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## **Sustained commercial momentum across Banking and Insurance sees strong start to 2007**

**Robust first quarter result at EUR 1.2 billion**

- **Sustained strong commercial momentum across banking and insurance**
  - Underlying loan growth up 13%, or EUR 28 billion, compared to end of first quarter 2006, driven by commercial loans and mortgages
  - Net inflow in funds under management since end of first quarter 2006 at EUR 14.5 billion; total FUM climbs 14% to EUR 197 billion
  - Life gross inflow rises 40% to EUR 3.9 billion, thanks to strong sales in Belgium and the Netherlands
  - Non-Life gross written premiums up 12% to EUR 1.8 billion, driven by all regions and product classes
  - Improved customer satisfaction at Retail Banking Belgium in the first quarter of 2007
  - Retail Banking adds 211 points of sale in the first quarter of 2007, 186 of which are Dominet sales points in Poland
- **Fortis's first-quarter 2007 net profit** at EUR 1,167 million versus EUR 1,328 million for the first quarter of 2006
  - **Banking:** Excluding the impact of the non-qualifying hedge, stable net profit of EUR 903 million despite lower capital gains
    - Sustained growth of net interest income and net commissions and fees, together accounting for three-quarters of total banking income
    - Excellent trading result, benefiting from solid client activity and increased volatility
    - Non-business-related impact of non-qualifying hedge on net profit was EUR 120 million in the first quarter of 2006. This accounts almost entirely for the 13% drop in net profit
  - **Insurance:** net profit up 4% to EUR 352 million
    - Life net profit rises 22% to EUR 271 million, driven by all regions
    - Non-Life net profit lower at EUR 81 million, as a result of EUR 86 million pre-tax impact of Windstorm Kyrill; underlying profit up thanks to volume growth and higher investment results
- **Fortis's first-quarter 2007 net profit** up 56% on fourth quarter of 2006
  - Banking: net profit soars 79% thanks to strong growth momentum in all revenue lines, resulting in a 12% rise in total income, lower impairments on loans and a 5% decrease in expenses
  - Insurance: net profit increases 6%, as 10% rise in Life net profit more than offsets decline at Non-Life

## Fortis - Key figures

| <i>in EUR million</i>                                                        | Q1 2007      | Q1 2006      | Change       | Q4 2006     | Change     |
|------------------------------------------------------------------------------|--------------|--------------|--------------|-------------|------------|
| <b>Net profit attributable to shareholders before results on divestments</b> | <b>1,167</b> | <b>1,328</b> | <b>(12%)</b> | <b>750</b>  | <b>56%</b> |
| - Banking                                                                    | 903          | 1,036        | (13%)        | 506         | 79%        |
| - Insurance                                                                  | 352          | 339          | 4%           | 332         | 6%         |
| - General (incl eliminations)                                                | (88)         | (47)         | 86%          | (88)        | 0%         |
| <b>Results on divestments</b>                                                | <b>-</b>     | <b>-</b>     |              | <b>-</b>    |            |
| <b>Net profit attributable to shareholders</b>                               | <b>1,167</b> | <b>1,328</b> | <b>(12%)</b> | <b>750</b>  | <b>56%</b> |
| Weighted average number of ordinary shares (in million)                      | 1,292        | 1,286        | 0%           | 1,289       | 0%         |
| <b>EPS (in EUR)</b>                                                          | <b>0.90</b>  | <b>1.03</b>  | <b>(13%)</b> | <b>0.58</b> | <b>55%</b> |
| - Before results on divestments                                              | 0.90         | 1.03         | (13%)        | 0.58        | 55%        |
| Net Equity per share (in EUR)                                                | 16.68        | 15.29        | 9%           | 15.98       | 4%         |
| <b>Return on equity (in %)<sup>(1)</sup></b>                                 | <b>20.3%</b> | <b>22.0%</b> |              |             |            |

(1) Rolling average, based on last four quarters, 2006 data refer to full year

Fortis CEO Jean-Paul Votron comments:

*These robust results show once again the strength of our well-balanced business mix: strong commercial momentum was seen across the board, and there was always at least one business line whose outstanding performance made up for a temporary slowdown elsewhere. Our underlying commercial revenue momentum remains intact, as demonstrated by the growth in net interest income, net commissions and fees and gross inflow at Life and Non-Life. Meanwhile, our trading operations delivered yet another solid quarter, benefiting from healthy client activity, increased volatility and a well-diversified trading mix.*

*The implementation of our strategic initiatives is progressing according to plan and has in certain areas even accelerated, particularly with respect to the growth engines.*

*One fine example is our award-winning consumer finance business in Germany. Thirty-five new Credit4me shops have been opened since the beginning of the year, bringing the total number to 55 today and putting us well on track to having more than 100 shops by the end of the year. To support this accelerated rollout, we have launched a nationwide branding campaign in various media. The commercial impact has been immediate: after nine months, we are ahead of plan to reach our target for the first year in terms of volume.*

*Another example is our services to Clearing, Funds and Custody business. A truly global business in nature, this unit has been growing its franchise vigorously, with assets under administration rising by 26% to USD 131 billion and assets under custody by 14% to EUR 326 billion. Revenues – mostly dollar denominated – have followed this pattern, and we have run this business at a cost/income ratio of between 60 and 65%. We have taken on more than 200 FTEs over the past 12 months to cope with this growth.*

*Our insurance business is performing extremely well too. Take the Belgian operations, for instance. In the first quarter of this year we managed to sustain last year's excellent momentum, posting the highest quarterly production ever of EUR 2.3 billion in combined Life and Non-Life inflow. This success can be attributed to both the banking and broker distribution channels and is clearly the result of an innovative product offering and high service levels.*

*This past quarter we clearly stepped up the pace of our international expansion based on core skills acquired in our home markets. We broadened our international lease offering for commercial clients with the acquisition of Captive Finance Limited, launched a joint venture with An Post, capitalising on our expertise with Banque de La Poste in Belgium and announced the acquisition of a majority stake in Pacific Century Insurance in Hong Kong. More than a quarter of net profit was generated outside the Benelux countries.*

