	0
Business and administrative expenses that cannot be set off	-1	1	-7
Previously unrecognised tax losses and temporary differences	-75	-144	0
Write-down and reversal of depreciation of deferred tax receivables	0	0	0
Impact of tax rate changes or temporary differences	0	-6	-33
Adjustments for current taxes of previous financial years	90	154	0
Other	6	1	-8
Actual income tax expense	-111	-179	-214

The change in the previously unrecognised tax losses and the adjustments for current tax concern mainly the resolution of disputed items with the tax authorities for which a deferred tax liability and an immediate debt were recognised.

Other notes to the consolidated income statement

40 Insurance

40.1 Technical result

FVNL analyses the results of its insurance activities partly on the basis of life and non-life products. The Life Segment includes insurance contracts which cover the life and death of insured parties. Life further includes investment contracts with and without a discretionary profit-sharing component (DPF). The Non-Life segment includes accidents, health, motor, fire and other insurances that cover the risk of loss of property or claim liabilities. The technical result is used for this analysis.

The table below shows the technical result in each sector.

	2007		2006		2005	
	Life	Non-life	Life	Non-life	Life	Non-life
Life	-86		276		293	
Accident and health		169		192		146
Motor		23		38		18
Fire		3		27		39
Other		5		15		20
Total technical result	-86	200	276	272	293	223
Allocated added values	316	44	39	9	62	28
Operating margin	230	244	315	281	355	251
Other non-technical result	511	31	196	16	74	71
Profit before tax	741	275	511	297	429	322

The costs and revenues are allocated to the various life and non-life products to determine the technical result. The investment revenues, less the investment costs, are allocated based on the investment profile that covers the insurance liabilities of the product. Investment revenues include the added values that influence the valuation of insurance liabilities and also related deferred acquisition costs and other intangible assets.

The realised and unrealised added values in the investment portfolio that cover the insurance liability and that are not allocated to the technical result are recognised in the operating margin. This concerns among other things the realised added values on the CPPI model (refer to chapter 6.4.2, 'Market risk', under 'ALM strategies for reducing risks').

The costs are allocated based on the relationship with the product. The non-technical results include all unallocated revenues and costs such as unallocated added values and certain general costs. The increase compared with 2006 is mainly due to the realised added value on ABN AMRO shares.

Technical result Life

The table below shows the technical result for Life.

	2007	2006	2005
Insurance premiums	3,108	3,437	2,635
Investment result allocated to non-technical result	30	53	99
Other technical account, after reinsurance	854	2,043	2,352
Other revenues	-16	26	53
	3,976	5,559	5,139
Benefits and surrenders	-2,438	-2,939	-2,014
Changes in liabilities related to Insurance and investment contracts	-1,149	-1,845	-2,479
Business costs			
Acquisition costs	-175	-212	-144
Change in deferred acquisition costs	-27	-16	-45
Administrative costs	-259	-256	-272
Reinsurance commissions and profit-sharing	-14	-15	108
	-4,062	-5,283	-4,846
Result of technical account for life Insurance before taxes	-86	276	293

Technical result Non-life

The table below shows the technical result for Non-life:

	2007	2006	2005
Net written premiums	1,895	1,760	1,811
Investment result allocated to non-technical result	72	113	105
Other revenues	-8	-5	-19
	1,959	1,868	1,897
<i>Claim benefits, own account</i>			
Paid claims, gross	-1,111	-986	-982
Share of reinsurers	125	59	164
	-986	-927	-818
Change in provisions for claims, gross	-154	-24	-94
Share of reinsurers	29	-26	-93
	-125	-50	-187
Changes in other technical provisions, after reinsurance	-17	-10	-56
Business costs			
Acquisition costs	-401	-391	-400
Change in deferred acquisition costs	-1	-1	-4
Administrative costs	-301	-297	-284
VOBA	-7	0	0
Reinsurance commissions and profit-sharing	79	80	75
	-631	-609	-613
Result of technical account for non-life Insurance before taxes	200	272	223

40.2 Non-life Insurance per sector

The table below shows for each sector selected information about Non-life insurance business.

	Gross written premiums	Gross written premiums	Gross earned expenses	Gross claim costs	2007 Reinsurance balance operating costs
Accident and health	1,163	1,142	-719	-138	155
Motor	429	430	-247	-74	2
Fire and other property damage	320	320	-180	-50	6
Other	232	232	-119	-40	28
Total	2,144	2,124	-1,265	-302	191
					2006
Accident and health	996	990	-488	-146	59
Motor	427	433	-255	-64	8
Fire and other property damage	315	319	-151	-45	7
Other	238	235	-116	-54	10
Total	1,976	1,977	-1,010	-309	84
					2005
Accident and health	993	1,003	-572	-138	-33
Motor	434	442	-277	-69	8
Fire and other property damage	322	321	-136	-44	0
Other	220	223	-92	-39	2
Total	1,969	1,989	-1,077	-290	-23

40.3 Non-life ratios

The table below provides an overview of ratios in each Insurance segment.

