

FORTIS SA/NV

Société Anonyme/Naamloze Vennootschap

Rue Royale 20 Koningsstraat
1000 Brussels

Not subject to VAT
RPR Brussels 0 451 406 524

SPECIAL REPORT BY THE BOARD OF DIRECTORS TO THE SHAREHOLDERS

**on the contribution in kind and capital increase to be effected in the context of the issue of
EUR 2 billion Conditional Capital Exchangeable Notes, exchangeable into Mandatory
Convertible Securities**

prepared in accordance with Article 602 of the Belgian Companies Code

This report is drawn up in accordance with Article 602 of the Belgian Companies Code, in connection with the decision taken by the Board of Directors of Fortis SA/NV (also referred to as the "Company") to conditionally increase the capital of the Company by means of a contribution in kind, in the context of an issue of securities for the purpose of partly financing Fortis SA/NV's and Fortis N.V.'s participation to the joint offer made by a consortium consisting of The Royal Bank of Scotland, Santander and Fortis for all shares of ABN AMRO Holding N.V., as further described in this report

The purpose of this special report is to explain to the shareholders why the contemplated transaction, as well as the contemplated contribution in kind and capital increase, are in the interest of the Company and its shareholders and to elaborate on the conclusions of the special report prepared by the Company's auditors which is attached in annex to this special Board report

1. Background to the proposed transaction

On 4 October 2006, the Extraordinary General Meeting of Shareholders granted to the Board of Directors of the Company the authorisation to increase the share capital of the Company with a maximum amount of EUR 1,071,000,000 enabling the issue of 250,000,000 shares, out of which:

- 125,000,000 shares could be issued to cover commitments entered into in the context of the issue of certain financial instruments; and
- 125,000,000 shares could be issued for general purposes as described in the special report of the Board of Directors dated 23 June 2006.

The Board of Directors has until now made use of this authorised capital to make an issue in April 2007 of 4,600,000 subscription rights as part of a stock option plan in favour of staff members of the Fortis group

As of the date of this report, the Board of Directors is still authorised to further increase the share capital of Fortis SA/NV with a maximum amount of EUR 1,051,293,600

In its report to the shareholders dated 21 June 2007 on the use and purpose of the authorised capital prepared in accordance with article 604 of the Belgian Companies Code, the Board explained that Fortis SA/NV and Fortis N.V. ("Fortis") intend to collectively raise an amount of approximately EUR 24.0 billion to finance Fortis' participation to the consortium's offer for ABN AMRO Holding N.V., primarily through the raising of up to 15.0 billion EUR of new equity via a rights issue (the "Rights Issue").

The remaining 9.0 billion EUR will be financed through (1) the issuance of various securities, (2) the sale of specific non-core assets of Fortis that Fortis may complete prior to the completion of the consortium's offer, and (3) other internal financial resources, including but not limited to cash on balance sheet and proceeds from the sale of securities held in its trading portfolio.

In the context of this financing plan, the Company intends to issue, jointly with Fortis N.V., Fortis Bank Nederland (Holding) N.V. and Fortis Bank, Conditional Capital Exchangeable Notes up to a principal amount of maximum EUR 2 billion (the "Notes"), exchangeable into Mandatory Convertible Securities relating to Fortis Shares up to the same principal amount (the "Mandatory Convertible Securities").

The issue of the Notes is scheduled to take place in the course of the first half of July 2007, market conditions permitting.

2. Key features of the Notes

The Notes will have the following key features:

- (a) the Notes will constitute senior unsecured indebtedness of Fortis SA/NV, Fortis N.V., Fortis Bank Nederland (Holding) N.V. and Fortis Bank, on a joint and several basis, and carry a coupon equal to 3 month EURIBOR + 15 bps, payable quarterly;
- (b) the Notes will be privately placed to institutional investors outside the United States;
- (c) the Notes will be mandatorily exchangeable into the Mandatory Convertible Securities upon the closing of an equity issue by Fortis SA/NV and Fortis N.V. with gross proceeds of EUR 1 billion or more, which condition would be met upon completion of the contemplated Rights Issue of up to EUR 15.0 billion.
- (d) in the event that no such an equity issue has taken place at the date which is 40 trading days prior to the scheduled maturity date, the Notes will be redeemed in cash on the maturity date, which is one year after the issue date.
- (e) the Notes are exchangeable into a number of Mandatory Convertible Securities and for a principal amount equal to those of the Notes, or into a lesser number and amount (in such a case with a partial reimbursement of the Notes in cash) in the unlikely event that the available number of shares would be insufficient to provide for a full exchange of Notes.

