

**Fortis SA/NV**  
**Société anonyme / Naamloze vennootschap**  
**20, rue Royale**  
**1000 Brussels**  
**Register of Legal Entities (Brussels) 0451.406.524**

**SPECIAL REPORT BY THE BOARD OF DIRECTORS  
TO THE SHAREHOLDERS' MEETING  
IN ACCORDANCE WITH ARTICLE 633 OF THE COMPANIES CODE**

In accordance with Article 633 of the Companies Code, we draw your attention to the fact that, as a result of losses incurred, the net assets (shareholders' equity) of Fortis SA/NV, as they appear in an unaudited statement of assets and liabilities as per 31 October 2008 and attached hereto as Annex 1, have decreased to EUR 3,494,716,580. Since the registered capital amounts to EUR 10,781,161,255 as per 31 October 2008, the net assets have decreased to an amount lower than half of the registered capital and hence below the threshold set out in Article 633, first paragraph of the Companies Code. The shareholders will therefore be requested to deliberate on and vote in favour of the continuation of Fortis SA/NV's activities (as opposed to a dissolution and putting into liquidation of the company).

The purpose of this report is to set out the reasons for the losses incurred and to justify the board's proposal to the shareholders that the company's activities be continued in spite of the losses incurred.

Pursuant to the first paragraph of Article 633 of the Companies Code the board's proposal to continue the company's activities would require, in order to be approved, the support of at least one fourth of the votes cast and a decision to dissolve the company would require at least three fourths of the votes.

**1 Reasons for the losses incurred — Application of article 633 of the Companies Code**

As set out above, the attached unaudited statement of assets and liabilities of Fortis SA/NV, drawn up on a going concern and stand-alone (*i.e.* non-consolidated) basis, as per 31 October 2008 includes a loss of EUR 24,655,142,000 resulting in a loss carried forward of EUR 23,114,952,000. This loss is due to the write-offs booked as a result of the sale by certain of the company's subsidiaries of the shares in Fortis Bank Nederland (Holding) N.V., Fortis Verzekeringen Nederland N.V. and Fortis Corporate Insurance N.V. to the Dutch State and subsequently of Fortis Bank nv-sa to the Belgian State. The sale of all of the Fortis Group's banking operations and the majority of its insurance operations was due to the fact that Fortis had no other alternative than to engage in a series of transactions to safeguard the continuity of its operations as it was confronted with extreme liquidity problems in its banking operations that threatened the continuity of the entire Fortis Group. As a result of this loss, as per 31 October 2008 the net assets of Fortis SA/NV were lower than half of the registered capital. Accordingly, Article 633, first paragraph of the Companies Code is applicable.

Pursuant to Article 633 of the Companies Code, the shareholders are therefore hereby requested to deliberate and vote on the continuation of the activities of Fortis SA/NV. Pursuant to the first paragraph of Article 633, the board's proposal to continue the company's activities requires, in order to be approved, the support of at least one fourth of the votes cast, while a decision to dissolve the company would require at least three fourths of the votes. In order to be able to validly deliberate and decide on this matter, the shareholders present or represented at the shareholders' meeting must represent at least half of the

registered capital. In the event the quorum requirement is not met at the first meeting, a second meeting will have to be convened. No quorum requirement will apply for the second meeting, which can validly deliberate regardless of the number of shares present or represented.

As set out in this report, the board strongly recommends and proposes that Fortis SA/NV's activities be continued. Should the shareholders' meeting nevertheless vote against the proposal to continue the company's activities (and hence vote to dissolve it) with the required majority as set out in this section 1, a new shareholders' meeting would be called as soon as possible to vote on the dissolution and the documents referred to in Article 181 of the Companies Code (special board report, statement of assets and liabilities and auditors' report on the statement of assets and liabilities) would be provided to the shareholders in accordance with the applicable provisions of the Companies Code.

## **2 Remedial measures in support of the board's proposal to continue the activities**

It should be noted that the closing (subject to certain conditions precedent and to a potential final closing adjustment (plus EUR 0.2 billion)) of the announced sale of the shares in Fortis Insurance Belgium SA/NV by the company's indirect subsidiary Fortis Insurance N.V. to BNP Paribas S.A. is expected to generate a capital gain for Fortis Insurance N.V. of approximately EUR 1,260,000,000 (excluding a potential final closing adjustment (plus EUR 0.2 billion)) and hence to positively impact the net assets (shareholders' equity) of Fortis SA/NV by an amount of EUR 630,000,000 (excluding the potential closing adjustment).

In addition, with a view to remedying the financial situation of Fortis SA/NV and ensuring the continuity of its operations, the board of directors proposes to implement the following measures:

- a continued management of Fortis Insurance International N.V. with a view to maximising the value thereof. Fortis Insurance International N.V. is a Dutch holding company, which contains the following insurance assets:
  - 100% owned subsidiaries in the U.K., France, Hong Kong, Luxembourg (Non-Life), Germany, Turkey, Russia and Ukraine;
  - Joint ventures in Luxembourg (Life), Portugal, China, Malaysia, India and Thailand;
  - Fortis Re, a 100% owned Dutch-based re-insurance captive, will continue to be reported under Fortis Insurance International. Fortis Corporate Insurance N.V. (FCI) no longer is part of Fortis Insurance International (as it was sold to the Dutch State).

On 30 September 2008 Fortis Insurance International (excluding FCI) reported a consolidated balance sheet total of EUR 26.7 billion and a total consolidated equity of EUR 1.7 billion (of which EUR 0.4 billion minority interests). The consolidated net profit amounted to EUR 40 million.