	2007	2006	2005
Claims ratio	59.2	55.8	57.3
Expense ratio	33.6	34.8	34.9
Combined ratio	92.8	90.6	92.2

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

Expense ratio: expenses, i.e. costs plus net commissions charged to the year, less internal investment costs as a percentage of the earned premiums, net of reinsurance. The expense ratio is used for non-life insurance companies only.

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

Notes to off-balance sheet transactions

41 Contingent liabilities

FVNL is involved as defendant in a number of claims, disputes and legal proceedings arising from the normal conduct of business.

FVNL accounts for provisions for such matters when, in the opinion of the management and after consultation with its legal advisers, it is likely that FVNL has to have to make payments and the payable amount can be reasonable estimated (see chapter 25, 'Provisions').

With regard to further claims and legal proceedings against FVNL known to the management (and for which, in accordance with the defined principles, no provision has been created), the management is of the opinion, after obtaining professional advice, that the claims have no chance of succeeding, or that FVNL can successfully mount a defence against them or that the outcome of the cases is unlikely to result in a significant loss for FVNL.

FVNL is involved in a number of legal proceedings concerning the products of Groeivermogen (equity lease products) that have been launched against certain FVNL operating companies by individuals or consumer organisations. The claims are based on one or more of the following accusations:

- violation of the duty of care;
- absence of the second signature required for hire purchase agreements;
- absence of a sales licence required under the Financial Supervision Act for the products in question.

The current assessment of the legal risks stemming from this case do not provide any reason for FVNL to create a material provision.

As explained in the notes to the 2006 annual report, individual policyholders and consumer organisations have lodged complaints. They concern a lack of transparency regarding costs and risks of life insurance policies with an investment component ('beleggings verzekeringen'). Although it is of the opinion that it has complied with all applicable laws and regulations, FVNL has decided to contribute to a solution, in line with market-wide developments. Therefore, FVNL has presented its current estimates of measures under the provisions for insurance liabilities.

42 Lease agreements

The table below show liabilities as at 31 December for non-cancellable operating lease agreements.

	2007	2006	2005
Less than 3 months	2	1	1
More than 3 months but less than 1 year	6	2	2
More than 1 year but less than 5 years	9	1	2
More than 5 years	0	0	0
Total	17	4	5
<i>Annual rental expenses:</i>			
Lease payments	3	3	3
Total	3	3	3

43 Funds under management

'Funds under management for customers' presents the investments for customers that are not already on the FVNL balance sheet and for which FVNL receives a management or advice fee. The managed assets consist of investments real estate.

The table below shows the changes in the management asset customers.

	2007	2006	2005
Balance sheet as at 1 January	960	228	218
Inflow and outflow	-18	683	9
Market gains/losses	84	49	1
Balance sheet as at 31 December	1,026	960	228

44 Subsequent events

There have been no material events after the balance sheet date that would require adjustment to the consolidated financial statements of as at 31 December 2007.

On 27 June 2008, the Board of Directors examined the financial statements and approved them for publication. The financial statements will be submitted to the General Meeting of Shareholders on 27 June 2008 for adoption.

Utrecht, 27 June 2008
Board of Directors

Company financial statements 2007

Fortis Verzekeringen Nederland N.V.

Balance sheet at

(before profit appropriation)

	31 December 2007	31 December 2006	31 December 2005
Assets			
<i>Investments</i>			
Group companies and associates	3,944	5,825	5,048
Shares	38	145	136
Other loans	32	36	40
Deposits	135	210	0
Derivatives	14	10	6
	4,163	6,226	5,230
<i>Current assets</i>			
Receivables due from group companies	831	1,633	3,764
Deferred taxes	0	85	254
Taxes and social security contributions	114	0	0
Other receivables	79	0	28
	1,024	1,718	4,046
Liquidities	5	6	18
Deferred assets	6	21	9
Total assets	5,198	7,971	9,303

	31 December 2007	31 December 2006	31 December 2005
Liabilities			
<i>Equity</i>			
Paid-up and called-up capital	100	100	100
Share premium reserve	962	962	962
Statutory reserves of associates	464	1,075	698
Unrealised gains and losses	23	98	82
Other reserves	-176	398	121
Net profit attributable to shareholders	889	624	533
	2,262	3,257	2,496
<i>Provisions</i>			
Pensions	530	479	483
Other Provisions	22	23	35
	552	502	518
Subordinated liabilities	687	753	1,316
<i>Long-term liabilities</i>			
Private loans	518	591	632
<i>Short-term liabilities</i>			
Debts of group companies	626	1,957	3,991
Deposits group companies	293	773	0
Taxes and social security contributions	0	4	179
Deferred taxes	20	0	0
Other liabilities	18	44	36
	957	2,778	4,206
Deferred liabilities	222	90	135
Total liabilities	5,198	7,971	9,303

Income statement

	2007	2006	2005
Profit from of group companies	892	686	681
Other results after taxes	-3	-62	-148
Net profit	889	624	533

Notes to the balance sheet and income statement

General

FVNL is part of the listed company N.V. Therefore, the consolidated financial statements of FVNL for 2007 were prepared in accordance with IFRS – including the International Accounting Standards ('IAS') and Interpretations – as accepted within the European Union.