3. Key features of the Mandatory Convertible Securities

Upon the completion of the contemplated Rights Issue, the Notes will be mandatorily and automatically exchanged into Mandatory Convertible Securities (the "Securities") having the following key features that are relevant from a shareholders' perspective:

- (a) the Securities are issued by Fortis SA/NV, Fortis N.V., Fortis Bank, and Fortis Bank Nederland (Holding) N.V. as joint and several co-obligors ("the Issuers");

- (b) the Securities are not redeemable in cash (except in the event of a winding-up of all four Issuers) and, unless previously converted into Fortis Shares, will be mandatorily converted into Fortis Shares on the maturity date, which is three years from the Issue Date (as defined in the Terms), at a conversion price situated between the reference price and 120% of the reference price depending upon the performance of Fortis Shares during a fixed period preceding the date of conversion;
- (c) prior to the maturity date, conversion of the Securities is possible in the following circumstances:
 - i. at any time at the option of holders at a conversion price equal to 120% of the reference price. Upon exercise of this option, investors renounce the payment of accrued interest and all future coupon payments;
 - ii. at any time at the option of the Issuers at the reference price. In that case, in addition to the Fortis Shares, investors are entitled to receive a payment equal to the present value of future coupon payments;
 - iii. at the option of holders if the free float of Fortis Shares drops below 50%, at a conversion price between the reference price and 120% of the reference price depending upon the performance of Fortis Shares until the conversion date. Here also, investors are entitled to an additional payment equal to the present value of future coupon payments;
 - iv. at the option of the Issuers following a tax event, at a conversion price between the reference price and 120% of the reference price depending upon the performance of Fortis Shares until the conversion date, accompanied by a payment equal to the present value of future coupon payments (and subject to tax gross up provisions);
 - v. mandatorily upon the occurrence of certain accelerated conversion events at the reference price, with accompanying payment to the investors of an amount equal to the present value of future coupon payments.
- (d) the reference price will be determined on the basis of the average of the daily volume weighted averages of Fortis Shares during a 30 trading day period subsequent to the completion of the Rights Issue;
- (e) the number of shares into which each of the Securities is convertible will be subject to adjustment pursuant to customary anti-dilution provisions.
- (f) the Securities will carry a fixed coupon between 7.75% and 8.75%, subject to the following restrictions:
 - (i) payment of the fixed coupon is discretionary if Fortis does not make a dividend distribution or similar payment on its ordinary shares;
 - (ii) payment of both the fixed coupon and the present value of future coupons is prohibited if the Issuers' distributable reserves are insufficient or if the Issuers are insolvent;
 - (iii) any fixed coupon amount which is not paid at the discretion of the Issuers and any fixed coupon amount or present value of future coupons which Fortis is prohibited from paying will be cancelled.

- (g) if a distribution is made on the shares underlying the Securities that is greater than five percent of the notional value of the Securities, then the amount of the distribution above this level will be placed on deposit and ultimately paid as excess dividend to the investors as part of the conversion.

4. Further description and justification of the transaction

In approving the contemplated instrument, the Board of Directors has taken into consideration the following factual and structural elements:

(a) Timing

The transaction fits in the overall effort to partly finance Fortis' participation to the consortium's offer for ABN AMRO and is fully in line with the ABN AMRO financing plan as was made public by Fortis on 29 May 2007.

The two-step structure, consisting of issuing the Notes in the course of the first half of July combined with an exchange into Mandatory Convertible Bonds upon the effective completion of the Rights Issue at a later date, provides Fortis the flexibility to tap the equity markets well ahead of the significant equity offerings to be made by Santander and Fortis contemplated for August/September 2007.

The instrument enables Fortis to proactively address its planned equity needs through a contingent instrument that will only result in an actual capital increase if effectively required, thereby avoiding the risk of raising excess capital.

The link between the issue of the Mandatory Convertible Securities and the completion of the Rights Issue ensures that the ultimate decision on whether the Notes will effectively exchange into Mandatory Convertible Securities remains in the hands of the shareholders, as the Extraordinary General Meeting of Shareholders will be requested to approve the authorised capital necessary for the Board to launch the contemplated Rights Issue.

(b) Terms and placement

The Notes will be offered to institutional investors acquainted with the complex characteristics of the instrument through a book building procedure.

The terms and conditions of the Mandatory Convertible Securities are fully in line with market standards.

(c) Solvency treatment

The issue of the Notes is subject to receipt, prior to the scheduled issue date, of a written confirmation (i) by the CBFA that, as from their date of issue, the Mandatory Convertible Securities will qualify as Core Tier 1 solvency at the level of the Fortis group as well as at the level of Fortis Bank nv-sa on a consolidated level and (ii) by the DNB that, as from their date of issue, the Mandatory Convertible Securities will qualify as Core Tier 1 solvency at the level of the Fortis Bank Nederland (Holding) N.V.