*Of course growing a company internationally implies investing – not only in the business but in people, skills, systems and marketing too. Although expenses went up compared to the same period last year, they are consistent with the guidance given at the announcement of our full-year 2006 results. The rise in year-on-year expenses reflects our growth ambitions and is expected to contribute to top-line growth in the medium term. We monitor these investments carefully and remain committed to our efficiency discipline.*

*This strong start to 2007 confirms we have taken the right strategic decisions and that the implementation of our growth plans is on track to deliver on our 2006-2011 objectives, thereby creating substantial value for all our stakeholders.*

# 1. Fortis

## 1.1. Net profit

### Net profit Fortis

Net profit before results on divestments in the first quarter 2007 reached EUR 1,167 million compared to EUR 1,328 million in the same period in 2006. Lower results at Banking, largely explained by the positive impact of the non-qualifying hedge in the first quarter of 2006, and at General were partly offset by slightly higher results at Insurance leading to a 12% decrease in net profit.

### Net profit Banking

Net profit at Banking amounted to EUR 903 million in the first quarter, a decrease of EUR 133 million or 13% versus the same quarter of last year but an increase of EUR 397 million or 79% on the previous quarter. The first quarter of last year benefited from a significant change in the fair value of a non-qualifying hedge of EUR 170 million pre-tax, or EUR 120 million after tax. Excluding this exceptional element, Banking gave a repeat performance of last year's outstanding first quarter, while realising lower capital gains. These strong results were achieved on the back of steady growth of the top line – after neutralisation of the macro hedge impact – driven by commercial activity, continued low changes in impairments and a lower effective tax rate. Expenses rose, mainly reflecting the continuation of growth investments initiated in 2006.

Compared to the previous quarter, further progression in the top line and lower changes in impairments largely contributed to the steep rise in net profit. In line with earlier indications, first-quarter expenses came in lower than the previous quarter, which featured a number of one-off elements.

### Net profit Insurance

Fortis Insurance turned in a strong performance in the first quarter of 2007. Compared with the same period last year, net profit climbed 4%, to EUR 352 million. Solid results were posted at Life, while the Non-Life net result came down as a result of the Windstorm Kyrill, which swept through Europe in January 2007.

At Life, strong inflows contributed to higher total Life reserves (up 9% compared with the first quarter of 2006). A subsequently higher investment result and an improved risk margin fuelled growth of the operating margin by 13% to EUR 206 million. A higher contribution from joint ventures and a lower effective tax rate contributed to the 22% rise in net profit to EUR 271 million.

The Non-Life technical result decreased 51% to EUR 71 million, mainly due to Windstorm Kyrill, driving the decrease in Non-Life net profit by 32% to EUR 81 million. Excluding the effects of the storm (EUR 86 million pre-tax), the technical result developed favourably (up 9%), thanks to higher premiums and continued strong underwriting results.

Compared with the last quarter of 2006, first-quarter net profit increased 6%, driven by Life and offset by typical seasonal factors at Non-Life.

Operating costs increased 3%, including a reclassification. Excluding the latter, operating costs increased by 7%, due to costs of business expansion and various growth initiatives.

## Net profit General

The net negative result for the first quarter of 2007 came to EUR 88 million, up by EUR 41 million from last year. Higher financing charges and negative fair value changes, partly offset by lower eliminations of treasury shares and higher tax credits, explain the lower result.

The acquisition of the Fortis Bank Insurance shares from Fortis Bank Belgium in the context of the Fortis Insurance Belgium merger account for the higher financing charges. The merger and the related share transfer occurred on the last day of the first quarter of 2006 and, accordingly, did not impact the 2006 first quarter results.

Negative fair value changes relate to the mandatory exchangeable bond (MEB) convertible into Assurant shares and reflect underlying stock price volatility leading to a negative contribution of EUR 8 million in the first quarter of 2007 compared to a positive impact of EUR 31 million in the same period last year.

The first quarter net result ended up at about the same level as the fourth quarter of last year. The absence of a one-off loan surrender penalty and unfavourable fair value changes offset lower net cost levels.

## 1.2. FTE developments

### Fortis - FTE developments

|                   | Q1 2007 | FY 2006 | Change |
|-------------------|---------|---------|--------|
| Banking           | 45,359  | 43,575  | 4%     |
| Insurance         | 13,643  | 13,107  | 4%     |
| Fortis Total      | 59,195  | 56,886  | 4%     |
| - Benelux         | 65%     | 67%     |        |
| - Outside Benelux | 35%     | 33%     |        |

Fortis continued to be a net hirer in the first quarter of 2007, when 3,963 employees joined the company and 1,654 FTEs left the company. Acquisitions contributed 1,444 to the growth of the amount of FTE's, of which the Dominet acquisition in Poland with around 900 FTE's was the most important one. At the end of March 2007, 35% of the workforce was based outside the Benelux countries.

### 1.3. Solvency

#### Introduction

As mentioned in the Financial and Operational Review of the fourth quarter of 2006, Fortis has introduced a new target-based model to manage and communicate solvency.

The new model consists of three components:

- a capital target for Fortis Bank equal to a Tier 1 ratio of 7%, including 1% hybrid capital. This implies a core equity target of 6%;
- a capital target for Fortis Insurance equal to 225% of the regulatory minimum, which includes 50% of hybrid capital. This implies a core equity target of 175%;
- a Group leverage target (at General) equal to 15% of the total core equity of Banking plus the core equity of Insurance, implying that 15% of Banking and Insurance's combined target equity could be financed by group debt.