The consolidated FVNL financial statements for 2007 were prepared on the basis of IFRS as approved by the European Union. Under Section 2:362 (8), of the Netherlands Civil Code, the Board of Directors of FVNL decided to use for its separate financial statements, starting 2005, the valuation principles and result determination used for the FVNL consolidated financial statements.

The interests held in group companies are carried at net asset value, in accordance with the valuation principles used in the consolidated financial statements of FVNL. The share in the results of the interests held in group companies are reported in conformity with the valuation principles and result determination methods used for the consolidated financial statements of ASR.

FVNL invoked Section 2:402 for preparation of the income statement.

Unless otherwise stated, all amounts presented in these financial statements are in millions of euro.

Notes to some balance sheet items

Group companies and associates

	2007	2006	2005
Participating interest in group companies	3,465	4,957	4,728
Loans to group companies	147	316	320
Deposits with group companies	332	552	0
Total group companies and associates	3,944	5,825	5,048

The table below shows movements in 2007 in the balance sheet item for participating interests held in group companies:

	2007	2006	2005
Balance sheet value as at 1 January	4,957	4,728	4,234
Additions to capital	30	0	0
Restructuring of associates	-245	0	0
Share in result of associates	889	685	681
Received dividend	-1,561	-830	-533
Revaluation of associates	-609	377	345
Change in DPF component	-22	0	0
Other changes	-11	-3	1
Balance sheet value as at 31 December	3,428	4,957	4,728

Shares

The cost price of the share at 31 December was:

	2007	2006	2005
Cost price	15	50	61

Loans to group companies

	2007	2006	2005
Balance sheet value as at 1 January	316	320	400
Repayments	-169	-4	-80
Balance sheet value as at 31 December	147	316	320

Other receivables and deferred assets

The concerns receivables under investments and interest yet to be received on the investments and liquidities. All other receivables have a maturity shorter than one year.

Cash and cash equivalents

Cash and cash equivalents are carried at face value and are at the disposal of the company.

Shareholders' equity

The table below shows movements in shareholders' equity.

	2007	2006	2005
Balance sheet value as at 1 January	3,257	2,496	2,088
Result current financial year	889	624	533
Revaluation of investments	-686	393	431
Paid dividend	-1,200	-250	-547
Exchange rate differences	0	0	5
Other changes	2	-6	-14
Balance sheet value at 31 December	2,262	3,257	2,496

Paid-up and called-up capital

Movements in paid-up and called-up capital were:

Subscribed capital as at 01 January 2006: 200,000 shares	100
Subscribed capital as at 31 December 2006: 200,000 shares	100
Subscribed capital as at 31 December 2007: 200,000 shares	100

At 31 December 2007 the apr value of the ordinary shares was EUR 500 per share. The shares have been fully paid up.

Share premium reserve

The following movements occurred in the share premium reserve:

Position as at 31 December 2006	962,3
Position as at 31 December 2006	962,3
Position as at 31 December 2006	962,3

Reserves

The table below shows movements in reserves:

	Net result attributable to shareholder	Statutory reserves of associates	Unrealised gains and losses	Other reserves	Total reserves
Balance sheet as at 01 January 2005	449	296	46	235	1,026
Result carried over from previous financial year	-449	0	0	449	0
Net profit current financial year	533	0	0	0	533
Dividend	0	0	0	-547	-547
Exchange rate differences	0	0	0	5	5
Revaluation of investments	0	395	36	0	431
Realised revaluation	0	0	0	0	0
Other	0	7	0	-21	-14
Balance sheet as at 31 December 2005	533	698	82	121	1,434
Result carried over from previous financial year	-533	0	0	533	0
Net profit current financial year	624	0	0	0	624
Dividend	0	0	0	-250	-250
Revaluation of investments	0	377	16	0	393
Realised revaluation	0	0	0	0	0
Other	0	0	0	-6	-6
Balance sheet as at 31 December 2006	624	1,075	98	398	2,195
Result carried over from previous financial year	-624	0	0	624	0
Net profit current financial year	889	0	0	0	889
Dividend	0	0	0	-1,200	-1,200
Revaluation of investments	0	-611	-10	0	-621
Realised revaluation	0	0	-65	0	-65
Other	0	0	0	2	2
Balance sheet as at 31 December 2007	889	464	23	-176	1,200

Pensions

For notes to pension liabilities see chapter 8, 'Post-employment benefits and other long-term employee benefits'.

Other Provisions

This table shows movements in provisions:

	2007	2006	2005
Balance sheet value as at 1 January	23	35	24
Additions	2	2	25
Withdrawals	-3	-14	-14
Balance sheet value as at 31 December	22	23	35

Subordinated liabilities

The table below itemises subordinated liabilities.

	2007	2006	2005
Perpetual loan	0	0	540
Other loans	687	753	776
	687	753	1,316

The subordinated loans concern:

- perpetual loans for EUR 0.0 million (2006: EUR 0; 2005: EUR 540 million).
- other subordinated loans for EUR 687 million (2006: EUR 753 million; 2005: EUR 776 million) with an average interest rate of 5.5% (2006: 5.6%; 2005: 6.1%). The average remaining maturity of the other subordinated loans is 17 months.