Continuation of the operations of Fortis Insurance International and its subsidiaries within the Fortis Group based on the existing know-how and experience of the management teams thereof is considered to be the best option to maximise value for the shareholders of Fortis SA/NV. Furthermore the board is of the opinion that the current economic environment doesn't create opportunities to divest Fortis Insurance International as a whole or in part at a reasonable price.

- management of the structured credit portfolio entity, which is to be created with the Belgian State and BNP Paribas early December 2008 and in which the Fortis Group will have a 66% stake, with a view to maximising the future value thereof. The board is of the opinion that the current market circumstances do not allow to sell the portfolio or part of the portfolio at a price leading to an optimal value creation for the shareholders.
- cost optimisation at the level of the General Account to align the organisation with the future needs of support (e.g. reduction of staff and other administrative expenses).

- reduction of the amount of debt recorded in the General Account represented by debt instruments issued by financing vehicles (such as Fortis Finance N.V.) to finance the banking and insurance activities that are no longer part of the Fortis Group. This reduction will lead to lower interest expenses and will have a positive effect on net profit.

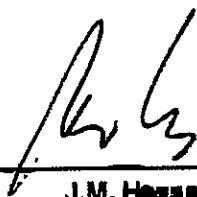
It should be noted that the measures proposed by the board of directors above fall within the powers of the board of directors, such that the board can implement these measures without any specific or formal approval by the shareholders' meeting of Fortis SA/NV being required. As a result, the measures outlined above are submitted to the shareholders' meeting for information purposes only and are intended to allow the shareholders to make an informed decision on the continuation of the company's activities in the framework of Article 633 of the Companies Code.

### **3 Proposal of the board of directors to continue the activities of Fortis SA/NV in spite of the losses incurred**

In view of the above, the board of directors proposes to the shareholders that they vote in favour of the continuation of the activities of the company in spite of the losses incurred and that they acknowledge the measures proposed by the board of directors with a view to redressing the company's financial situation. The board of directors believes that a dissolution of the company would be destructive of the value of the assets remaining in Fortis SA/NV and would not allow to maximise value for the shareholders of Fortis SA/NV. A dissolution of Fortis SA/NV would require the liquidator, the appointment of which would have to be confirmed by the commercial court, to settle the company's outstanding debts and to sell off the company's remaining assets. A sale of the Fortis Group's 100% shareholding in Fortis Insurance International N.V. and 66% shareholding in the structured credit portfolio entirely in the framework of a liquidation would not be value accretive for the shareholders of Fortis SA/NV. Insurance multiples currently are very low and many of the business held through Fortis Insurance International are joint ventures with complex change of control clauses. Moreover, the number of potential buyers for these shareholdings currently is limited, such that a sale in the framework of a liquidation would not allow Fortis SA/NV to obtain the best possible price for these assets.

The board therefore proposes that the activities of the company be continued as a going concern. In the opinion of the board of directors, continuing the company's activities is the best way to maximise shareholder value, allowing Fortis SA/NV to carefully manage the remaining activities such that a sale - if any - could happen under the best possible circumstances when the time is deemed right.

Brussels, 14 November 2008



J.M. Hezeels

Director



H. Verwilt

Director

**Annex 1:** Unaudited statement of assets and liabilities of Fortis SA/NV on a standalone (non-consolidated) basis as per 31 October 2008.

(In Eur 1,000)

	<i>31-10-2008</i>
<b>ASSETS</b>	
FIXED ASSETS	3,480,928
<b>I Incorporation expenses</b>	-
<b>II Intangible fixed assets</b>	-
<b>III Tangible fixed assets</b>	-
<b>IV Financial fixed assets</b>	3,480,928
A. Affiliated companies	3,480,928
CURRENT ASSETS	88,760
<b>V Amounts receivable after more than one year</b>	-
<b>VI Stocks and contracts in progress</b>	-
<b>VII Amounts receivable within one year</b>	27,620
A. Trade accounts receivable	607
B. Other amounts receivable	27,013
<b>VIII Short-term investments</b>	14,658
<b>IX Liquid assets</b>	35,437
<b>X Prepayments and accrued income</b>	11,045
<b>TOTAL ASSETS</b>	3,569,688

31-10-2008

<b>LIABILITIES</b>	
SHAREHOLDERS' EQUITY	3,494,717
<b>I Capital</b>	10,781,161
A. Subscribed capital	10,781,161
<b>II Share premium reserve</b>	9,239,682
<b>III Capital gains due to revaluations</b>	-
<b>IV Reserves</b>	6,588,826
A. Legal reserve	660,385
B. Reserves not available for distribution	570,722
C. Tax-free reserves	-
D. Reserves available for distribution	5,357,719
<b>V Profit-Loss carried forward</b>	(23,114,952)
PROVISIONS AND DEFERRED TAXES	-
<b>VII A. Provisions for risks and charges</b>	-
1. Pensions and similar commitments	-
2. Taxes	-
3. Major renovation and maintenance projects	-
4. Other risks and charges	-
<b>B. Deferred taxes</b>	-
AMOUNTS PAYABLE	74,971
<b>VIII Amounts payable after more than one year</b>	-
<b>IX Amounts payable within one year</b>	64,361
A. Current portion of amounts payable after more than one year	-
B. Financial debts	14,623
C. Commercial debts	1,376
D. Advance payments received on account of contracts in progress	-
E. Amounts payable in respect of taxes, remuneration and social charges	220
1. Taxes	143
2. Remuneration and social charges	77
F. Other amounts payable	48,142
<b>X Accruals and deferred income</b>	10,610
<b>TOTAL LIABILITIES</b>	<u>3,569,688</u>