#### Fortis - Solvency

| <i>in EUR million</i>              | <b>31-march-2007</b> | <b>31-dec-2006</b> |
|------------------------------------|----------------------|--------------------|
| <b>Fortis</b>                      |                      |                    |
| Group core equity                  | 20,299               | 19,532             |
| Group core equity target           | 19,162               | 17,733             |
| Amount of core equity above target | 1,137                | 1,799              |
| Group leverage on core equity      | 15.1%                | 15.5%              |
|                                    |                      |                    |
| Group total available capital      | 33,153               | 31,781             |
| Minimum group requirements         | 24,897               | 22,898             |
| Amount above regulatory minimum    | 8,256                | 8,884              |
|                                    |                      |                    |
| <b>Bank</b>                        |                      |                    |
| Tier 1 ratio (in %)                | 6.5%                 | 7.1%               |
| Total capital ratio (in %)         | 10.5%                | 11.1%              |
|                                    |                      |                    |
| <b>Insurance</b>                   |                      |                    |
| Core solvency ratio                | 236.8%               | 233.3%             |
| Total solvency ratio               | 268.5%               | 270.0%             |

#### Fortis Group

**Fortis's core** equity increased by EUR 0.8 billion to EUR 20.3 billion. The main reason for the rise was the first quarter net profit of EUR 1.2 billion, offset by the goodwill paid for Dominet (EUR 0.2 billion) and the one-off negative impact of the revision to the rules of Belgium's Banking, Finance and Insurance Commission (BFIC) (EUR 0.3 billion). The core equity target increased by EUR 1.4 billion to EUR 19.2 billion driven by a 9% increase in risk-weighted banking commitments and a 5% increase in the required minimum for insurance. Risk-weighted commitments growth is traditionally the strongest in the first quarter. This resulted in an amount of EUR 1.1 billion in excess of the core equity target at the end of the first quarter, compared to EUR 1.8 billion at the end of the fourth quarter of 2006.

Group leverage decreased slightly to 15.1% due to stable group debt while the core equity of the group increased.

### **Fortis Bank**

The **Tier 1 ratio** of Fortis Bank decreased from 7.1% to 6.5%. The positive effect of first quarter net profit (EUR 0.9 billion) was more than offset by a 9% increase in risk-weighted commitments, goodwill paid for Dominet (EUR 0.2 billion on core equity) and the one-off negative impact of revised BFIC rules (EUR 0.3 billion on core equity).

The increase in risk-weighted commitments by 9% or EUR 22.7 billion to EUR 262.8 billion was driven mainly by strong growth in lending activities and committed credit lines.

The total capital ratio remained strong at 10.5% supported by a EUR 0.5 billion Lower Tier 2 benchmark issue.

Traditionally, the growth in the risk-weighted commitments in the first quarter is always relatively high. Low risk-weighted commitments growth in the next quarters combined with the retained earnings will restore the Tier 1 ratio to the targeted 7% by the end of 2007.

### **Fortis Insurance**

The **total solvency ratio** of Fortis Insurance's activities edged down from 270.0% to 268.5%. The increase in total capital driven by net profit (EUR 0.4 billion) was offset by the 5% rise in the required minimum.

## 2. Banking

### Key figures - Banking

in EUR million

|                                                 | Q1 2007    | Q1 2006                | Change       | Q4 2006                | Change     |
|-------------------------------------------------|------------|------------------------|--------------|------------------------|------------|
| Total income                                    | 2,716      | 2,771                  | (2%)         | 2,421                  | 12%        |
| Total expenses                                  | (1,650)    | (1,487)                | 11%          | (1,737)                | (5%)       |
| Profit before taxation                          | 1,040      | 1,274                  | (18%)        | 594                    | 75%        |
| Net profit for the period                       | 908        | 1,036                  | (12%)        | 507                    | 79%        |
| Net profit attributable to minority interests   | 5          | -                      | *            | 1                      | *          |
| <b>Net profit attributable to shareholders</b>  | <b>903</b> | <b>1,036</b>           | <b>(13%)</b> | <b>506</b>             | <b>79%</b> |
| Cost / Income ratio                             | 60.7%      | 53.7%                  |              | 71.7%                  |            |
| Operating leverage                              | (12.9%)    | 2.8% <sup>(1)</sup>    |              | 2.8% <sup>(1)</sup>    |            |
| FTEs                                            | 45,359     | 43,575 <sup>(3)</sup>  | 4%           | 43,575 <sup>(3)</sup>  | 4%         |
| Credit loss ratio (basis points) <sup>(2)</sup> | 5          | 2                      |              | 15                     |            |
| RWCs - End of period (in EUR million)           | 262,828    | 240,105 <sup>(3)</sup> | 9%           | 240,105 <sup>(3)</sup> | 9%         |
| - Credit RWCs                                   | 241,867    | 221,633 <sup>(3)</sup> | 9%           | 221,633 <sup>(3)</sup> | 9%         |
| - Market RWCs                                   | 20,961     | 18,471 <sup>(3)</sup>  | 13%          | 18,471 <sup>(3)</sup>  | 13%        |
| Tier 1 ratio                                    | 6.5%       | 7.1% <sup>(3)</sup>    |              | 7.1% <sup>(3)</sup>    |            |
| Total Funds under Management (in EUR billion)   | 197.2      | 190.6 <sup>(3)</sup>   | 3%           | 190.6 <sup>(3)</sup>   | 3%         |
| - In/Out flow (in EUR billion)                  | 3.3        | 16.5 <sup>(1)</sup>    |              | 3.2                    |            |

(1) Refers to Full Year 2006

(2) Annualised, as a % of average credit-risk-weighted commitments

(3) 2006 year-end data

- Underlying net profit remains high
- Strong volume growth fuels increase in net interest income and commissions
- Excellent quarter for trading
- Funds under management climb to EUR 197 billion, up 3%, mainly on net inflow of EUR 3.3 billion
- Continued benign credit environment leads to credit loss ratio of 5 basis points

**Net profit** at Banking amounted to EUR 903 million in the first quarter, a decrease of EUR 133 million or 13% versus the same quarter of last year but an increase of EUR 397 million or 79% on the previous quarter. The first quarter of last year benefited from a significant change in the fair value of a non-qualifying hedge of EUR 170 million pre-tax, or EUR 120 million after tax. Excluding this exceptional element, Banking was close to give a repeat performance of last year's outstanding first quarter, while realising lower capital gains. These strong results were achieved on the back of steady growth of the top line – after neutralisation of the macro hedge impact – driven by commercial activity, continued low changes in impairments and a lower effective tax rate. Expenses rose, mainly reflecting the continuation of growth investments initiated in 2006.