Current liabilities

Taxes and social security contributions

This concerns corporation tax payable for tax returns of previous years that have not yet been settled.

Option plans

A description of the Fortis share option plans can be found in the financial statements of FVNL in chapter 9 in the notes to the consolidated financial statements of FVNL.

Liabilities not shown on the balance sheet

Guarantee statements

FVNL has stated, under Section 403, paragraph (1f) of Book 2 of the Netherlands Civil Code, that it is liable for debts that result from legal acts of the legal persons listed in the list of associates with their names and registered offices appended as additional information to this annual report (under 'Additional information', List of associates) and indicated as such.

Tax on profit

FVNL and its subsidiaries are part of the corporation tax fiscal unity of Fortis Utrecht N.V. (together with Sycamore Insurance Holding N.V., Fortis Insurance N.V., Fortis Insurance International N.V. Fortis Reinsurance N.V. and Fortis Finance N.V.). Fortis Utrecht N.V. acts as the head of this fiscal unity. Under the standard conditions the individual companies are jointly and severally liable for any tax debt of the fiscal unity as a whole.

Notes to some income statement items

General

The result consists mainly of the share in the result of the associates.

The other results consist of interest income and interest expense under receivables from and debts to group companies and results of investments in shares.

Utrecht, 27 June 2008

Board of Directors

Other information

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2007 of Fortis Verzekeringen Nederland N.V., Utrecht. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2007, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2007, the company profit and loss account for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Fortis Verzekeringen Nederland N.V. as at 31 December 2007, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Fortis Verzekeringen Nederland N.V. as at 31 December 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Utrecht, 27 June 2008

KPMG Accountants N.V.

Represented by H.P. van der Horst RA

Provisions in the Articles of Association concerning profit appropriation

These provisions come from article 21 of the articles of association.

1. The company may make payments to shareholders and other parties entitled to the distributable profit only to the extent that the equity of the company exceeds the sum of the paid-up and called-up part of the capital of the company, plus the reserves that must be held by law.
2. Distribution of profit cannot take place until after adoption of the financial statements shows that such distribution is permissible. The profit shown in the adopted financial statements shall be at the disposal of the general meeting of shareholders.
3. The general meeting of shareholders may make in the interim distributions charged to the profit over the current financial year only if the requirement of paragraph 1 has been met according to an interim capital statement within the meaning of Section 105 (4) of Book 2 of the Netherlands Civil Code and prior permission has been obtained from the Supervisory Board.
4. There shall be no distribution in favour of the company on shares obtained by the company in its own capital.
5. The calculation of profit distribution shall disregard shares on which, under the provisions of clause 4, no distributions may be made in favour of the company.
6. Entitlement to distribution shall cease to exist on expiry of a period of five years starting from the date payment is made available.

Profit appropriation

The Board of Directors proposes not to pay out any final dividend following the interim dividend of EUR 900 million paid out to Fortis N.V. in September 2007 (proposed dividend 2006: EUR 300 million; 2005: EUR 250 million).

ADDITIONAL INFORMATION

List of associates 2007

Company name	Fin. %	Registered office
* Administratie- en Adviesbureau voor Belegging en Krediet (A.B.K.) B.V.	100.00	Amersfoort
Aktiva Financiële Dienstverleners B.V.	25.00	Dordrecht
Ambachtsheerlijkheid Cromstrijen	99.22	Cromstrijen
* Amersfoortse Verzekeringen N.V.	100.00	Amersfoort
* Amstar B.V.	100.00	Amersfoort
* Amsterdamsche Grond- en Huizenexploitatie Maatschappij B.V.	100.00	Amsterdam
ArboDuo B.V.	50.00	Amsterdam
ArboDuo Kwadraat B.V.	50.00	Amsterdam
Arboned N.V.	22.06	Utrecht
Archimedes Investments Coöperatieve U.A.	85.00	Amsterdam
* Ardanta N.V.	100.00	Enschede
* ASAM N.V.	100.00	Utrecht
* ASR Deelnemingen N.V.	100.00	Rotterdam
* ASR Financiële Dienstverlening B.V.	100.00	Rotterdam
* ASR Service Maatschappij N.V.	100.00	Rotterdam
* Assurantie Maatschappij "De Nieuwe Prudentia" N.V.	100.00	Rotterdam
Assurantiebedrijf Froonacker B.V.	47.50	Frankerdeel
Assurantiewinkels Bastian & Visser B.V.	38.00	Eindhoven
Assure-Money B.V.	30.00	IJsselstein (Ut)
Attentiv B.V.	100.00	Utrecht
AXI-Plan Beheer B.V.	30.00	Capelle a/d IJssel
* B.V. Dordrechtsche Landbouwonderneming	100.00	Utrecht
B.V. Nederlandse Hulpverleningsorganisatie-SOS International	100.00	Amsterdam
Banville B.V.	100.00	Utrecht
Beheer- en Beleggingsmaatschappij Europlaza B.V.	100.00	Amsterdam
* Beheermaatschappij Verenigd Bezit N.V.	100.00	Rotterdam
* Beleggingsmaatschappij "De Hoofdpoort" N.V.	100.00	Rotterdam
* Bewaar maatschappij ASR Vastgoed Kantorenfonds B.V.	100.00	Utrecht
* Bewaar maatschappij ASR Vastgoed Winkelfonds B.V.	100.00	Utrecht
Breedijk & Biesenbeek Fin. Dienstverl. B.V.	45.00	Amsterdam
Breedijk & Biesenbeek Fin. Dienstverl. B.V.	45.00	Hoorn
C.V. Prisma Bleiswijk	21.00	Bleiswijk
Campri Vastgoed B.V.	75.00	Utrecht
* Caprilande B.V.	100.00	Amsterdam
Combinatie Abel Tasmanstraat	50.00	Rotterdam
Combinatie Oostzijde Stationsplein Schiedam C.V.	49.50	Rotterdam
* De Amersfoortse Investments B.V.	100.00	Amersfoort
* De Amersfoortse Real estate B.V.	100.00	Amersfoort
De Amersfoortse Reinsurance Limited	100.00	Dublin
De Woerd V.O.F.	40.75	Amersfoort
* Defensio 1 B.V.	100.00	Utrecht
* Defensio 2 B.V.	100.00	Utrecht
Deltafort Investments I B.V.	50.00	Amsterdam
* Detaching & Support B.V.	100.00	Diemen
* Ditzo B.V.	100.00	Zeist
Eerdmans Yachtverzekeringen B.V.	100.00	Lemmer
Eerste Tocht Beheer B.V.	25.00	Nieuwerkerk aan den IJssel
Eerste Tocht C.V.	24.50	Nieuwerkerk aan den IJssel
Europeesche Verzekering Maatschappij N.V.	100.00	Amsterdam

Company name	Fin. %	Registered office
* Falcon Life N.V.	100.00	Amsterdam
* Falcon Verzekeringen N.V.	100.00	Hoofddorp
* ASR Aanvullende Ziektekostenverzekeringen N.V.	100.00	Amersfoort
* ASR Beleggingsconsortium, Maatschappij voor Beleggen en Verzekeren N.V.	100.00	Utrecht
* ASR Betalingscentrum B.V.	100.00	Utrecht
ASR CVE II B.V.	100.00	Utrecht
Fortis ASR Fonds	99.84	Luxembourg
* ASR Levensverzekering N.V.	100.00	Utrecht
* Fortis ASR N.V.	100.00	Utrecht
* ASR Schadeverzekering N.V.	100.00	Utrecht
* ASR Basis Ziektekostenverzekeringen N.V.	100.00	Amersfoort
Fortis Capital Funding LP	100.00	USA
* ASR Pension Fund Services N.V.	100.00	Utrecht
ASR Property Fund N.V.	100.00	Utrecht
* Campri Vastgoed B.V.	100.00	Utrecht
ASR Vastgoed Exploitatie Bodegraven-Oost B.V.	100.00	Utrecht
ASR Vastgoed Exploitatie Ede B.V.	100.00	Utrecht
ASR Vastgoed Exploitatie Gnephoek B.V.	100.00	Utrecht
ASR Vastgoed Exploitatie Haarlemmermeer-West B.V.	100.00	Utrecht
ASR Vastgoed Exploitatie Opstal Ede B.V.	100.00	Utrecht
ASR Vastgoed Exploitatie Schalkwijk B.V.	100.00	Utrecht
ASR Vastgoed Exploitatie Sint Michielsgestel B.V.	100.00	Utrecht
ASR Vastgoed Exploitatie Zuidplas B.V.	100.00	Utrecht
ASR Vastgoed Mahler B.V.	100.00	Utrecht
ASR Vastgoed Ontwikkeling (55) B.V.	100.00	Utrecht
ASR Vastgoed Ontwikkeling N.V.	100.00	Utrecht
ASR Vastgoed Ontwikkeling Winkelcentrum Vleuterweide B.V.	100.00	Utrecht
ASR Vastgoed Ontwikkeling Winkelcentrum Vleuterweide Beheer B.V.	100.00	Utrecht
ASR Vastgoed Participatie Bodegraven-Oost B.V.	100.00	Utrecht
ASR Vastgoed Participatie Ede B.V.	100.00	Utrecht
ASR Vastgoed Participatie Gnephoek B.V.	100.00	Utrecht
ASR Vastgoed Participatie Haarlemmermeer-West B.V.	100.00	Utrecht
ASR Vastgoed Participatie Opstal Ede B.V.	100.00	Utrecht
ASR Vastgoed Participatie Schalkwijk B.V.	100.00	Utrecht
ASR Vastgoed Participatie Sint Michielsgestel B.V.	100.00	Utrecht
ASR Vastgoed Participatie Zuidplas B.V.	100.00	Utrecht
Fortis Verzekeringen Nederland Beleggingsbeheer N.V.	100.00	Utrecht
* Fortis Verzekeringen Vastgoed Maatschappij N.V.	94.86	Utrecht
* ASR Ziektekostenverzekeringen N.V.	100.00	Amersfoort
FRM Ontwikkeling B.V.	33.33	Utrecht
Garant 4 2 N.V.	50.50	Amersfoort
Gebiedsontwikkelingsmaatschappij Zuidplaspolder Beheer B.V.	20.00	Utrecht
GHW Investments B.V.	25.00	Nijmegen
Grondbank Bennekomseweg Ede Beheer B.V.	50.00	Utrecht
Grondbank Bennekomseweg Ede C.V.	49.00	Nieuwegein
HB Holding B.V.	20.00	Nieuwegein
Herendeal B.V.	49.00	Haarlem
HerstelVerzekerd B.V.	25.00	The Hague
* "Het Regentenhuis" Verzekeringen N.V.	100.00	Rotterdam
Hoge Erasmus V.O.F.	50.00	Rotterdam
* Interlloyd Levensverzekering Maatschappij N.V.	100.00	Rotterdam
Jasonpark OmFor B.V.	50.00	Utrecht
Keerpunt B.V.	50.00	Hilversum
Klanderij I B.V.	100.00	Naarden
Klanderij II B.V.	100.00	Amsterdam