Compared to the previous quarter, further progression in the top line and lower changes in impairments largely contributed to the steep rise in net profit. In line with earlier indications, first-quarter expenses came in lower than the previous quarter, which featured a number of one-off elements.

First-quarter **total income** clocked in at EUR 2,716 million, down a reported EUR 55 million or 2% from the same quarter last year. Excluding the 2006 gain on the non-qualifying hedge, total income grew by EUR 115 million or 4% year-on-year. This healthy growth demonstrates sustained improvement of commercial activities generating higher interest income, an increase in fees and commissions, and better treasury and financial market results. Interest income and commissions and fees together are growing by an average of 5%. They are responsible for the lion's share of the year-on-year underlying increase and represent three quarters of the total income.

**Net interest income on interest-margin products** rose 4% to EUR 1,310 million in the first quarter of 2007 compared to the same period last year. The increase was fuelled chiefly by strong volume growth at Merchant & Private Banking (MPB). Double-digit net interest income growth was achieved across most of MPB's business lines such as Corporate/Institutional/ Public Banking, Energy/Commodities/Transportation and Clearing/Funds/Custody. Commercial Banking posted upper single-digit growth compared with the previous year despite the impact of further margin pressure. Net interest income at Private Banking remained stable because of margin pressure on cash-related products. Retail Banking saw its interest income decrease, mainly reflecting a change in its product mix as customers shifted from traditional savings towards higher yielding but lower margin time deposits. Net interest income at ALM is ahead of last year's first-quarter level, benefiting in particular from the reinvestment of higher retained earnings.

First-quarter net interest income on interest-margin products continued on an upward trend compared with the previous quarter, climbing 3%. Similarly, higher volumes at MPB were mainly responsible for the favourable development and more than offset the impact of margin-driven declines at Private Banking and Specialised Financial Services. Net interest income remained virtually stable compared to the previous quarter at Retail Banking as growing volumes offset slightly lower margins. Net interest income at ALM continued to progress mainly on the back of revenue from higher retained earnings.

**Loan volume** rose 11% compared with year-end 2006, fuelled by soaring securities lending. Excluding securities lending and reverse repurchase agreements, underlying loan growth amounted to 3%. Commercial loans increased by 5% while residential mortgages advanced 1%.

**Credit risk-weighted commitments** climbed to EUR 242 billion, up 9% on the year-end 2006 level, driven by strong volume growth mainly at Merchant & Private Banking businesses. Total risk-weighted commitments including market risk-weighted commitments of EUR 21 billion amounted to EUR 263 billion, representing an increase of 9% versus year-end 2006.

**Funds under management** ended the quarter at EUR 197 billion, up 3% on year-end 2006, benefiting from continued inflow and the positive impact of capital markets. Funds under management rose 14% year-on-year, thereby increasing the revenue base for the recurring funds-based commissions.

**Net inflow** amounted to EUR 3.3 billion, EUR 0.7 billion of which came in at Private Banking and EUR 2.7 billion at Fortis Investments. These figures were driven by considerable new business from external retail networks across the key geographies and at Fortis Haitong, Fortis Investments' joint venture in China.

**Net commissions and fees** amounted to EUR 726 million, up 6% on the first quarter of 2006. One of the growth drivers was a 7% rise in fees related to funds under management. These benefited from a substantially higher fee base supported by positive net intake and favourable market developments throughout the period. Other contributors to the growth were insurance-related fees, securities and daily banking fees generated by a higher level of transactions.

Net commissions and fees advanced a further 4% compared with the fourth quarter of 2006, which benefited from typically higher end-of-year-related production and transaction activity. The increase was fuelled by the same drivers as the ones mentioned above.

**Capital gains not linked to financial market activity** clocked in at EUR 192 million, EUR 55 million or 22% lower than last year's first quarter but 15% up versus the fourth quarter of 2006. Realised capital gains during this first quarter were mainly equity-based, contributing to the reduction of the overall effective tax-rate.

**Treasury and financial markets** activity generated EUR 389 million in revenues, EUR 81 million or 17% less than in the same quarter last year. Excluding the EUR 170 million change in the fair value of the non-qualifying hedge on the part of a mortgage portfolio booked in the first quarter of 2006, treasury and financial market income rose by a steep 30% year-on-year. This robust performance was fuelled by superior trading and higher Securities Financing results, partly offset by lower Private Equity income. The strong trading results were driven by an exceptional performance in equity derivatives trading – which capitalised on the high volatility witnessed during the first quarter – but were partly mitigated by the lower Forex and Rates group contribution, reflecting higher funding costs. Energy trading remained low in the first quarter, which was marked by low trading in gas, oil and electricity mainly in the US due to the mild weather. Private Equity came out lower compared to the first quarter of 2006, which benefited from higher portfolio revaluations.

First-quarter treasury and financial markets activity surged to EUR 389 million from EUR 178 million in the fourth quarter of 2006, with all activities making excellent progress. Trading results soared thanks to the exceptional equity derivatives trading in the first quarter, but also benefited from increased client driven deals in fixed income at the Forex and Rates Group. The rise in quarter-on-quarter income can also be attributed to higher Securities Financing income and to more vigorous Private Equity activity. Finally, lower losses on the revaluation of the credit hedging portfolio in the first quarter also helped to boost income in the first quarter.

The **change in provisions for impairments** was once again very low, at EUR 26 million in the first quarter of the year, chiefly due to net releases posted at Merchant Banking. The credit environment remained benign and few loans required provisioning. Retail Banking impairments increased year-on-year, mainly because of the inclusion of the Von Essen acquisition and partly due to Turkey. The change in provisions for impairments in the first quarter was an improvement on the EUR 90 million in the final quarter of 2006, which included a lower level of releases at Merchant Banking and specific loan provisioning at Commercial Banking.

The **credit loss ratio** (calculated as a percentage of average credit risk-weighted commitments) remained very low at 5 basis points for the first quarter of 2007. The first quarter credit loss ratio remained considerably lower than the expected cross-cycle credit loss ratio of around 25 basis points.