Company name	Fin. %	Registered office
Multizorg B.V.	33.33	Utrecht
* N.V. Amersfoortse Algemene Verzekerings Maatschappij	100.00	Amersfoort
* N.V. Amersfoortse Levensverzekering Maatschappij	100.00	Amersfoort
* N.V. Maatschappij voor Sparen en Beleggen "Voorzorg Van 1838"	100.00	Amersfoort
* N.V. Polder Jannezand	100.00	Hank
* N.V. Verzekering Maatschappij "Johan de Witt"	100.00	Utrecht
Nautisch Centrum Scheveningen B.V.	50.00	Utrecht
NFP Finance B.V.	49.05	Nieuw Vennepe
Nijvelt C.V.	25.00	Utrecht
OSPS Beheer B.V.	50.00	Rotterdam
* Onderlingehulp Verzekeringen N.V.	100.00	Enschede
* Onroerende Goederen Maatschappij Stad Rotterdam N.V.	100.00	Rotterdam
Ontwikkelings Maatschappij Stadshart C.V.	49.01	Lelystad
Ontwikkelingscombinatie AmFor Bodegraven - Oost Beheer B.V.	50.00	Bodegraven
Ontwikkelingscombinatie AmFor Bodegraven - Oost C.V.	49.00	Bodegraven
Ontwikkelingscombinatie AmFor Gnephoek Beheer B.V.	50.00	Alphen aan den Rijn
Ontwikkelingscombinatie AmFor Gnephoek C.V.	49.00	Alphen aan den Rijn
Ontwikkelingscombinatie AmFor Schalkwijk Beheer B.V.	50.00	Houten
Ontwikkelingscombinatie AmFor Schalkwijk C.V.	49.00	Nieuwegein
Ontwikkelingscombinatie Haarlemmermeer-West Beheer B.V.	40.00	Hoofddorp
Ontwikkelingscombinatie Haarlemmermeer-West C.V.	39.00	Hoofddorp
Ontwikkelingscombinatie Heeze-Zuid JaFor B.V.	50.00	Utrecht
Ontwikkelingsmaatschappij De Monarch B.V.	50.00	The Hague
Ontwikkelingsmaatschappij De Monarch C.V.	49.50	The Hague
Ontwikkelingsmaatschappij Kalvermarkt B.V.	90.00	The Hague
OSPS Beheer B.V.	50.00	Rotterdam
Plan Brenthof Beheer B.V.	50.00	Geffen
Plan Brenthof C.V.	49.50	Geffen
Pluswoning B.V.	51.00	Utrecht
PoliService B.V.	100.00	Zeist
PreF Obligatie Groei Fonds N.V.	100.00	Utrecht
Prisma Bleiswijk Beheer B.V.	22.00	Bleiswijk
Retail Investments Rijswijk B.V.	100.00	Amsterdam
Retail Investments Rotterdam B.V.	100.00	Amsterdam
Retail Investments Uden B.V.	100.00	Amsterdam
Sequoia 12 B.V.	100.00	Utrecht
Sequoia 9 B.V.	25.00	Utrecht
* Servicemaatschappij "De Hoofdpoort" N.V.	100.00	Rotterdam
S-Gravenhaagsche Passage Maatschappij B.V.	97.39	The Hague
* SR-Beheer B.V.	100.00	Rotterdam
Stichting SR Bewaarder	100.00	Rotterdam
Stolp Vlissingen B.V.	100.00	Vlissingen
* Sycamore 5 B.V.	100.00	Utrecht
* Sycamore 6 B.V.	100.00	Utrecht
* Sycamore Insurance 5 B.V.	100.00	Utrecht
t Financieel Spectrum Holding B.V.	49.00	Hillegom
Totaallevens B.V.	100.00	Amersfoort
Triple IP B.V.	35.00	Amsterdam
* United Reforce I B.V.	100.00	Utrecht
Utrechtse Participatiemaatschappij B.V.	25.00	Utrecht
V.O.F. Mahler 4	33.33	Amsterdam
V&P Holding B.V.	31.00	Valkenswaard
* Van Dalen Vastgoed B.V.	100.00	Schiedam
Vandenende Adviesgroep B.V.	25.00	Huis ter Heide
Villa Academica Monumenten B.V.	100.00	Delft