**Total expenses** rose 11% from the same quarter last year to EUR 1,650 million, but came down EUR 87 million or 5% on the previous quarter. Hirings over the course of last year as well as stepped-up investments in growth were the main reasons for the increase. The consolidation of acquisitions explained 1% of the year-on-year growth. A number of one-off events were responsible for the significant rise in expenses in the fourth quarter of 2006; this is reflected in the decline observed in the first quarter.

The first-quarter cost/income ratio, at 60.7%, is equal to the ratio for full-year 2006.

**Staff expenses** came to EUR 942 million, up 6% versus the same period last year and down 1% on the previous quarter, which was impacted by a EUR 40 million provision for early departure costs. The 6% increase on the first quarter of last year can be explained by acquisitions, which account for 1%, and by new hirings and wage drift. Hirings were made mainly at Merchant & Private Banking in support of their growth. The 1% decline in staff expenses on the previous quarter was due to a one-off provision for early departure taken in the fourth quarter. Excluding this exceptional item, staff expenses rose 3%, mainly owing to new hirings.

Total Banking FTEs numbered 45,359 at the end of the first quarter, an increase of 1,784 or 4% compared to year-end 2006. The figure for the first quarter includes approximately 900 FTEs resulting from the first-time consolidation of the Dominet acquisition in Poland. As Dominet was included at the very end of the quarter, these FTEs did not have a material impact on the consolidated profit and loss accounts for the first quarter. Disregarding the impact of Dominet, the number of FTEs grew by 2% versus year-end 2006.

**Other expenses** went up 18%, to EUR 708 million, versus the first quarter of 2006. Excluding the impact of acquisitions, other expenses rose 16%, reflecting a higher level of investments in technology infrastructure, marketing and branding as well as the consumer finance rollout, all in support of the long-term growth plans. In line with earlier indications, other expenses decreased by EUR 73 million or 9% compared with the previous quarter, which was marked by major one-off events.

The effective **tax rate** was low at 13%. The decline compared with last year can be attributed to the structure of treasury and financial markets results and to the mix of capital gains, which were composed mainly of tax-exempt equity deals. The establishment of a treasury centre in 2006 also contributed to the lower effective tax rate.

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

### 2.2.1. Retail Banking

#### Key figures - Retail Banking

in EUR million

|                                                          | Q1 2007    | Q1 2006               | Change       | Q4 2006               | Change     |
|----------------------------------------------------------|------------|-----------------------|--------------|-----------------------|------------|
| Total income                                             | 1,193      | 1,294                 | (8%)         | 1,200                 | (1%)       |
| Total expenses                                           | (820)      | (753)                 | 9%           | (878)                 | (7%)       |
| <b>Net profit attributable to shareholders</b>           | <b>286</b> | <b>375</b>            | <b>(24%)</b> | <b>210</b>            | <b>36%</b> |
| Of which                                                 |            |                       |              |                       |            |
| - Retail Banking Network                                 | 260        | 351                   | (26%)        | 185                   | 41%        |
| - Asset Management                                       | 26         | 24                    | 7%           | 25                    | 4%         |
| Cost / Income ratio                                      | 68.7%      | 58.2%                 |              | 73.1%                 |            |
| Operating leverage                                       | (16.6%)    | (0.4%) <sup>(1)</sup> |              | (0.4%) <sup>(1)</sup> |            |
| FTEs                                                     | 19,142     | 17,030 <sup>(2)</sup> | 12%          | 17,030 <sup>(2)</sup> | 12%        |
| Funds under Management Fortis Investments <sup>(3)</sup> | 124.7      | 121.0 <sup>(2)</sup>  | 3%           | 121.0 <sup>(2)</sup>  | 3%         |
| - In/Out flow <sup>(3)</sup>                             | 2.7        | 9.9 <sup>(1)</sup>    |              | 0.6                   |            |

(1) Refers to Full Year 2006

(2) 2006 year-end data

(3) in EUR billion

- **Retail Banking net profit for the first quarter of 2007 stands at EUR 286 million**
- **Net commissions and fees rise sharply on the back of continued growth in management fees and good net intake of financial insurance products**
- **Fortis Investments records strong inflows, generating EUR 2.7 billion in the first quarter**
- **Acquisition of Dominet has been finalised and joint venture with An Post has received its banking license**

**Retail Banking's** net profit for the first quarter of 2007 came in at EUR 286 million compared to EUR 375 million last year. Total income decreased 8% or EUR 101 million due entirely to lower allocated ALM results. Expenses increased 9% as a result of the consolidation of Consumer Finance Germany, higher staff numbers and higher expenses in marketing and IT.

**Retail Banking network's** net profit for the first quarter of 2007 stands at EUR 260 million, versus EUR 351 million last year.

Total income decreased 9% to EUR 1,093 million due entirely to lower allocated ALM results (down EUR 117 million). Lower net interest income (down EUR 10 million) was offset by higher commissions and fees (up EUR 20 million).

Total expenses grew by 8% to EUR 755 million, due to business expansion (Consumer Finance Germany was consolidated as of the second quarter of 2006), staff increases and higher marketing expenses.

Net profit was up 41% on the previous quarter. Total income was stable, with a sharp rise in commissions and fees (up EUR 36 million) to EUR 282 million not fully compensating for lower allocated ALM results. Expenses were 6% lower, as the fourth quarter of 2006 was impacted by a one-off expense relating to an early departure scheme.

**Fortis Investments** had a strong start to the year. Net profit for the first quarter of 2007 came to EUR 29 million (before allocation of central costs and capital charges), up 10% on the same period in 2006 and 7% on the fourth quarter of 2006. Including the central costs and capital charges, net profit amounted to EUR 26 million, up 7% on the first quarter 2006. This sound performance was mainly the result of continued generation of net inflows and a positive market impact on assets under management. Net inflow amounted to EUR 2.7 billion for the first quarter of 2007, pushing assets under management up to EUR 125 billion, 3% higher than the end of 2006. The favourable momentum witnessed in the first quarter continued into the second quarter with April showing very promising inflows.

## 2.2.2. Merchant & Private Banking

### Key figures - Merchant & Private Banking

in EUR million

|                                                       | Q1 2007    | Q1 2006               | Change      | Q4 2006               | Change   |
|-------------------------------------------------------|------------|-----------------------|-------------|-----------------------|----------|
| Total income                                          | 1,474      | 1,421                 | 4%          | 1,183                 | 25%      |
| Total expenses                                        | (786)      | (686)                 | 15%         | (854)                 | (8%)     |
| <b>Net profit attributable to shareholders</b>        | <b>622</b> | <b>671</b>            | <b>(7%)</b> | <b>267</b>            | <b>*</b> |
| Cost / Income ratio                                   | 53.3%      | 48.3%                 |             | 72.2%                 |          |
| Operating leverage                                    | (10.8%)    | 8.6% <sup>(1)</sup>   |             | 8.6% <sup>(1)</sup>   |          |
| FTEs                                                  | 14,945     | 14,330 <sup>(2)</sup> | 4%          | 14,330 <sup>(2)</sup> | 4%       |
| Funds under Management Private Banking <sup>(3)</sup> | 81.6       | 79.0 <sup>(2)</sup>   | 3%          | 79.0 <sup>(2)</sup>   | 3%       |
| - In/Out flow <sup>(3)</sup>                          | 0.7        | 7.0 <sup>(1)</sup>    |             | 2.0                   |          |

(1) Refers to Full Year 2006

(2) 2006 year-end data

(3) in EUR billion

- **Very robust growth of net interest income in the first quarter of 2007**
- **Strong Treasury and Financial Markets results**
- **Commissions at high levels**
- **Costs growth reflects scope changes, FTE hiring and investments**

Merchant & Private Banking's **net profit** for the first quarter of 2007 came in at EUR 622 million, a 7% decrease in comparison with the high base reported for the first quarter of 2006. Strong commercial activity was registered at most of the business lines, and especially at Commercial Banking and Private Banking. Net profit actually more than doubled compared with the fourth quarter of 2006, mainly due to a rise in income and releases in impairments, but also to sustained efforts to keep costs down.

MPB recorded **total income** of EUR 1,474 million, up 4% compared with the first quarter of 2006, which benefited from much higher realised capital gains. The main drivers were net interest income (up EUR 114 million or 23% year-on-year) and solid trading (up 14% year-on-year to EUR 329 million), largely offset by lower ALM income and the – EUR 24 million negative impact of the credit hedging portfolio in the first quarter. Income grew at almost all of the business lines. Global Markets, especially, showed strong resilience to turbulent market conditions, with Equity Trading and Derivatives as well as Securities Financing turning in a strong performance. Total income was 25% up on the last quarter of 2006, mainly due to significant increases at Treasury and Trading, as well as in net interest Income.



**Total expenses** were up 15% on the first quarter of 2006, with staff expenses showing an 18% year-on-year increase in line with 16% simultaneous growth in FTEs. This growth was partly due to changes in scope (particularly the acquisition of Fortis Energy Marketing and Trading). Other expenses were 10% up on the first quarter of 2006, mainly due to expenses related to investment in growth, such as IT enhancements, but also to scope changes. In comparison with the fourth quarter of 2006, total costs improved by 8%, with total staff expenses decreasing slightly and other expenses declining by 17% due to the one-offs in the fourth quarter indicated above.

### 3. Insurance

#### Key figures - Insurance

in EUR million

|                                                | Q1 2007    | Q1 2006               | Change    | Q4 2006               | Change    |
|------------------------------------------------|------------|-----------------------|-----------|-----------------------|-----------|
| <b>Net profit attributable to shareholders</b> | <b>352</b> | <b>339</b>            | <b>4%</b> | <b>332</b>            | <b>6%</b> |
| - Life                                         | 271        | 221                   | 22%       | 246                   | 10%       |
| - Non-Life                                     | 81         | 118                   | (32%)     | 87                    | (7%)      |
| Operating leverage                             | (6.5%)     | 0.1% <sup>(1)</sup>   |           | 0.1% <sup>(1)</sup>   |           |
| # of FTEs                                      | 13,643     | 13,107 <sup>(2)</sup> | 4%        | 13,107 <sup>(2)</sup> | 4%        |
| <b>Life</b>                                    |            |                       |           |                       |           |
| - Gross written premiums                       | 3,003      | 1,978                 | 52%       | 3,284                 | (9%)      |
| - Investment contracts without dpf             | 851        | 774                   | 10%       | 983                   | (14%)     |
| Total gross inflow                             | 3,853      | 2,752                 | 40%       | 4,268                 | (10%)     |
| Technical result                               | 159        | 149                   | 7%        | 171                   | (7%)      |
| Operating margin                               | 206        | 182                   | 13%       | 220                   | (6%)      |
| <b>Non-Life</b>                                |            |                       |           |                       |           |
| Gross written premiums                         | 1,799      | 1,613                 | 12%       | 1,080                 | 67%       |
| Technical result                               | 71         | 144                   | (51%)     | 91                    | (22%)     |
| Operating margin                               | 80         | 149                   | (47%)     | 116                   | (31%)     |
| Combined ratio                                 | 101.2%     | 94.8%                 |           | 101.4%                |           |

(1) Refers to Full Year 2006, adjusted for comparative purposes

(2) 2006 year-end data

- Net profit up 4% to EUR 352 million driven by a strong overall performance, making up for the impact of Windstorm Kyrill
- Life gross inflow rises 40% to EUR 3.9 billion on successful commercial campaigns and excellent sales performance in pension-related activities
- Gross written premiums at Non-Life advance a strong 12% thanks to focus on customer needs
- Combined ratio (101%) negatively impacted by Kyrill. Excluding the effects of the storm, the combined ratio decreased to 94%, in line with last year's excellent performance (95%)

Fortis Insurance turned in a strong performance in the first quarter of 2007. Compared with the same period last year, net profit climbed 4%, to EUR 352 million. Solid results were posted at Life, while the Non-Life net result came down as a result of Windstorm Kyrill, which swept through Europe in January 2007.

At Life, strong inflows contributed to higher total Life reserves (up 9% compared with the first quarter of 2006). A subsequently higher investment result and an improved risk margin fuelled growth of the operating margin by 13% to EUR 206 million. A higher contribution from joint ventures and a lower effective tax rate contributed to the 22% rise in net profit to EUR 271 million.