Company name	Fin. %	Registered office
Vleuterweide Centrumplan Beheer B.V.	50.00	Gouda
Vleuterweide Centrumplan C.V.	49.00	Gouda
Vlieg Advies Groep B.V.	30.29	Alkmaar
VOF Bouwfonds-Fortis Vastgoed Ontwikkeling Leidsche Rijn	50.00	De Meern
* VSB Life N.V.	100.00	Rotterdam
Waterrijk Boskoop B.V.	51.00	Utrecht
Wester IJ-Dock Beheer B.V.	50.00	Rotterdam
Wester IJ-Dock C.V.	49.50	Rotterdam
William House LIV B.V.	50.00	Rotterdam
William House LX B.V.	100.00	Rotterdam
William House VII B.V.	50.00	Rotterdam
William House VIII B.V.	50.00	Rotterdam
William House XIV B.V.	50.00	Rotterdam
William House XIX B.V.	50.00	Rotterdam
William House XLI B.V.	100.00	Rotterdam
William House XLIII B.V.	100.00	Rotterdam
William House XLIX B.V.	100.00	Rotterdam
William House XLVI B.V.	50.00	Rotterdam
William House XVIII B.V.	50.00	Rotterdam
William Properties B.V.	100.00	Utrecht
Wonen op Enka Beheer B.V.	50.00	Ede
Wonen op Enka C.V.	49.00	Ede
Woodpecker Investments B.V.	100.00	Amsterdam

*) This concerns companies for which a 403 statement has been issued.

Warning with respect to announcements regarding the future

This annual report contains certain forward-looking statements, including but not confined to the statements made in the sections headed 'Report of the Board of Directors' and 'Note 6, Risk management', and other forward-looking statements that are based on present views, estimates and assumptions of the management regarding such future events. The statements are made subject to risks and uncertainties that may result in actual results, performances or events differing materially from those explicitly or implicitly presented in the statements. More general factors capable of influencing results include but are not confined to:

- 1) general economic conditions, including specific economic conditions in the core market in the Netherlands;
- 2) changes in interest rate levels and in the performances of financial markets;
- 3) frequency and scale of insurance claims;
- 4) level and development of mortality and health figures and the robustness of the insurance portfolio;
- 5) exchange rates, including the exchange rate of the euro against the US dollar;
- 6) changes in competition and price climate, including an increase in competition in the Netherlands;
- 7) amendments to Dutch and foreign laws, regulations and taxes;
- 8) regional or general changes in the valuation of assets;
- 9) major natural or other disasters;
- 10) the ability to reinsure certain risks in an economically responsible manner;
- 11) the adequacy of loss reserves;
- 12) amendments to legislation concerning the insurance sector;
- 13) changes in the policy of regulators and/or foreign authorities;
- 14) general competitive factors on a national scale.

Places where documents may be inspected

The articles of association of FVNL may be inspected at the Utrecht Chamber of Commerce and at the company's head office. The financial statements will be lodged with the Utrecht Chamber of Commerce.

Glossary and abbreviations

Subordinated liability (loan)

A loan (or security) ranked lower in the order of liabilities that qualify for assets and income.

Basis point (BP)

One-hundredth of one percent (0.01%).

Investment contract

A life insurance contract that transfers the financial risk, but not a significant insurance risk.

Embedded derivative (in a contract)

A component of a hybrid instrument that also includes a non-derivative basic contract. The basic contract may be a bond or share, a lease agreement, an insurance contract or a buy or sell contract.

Gross written premiums

Total premiums (earned or otherwise) for insurance contracts entered into or obtained in a certain period of time, without deduction of the reinsured premiums.

Cash flow hedge

A hedge of the risk of fluctuations in the cash flows of an asset or liability or of an expected future transaction that stem from variable rates prices.

Clean fair value

The fair value, excluding the unrealised part of the interest to date.

Discounted Cash Flow Method

A valuation method whereby the expected future cash flows are discounted at an interest rate that expresses the time value of the money and also a risk premium that reflects the extra revenues that investors require to compensate for the risk of lower-than-expected cash flows.

Participating interests

An entity in which FVNL possesses significant influence but that is not a subsidiary or an interest in a joint venture.

Derivative

A financial instrument (traded on or off the stock market) with a price that depends directly ('derived from') the value of one or more underlying values, such as share price indices, securities, commodities prices, other derived instruments or another agreed price index or arrangement.

Discretionary profit-sharing

Discretionary Participation Feature The right of holders of certain insurance contracts and/or financial instruments to get an additional return (besides a guaranteed benefit). The time and/or level of this return depend on the decision of the issuer.