The Non-Life technical result decreased 51% to EUR 71 million, mainly due to Windstorm Kyrill, driving the decrease in Non-Life net profit by 32% to EUR 81 million. Excluding the effects of the storm (EUR 86 million pre-tax), the technical result developed favourably (up 9%), thanks to higher premiums and continued strong underwriting results.

Compared with the last quarter of 2006, first-quarter net profit increased 6%, driven by Life and offset by typical seasonal factors at Non-Life.

Operating costs increased 3%, including a reclassification. Excluding the latter, operating costs increased by 7%, due to costs of business expansion and various growth initiatives.

In Belgium, product/market innovation continues to be a key priority, as is demonstrated by a newly developed line of packaged products. These products are exclusively tailored to the needs – identified by brokers – of specific client groups (e.g. Dentist Pack and Pharmacy Pack).

In the Netherlands, the focus has been on innovation and multi-channel distribution, resulting in the launch of new products in Motor, for instance, and web-supported sales methods for brokers. Fortis ASR's pension activities benefited from the newly centralised organisation.

Multi-channel distribution is a key element of Insurance International's strategy. Progress was made with leveraging the distribution capability in the UK having secured several deals in the first three months of 2007 and more to be announced in the second quarter. Partnerships of our UK insurance operations are now incorporating breakthrough technology in their sales processes based on the technical capability of Text2Insure. The new bancassurance agreement between Fortis Banque France and Fortis Assurances already accounts for 24% of new production in France.

Important steps were taken in international expansion as Fortis signed an agreement in March to acquire the majority of shares in Hong Kong-based Pacific Century Insurance Holdings Ltd. This transaction (subject to customary closing conditions and regulatory approval) presents an excellent opportunity to enter a growing market and neatly complements our Asia strategy. Furthermore, all recently acquired or launched businesses, excluding joint ventures, have been or will be Fortis rebranded in the coming months and will be further integrated into the existing businesses of Fortis Insurance International.

## **Life**

Gross inflow increased 40% to EUR 3,853 million driven by successful commercial campaigns and an excellent sales performance in pension-related activities. The strong sales results may level off during the rest of the year, though, due to timing differences of campaigns. In Belgium, the campaigns together with an attractive product offering paved the way for strong new business levels in the banking and broker channels. In the Netherlands, remarkable growth of 39% was achieved thanks to strong sales results in the individual and group life market, in line with the strategy to focus on pension activities.

Life inflow came down 10% on the previous quarter, when a large co-assurance group life contract (EUR 710 million) was concluded in the Netherlands, and due to seasonal effects.

Net profit rose 22%, mainly due to a higher operating margin and a lower effective tax rate. The Life operating margin went up 13%, impacted positively by solid volumes especially at Fortis Insurance Netherlands and Fortis Insurance International and by higher capital gains.

## Non-Life

Gross written premiums advanced 12% to EUR 1,799 million. All businesses contributed to this growth, as they pursued a strategy of focusing on customer needs without compromising underwriting discipline. All product segments helped drive up premiums. Accident & Health posted 8% growth, driven by the Netherlands, which further strengthened its strong market position by entering the newly privatised long-term disability market. Property & Casualty gross written premiums increased 15% on healthy growth rates in all product lines, especially in the UK motor market (which benefited from its relatively low costs in a competitive market), and on product innovations in all markets.

Seasonal effects at Accident & Health -- where the first quarter is always the strongest -- were responsible for the impressive 67% increase on the last quarter of 2006.

The technical result was impacted by Windstorm Kyrill, decreasing 51% to EUR 71 million. Slightly higher capital gains and a lower effective tax rate caused net profit to come down by only 32% to EUR 81 million. Excluding the effects of the storm, the technical result came to EUR 157 million -- up 9% -- and the combined ratio was 94%, compared with 95% during the same period in 2006, mainly due to excellent claims behaviour and volume growth in all countries.

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

### 3.2.1. Insurance Belgium

#### Key figures - Insurance Belgium

in EUR million

|                                                | Q1 2007    | Q1 2006               | Change    | Q4 2006               | Change    |
|------------------------------------------------|------------|-----------------------|-----------|-----------------------|-----------|
| <b>Net profit attributable to shareholders</b> | <b>136</b> | <b>131</b>            | <b>4%</b> | <b>134</b>            | <b>2%</b> |
| Life gross inflow                              | 1,851      | 1,063                 | 74%       | 1,813                 | 2%        |
| Non-Life gross written premiums                | 402        | 370                   | 9%        | 295                   | 36%       |
| Combined ratio                                 | 111.6%     | 100.5%                |           | 98.3%                 |           |
| Operating leverage                             | (18.1%)    | (4.4%) <sup>(1)</sup> |           | (4.4%) <sup>(1)</sup> |           |
| # of FTEs                                      | 5,032      | 5,182 <sup>(2)</sup>  | (3%)      | 5,182 <sup>(2)</sup>  | (3%)      |

(1) Refers to Full Year 2006, adjusted for comparative purposes

(2) 2006 year-end data

- Net profit rises to EUR 136 million, up 4% on previous year despite impact of Windstorm Kyrill
- Record first quarter at Life, supported by strong marketing promotions at banking channel, resulting in total gross inflow of EUR 1,851 million (up 74%)
- Non-Life growth – up 9% to EUR 402 million – reinforced by extended product offering and broadening of active broker base
- FIB integration is on track; new operating model being implemented

Net profit of Fortis Insurance Belgium rose to EUR 136 million, up 4% on the same period last year, driven by higher volumes and a positive tax effect, owing to a more favourable capital gains mix. Excluding the impact of Windstorm Kyrill (EUR 46 million pre-tax) profit before tax increased by 3% to EUR 159 million (up from EUR 155 million). Net profit advanced 2% compared with the fourth quarter of 2006.

Total inflow reached EUR 2,253 million in the first quarter of 2007, up 57% on the same period last year. This substantial growth was driven by record-high first-quarter inflow at Life, resulting from timing differences of commercial campaigns; strong marketing promotions were launched at the banking channel early in the year. Total inflow was 7% higher than the fourth quarter of 2006, which also benefited from a successful commercial campaign and was impacted by seasonality, especially with regard to pension products.