Subsidiary

Subsidiaries are companies in which Fortis is able to steer, directly or indirectly, the financial and operational policy in order to obtain benefits from these activities ('control').

Securities transactions

A loan of a security by one party to another party, who in turn must deliver back the security on the final due date of the transaction. Such a loan is usually guaranteed. Transactions of this kind give the owner of the security a possibility to achieve an additional return.

Embedded value

The present value of all future cash flows of an existing portfolio.

Employee benefits

The entirety of non-obligatory insurances and other facilities that employees receive, in addition to their salary, in return for the services they perform.

Financial lease

A lease agreement that transfers virtually all of the risks and remunerations attached to the ownership of an asset. This ownership may ultimately be transferred or may not be transferred.

Amortised cost price

The amount at which the financial asset or the financial liability is stated in the balance sheet at the time of first recognition. This amount is minus repayments on the principal, plus or minus the accumulated depreciation determined via the effective interest method of the difference between that first amount and the repayment amount, and minus any write-downs on account of impairments or uncollectability.

Goodwill

Goodwill represents the positive difference between the fair value of the assets, liabilities and issued equity instruments on the one hand and the interest of Fortis in the fair value of the assets, liabilities and provisional liabilities on the other.

Hedge accounting

Accounting for the compensating effects of changes in the fair value of the hedging instruments and the fair value of the hedged instrument in the income statement of the same period.

IFRS

Abbreviation for International Financial Reporting Standards (previously International Accounting Standards, IAS). The standard international accounting rules for preparing financial statements as of 1 January 2005 applicable to all listed companies in the European Union. They make annual results easier to compare and provide a better insight into the financial position and results.

Intangible asset

An identifiable, non-monetary asset without physical form.

Joint venture

Strategic cooperation between two or more parties, which contribute capital and knowledge but at the same time continue to operate independently.

Core capital

The total capital available at group level, based on the definition of Tier 1 capital (core capital expressed as a percentage of the risk-weighted balance sheet total).

Market capitalisation

Market value. Market capitalisation equals the number of outstanding shares multiplied by the prevailing price of the share.

Notional amount

An expression of a number of units of a currency, a financial instrument, a certain volume or weighting that is specified in a transaction with derivatives.

Operating lease

An agreement that allows the use of a good in return for regular payments, but does not provide for the transfer of title to its ownership. The financial risk remains with the creditor or lessee.

Operating margin

Operating result divided by net earned premiums. The operating result is the profit or the loss on all activities, including the technical and investment results.

Option

The right, but not the obligation, to buy (call option) or to sell (put option) a security during a certain period of time at a certain date in return for a certain price.

Deferred acquisition costs

The costs of acquiring new and renewed insurances, mainly commissions and expenditure concerning underwriting, intermediaries and the issue of new policies. These costs vary and relate mainly to the conclusion of new contracts.

Private equity

Securities of companies that are not listed on a stock exchange. The sale of private equity is subject to strict rules. Because of the absence of a market an investor must personally find a buyer if he wishes to sell his share in such a company.

Fair value

The amount for which an asset (liability) can be obtained (entered into) or sold (settled up) in a market-consistent transaction (at arm's length) between knowledgeable and willing parties.

Fair value hedge

A hedge to limit exposure to fluctuations in the fair value of an asset, a liability or an established agreement. The fluctuation of fair value is related to a specific risk and influences the reported net profit.

Shadow accounting

Under IFRS 4 insurers are allowed, but not obliged, to amend their financial reporting principles in such a way that the influence of a recognised part of the unrealised gain or unrealised loss on these valuations is the same as that of a realised gain or an unrealised loss. The related adjustment of the insurance liability (or deferred acquisition costs of intangible assets) must be recognised in the equity if and only if the unrealised gains or losses are incorporated directly into equity.

Transaction date

The date at which FVNL enters into the contractual provisions of an instrument.

Value of Business Acquired (VOBA)

The present value of future profits (sometimes defined as 'Value of Business Acquired', or 'VOBA) from acquired insurance contracts is presented as an intangible asset and written down over the period of recognition of the premium or gross profit of the acquired policies.

VaR

Abbreviation of Value at Risk, a technique based on statistical analysis of historical market developments and fluctuations. The VaR determines the probability that the loss on a portfolio will exceed a certain amount.

Investment property

Real estate held to obtain the rent revenues or an increase in the capital value.

Insurance contracts

Contracts that transfer to one party (Fortis) a substantial insurance risk from another party (the insuring party) by agreeing to reimburse the insuring party for an unforeseen event that harms the insured party.

Provision

A liability of a certain size or with an uncertain point in time. Provisions are presented as liabilities if it is likely that an outflow of funds embodying economic benefits will be required in order to settle the liabilities, always assuming that a reliable estimate can be made.

Impairment

The amount by which the carrying amount of an asset exceeds its realisable value. In such cases the carrying amount will be reduced to its fair value via the income statement.

Abbreviations

ALM	Asset and liability management
DPF	Discretionary participation features
Euribor	Euro inter bank offered rate
IBNR	Incurred but not reported
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
LAT	Liability adequacy test
OTC	Over the counter

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