Operating costs remained under control, inching up 2% to EUR 98 million. Increase of commercial activities and wage drift were partially offset by lower integration expenses related to the FIB merger.

The new FIB operating model was implemented successfully during the first quarter, with sales activities being structured around banking and broker distribution channels, and product development being integrated per product (Life and Non-Life). This new structure allows Fortis Insurance Belgium to leverage product-related competencies across the channels.

FIB passed the historic milestone of 2,000 active brokers in the first quarter of 2007, proof of our excellent relationship with the broker community. In line with our product innovation strategy, new product packages (such as the Dentist Pack and Pharmacy Pack) have been added to the existing package portfolio. These personalised product packages meet specific needs that brokers have identified among their retail and SME clients. New packages are currently being developed and will be launched in the coming quarters.

### 3.2.2. Insurance Netherlands

#### Key figures - Insurance Netherlands

in EUR million

|                                                | Q1 2007    | Q1 2006              | Change    | Q4 2006              | Change     |
|------------------------------------------------|------------|----------------------|-----------|----------------------|------------|
| <b>Net profit attributable to shareholders</b> | <b>166</b> | <b>154</b>           | <b>8%</b> | <b>148</b>           | <b>12%</b> |
| Life gross inflow                              | 1,181      | 847                  | 39%       | 1,380                | (14%)      |
| Non-Life gross written premiums                | 791        | 735                  | 8%        | 372                  | *          |
| Combined ratio                                 | 93.1%      | 85.4%                |           | 102.5%               |            |
| Operating leverage                             | 0.8%       | 4.7% <sup>(1)</sup>  |           | 4.7% <sup>(1)</sup>  |            |
| # of FTEs                                      | 4,387      | 4,210 <sup>(2)</sup> | 4%        | 4,210 <sup>(2)</sup> | 4%         |

(1) Refers to Full Year 2006, adjusted for comparative purposes

(2) 2006 year-end data

- **Net profit up 8% to EUR 166 million despite Windstorm Kyrill**
- **Improved focus on clients and pension-related activities lifted gross inflow at Life by 39%**
- **Robust commercial performance and focus on innovation increased Non-Life gross inflow by 8%**
- **Web-based sales improve thanks to strengthening and innovation at distribution channels**

Both net profit and gross inflow at Fortis Insurance Netherlands increased in the first quarter of 2007. Net profit rose by 8% compared with the same period last year. The impact of Windstorm Kyrill was offset by a higher technical result at Life, a lower corporate tax rate as from 1 January 2007 and higher capital gains thanks to market opportunities. Net profit was up 12% on the fourth quarter of 2006, despite Windstorm Kyrill.

Total inflow went up by 25% to EUR 1,972 million, with both Life (up 39%) and Non-Life (up 8%) contributing to growth. Compared with the fourth quarter of 2006, total inflow increased 13% even though that quarter included one exceptional group life contract for EUR 710 million.

Operating costs went up only 3% compared with the first quarter of 2006, owing to investment in growth. The changing regulatory environment requires continued investment in IT and processes.

The number of FTEs increased from 4,210 at year-end 2006 to 4,387 at the end of the first quarter (up 4%), due to the inclusion of employees of SOS International as from the first quarter of 2007.

### 3.2.3. Insurance International

#### Key figures - Insurance International

in EUR million

|                                                | Q1 2007   | Q1 2006              | Change      | Q4 2006              | Change      |
|------------------------------------------------|-----------|----------------------|-------------|----------------------|-------------|
| <b>Net profit attributable to shareholders</b> | <b>49</b> | <b>54</b>            | <b>(9%)</b> | <b>50</b>            | <b>(2%)</b> |
| Life gross inflow                              | 821       | 842                  | (2%)        | 1,075                | (24%)       |
| Non-Life gross written premiums                | 606       | 509                  | 19%         | 413                  | 47%         |
| Combined ratio                                 | 102.2%    | 102.0%               |             | 103.0%               |             |
| Operating leverage                             | (3.3%)    | 0.1% <sup>(1)</sup>  |             | 0.1% <sup>(1)</sup>  |             |
| # of FTEs                                      | 4,224     | 3,714 <sup>(2)</sup> | 14%         | 3,714 <sup>(2)</sup> | 14%         |

(1) Refers to Full Year 2006, adjusted for comparative purposes

(2) 2006 year-end data

- **Gross inflow at consolidated companies up 6% to EUR 1,427 million; gross written premiums at Non-Life rise a significant 19% to EUR 606 million, supported by strong UK performance; gross inflow at Life inches down**
- **Impact of Windstorm Kyrill brings down net profit to EUR 49 million from EUR 54 million**
- **Execution of strategy on track: acquisition announced of PCI in Hong Kong; marketing campaigns promote Fortis brand in Russia and Ukraine; successful bancassurance in France**

Net profit at Fortis Insurance International inched down to EUR 49 million in the first quarter of 2007 due to the impact of Windstorm Kyrill (EUR 21 million pre-tax). Life net profit went up 17%, primarily due to overall volume growth and increased profit contributions from joint ventures. Non-Life net profit was impacted by Windstorm Kyrill, which affected the Non-Life result at Fortis UK and FCI. Compared with the fourth quarter of 2006, net profit ended 2% lower.

Gross inflow at consolidated companies went up 6% to EUR 1,427 million from EUR 1,351 million, due mainly to Non-Life premium growth. Gross inflow at the non-consolidated companies increased by 11% to EUR 1,222 million, driven by growth at our Life joint-ventures.

Operating costs increased by 4% to EUR 100 million compared with the same period last year, including a reclassification. Due to business development and inclusion of certain companies in recently entered markets, the total number of FTE's increased by 14%.

Please see the *Financial and Operational Review*,  
the *Analyst Presentation* and the *Consolidated Quarterly Financial Report*  
for a detailed analysis of the first quarter 2007 results.  
These documents are available on our website: [www.fortis.com](http://www.fortis.com)

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