(d) Issue structure

Each of Fortis SA/NV, Fortis N.V., Fortis Bank and Fortis Bank Nederland (Holding) N.V. will be joint and several Co-Obligor towards the investors under the Notes and Mandatory Convertible Securities.

On the issue date of the Notes, the Co-Obligors will enter into an internal agreement (the "Four Party Agreement"), in which they will agree on the following:

- (i) the internal allocation of proceeds to Fortis Bank Nederland (Holding) N.V.,
- (ii) the internal liability of Fortis Bank Nederland (Holding) N.V. to pay the coupon to investors,
- (iii) the compensation to be paid by Fortis Bank Nederland (Holding) N.V. to Fortis SA/NV and Fortis N.V. in consideration of their settlement of its debt obligations under the Mandatory Convertible Securities through the issue of Fortis shares,
- (iv) the exclusive settlement method for paying this compensation, in particular the issue of new shares in the capital of Fortis Bank Nederland (Holding) in favour of Fortis SA/NV and Fortis N.V., and
- (v) the possibility to transfer the economic benefit and burden of the instrument to Fortis Bank at a later stage.

The instrument will be booked on the balance sheet of Fortis Bank Nederland (Holding) N.V., which will receive the issue proceeds and will also be responsible, among the four Co-Obligors, to pay the coupon to the investors pursuant to the Four Party Agreement.

(e) Value of contribution – consideration for share issue

The Mandatory Convertible Securities are redeemable only against issue by Fortis SA/NV and Fortis N.V. of Fortis Shares in exchange for the contribution in kind by the investors in the capital of Fortis SA/NV respectively Fortis N.V. of their claim relating to the relevant number of Mandatory Convertible Securities to be converted, with a nominal value of EUR 250,000 each.

In accordance with the Twinned Share Principle, the number of ordinary Fortis SA/NV shares has always to be equal to the number of ordinary Fortis N.V. shares; hence, when new ordinary shares are issued, exactly the same number of ordinary shares are issued by Fortis SA/NV and Fortis N.V. This report only relates to the capital increase of Fortis SA/NV by means of the contribution in kind by the investors of their aforementioned claim vis-à-vis Fortis SA/NV.

Since Fortis SA/NV will be Co-Obligor of the Mandatory Convertible Securities and, therefore, jointly and severally liable with the other Co-Obligors towards the investors, the contribution of each of the Mandatory Convertible Securities (representing a claim of the investor against Fortis SA/NV) will automatically result in a proportional settlement and extinction of the joint and several debt of Fortis SA/NV vis-à-vis the investor.

On this basis, the value of the contribution for Fortis SA/NV is constant and immune for any fluctuations in the market value of the Mandatory Convertible Securities.

In consideration of their issue of Fortis Shares and their corresponding settlement of the obligations of the other Co-Obligors and, in particular, that of Fortis Bank Nederland (Holding) N.V. as beneficiary of the issue proceeds, each of Fortis SA/NV and Fortis N.V. will, upon conversion of a relevant portion of the Mandatory Convertible Securities, receive a proportional claim vis-à-vis Fortis Bank Nederland (Holding) N.V. in accordance with the Four Party Agreement. Further in accordance with the terms of the Four Party Agreement, this claim of each of Fortis SA/NV and Fortis N.V. can only be settled by Fortis Bank Nederland (Holding) N.V. against issue of new shares in favour of each of Fortis SA/NV and Fortis N.V. in accordance with applicable rules of Dutch law.

On this basis, Fortis SA/NV is adequately compensated for issuing shares to the investors upon conversion of the Mandatory Convertible Securities and for its role as Co-Obligor under the issue.

(f) Determination of conversion price

As stated above, the actual conversion price:

- (i) will vary depending on the exact circumstances in which conversion takes place: either at maturity date or during the term of the instrument, (in the latter case) upon exercise of a conversion option by either the holder or the issuer or upon the occurrence of special events; but
- (ii) will always be situated in range between the reference price and 120% of such reference price and based upon the performance of the Fortis Shares during a fixed period preceding the date of conversion.

The reference price itself will be determined on the basis of the average of the daily volume weighted averages of the Fortis Share during a 30 trading day period subsequent to the completion of the Rights Issue.

While, on the issue date of the Notes, it is not possible to determine (i) the exact conversion price, (ii) the exact number of Fortis Shares required upon conversion to settle the entire debt of the Co-Obligors under the Mandatory Convertible Securities, nor (iii) the precise dilutive impact on the shareholders, this uncertainty is significantly reduced through the introduction of the following structural elements:

- (i) the existence of a minimum and maximum price;
- (ii) the fact that the number of Fortis Shares to be issued upon conversion is in all circumstances capped at 115,000,000; and
- (ii) the respect of a 7 trading day period between the start of the 30 days period used to determine the reference price and the date of realisation of the last capital increase pursuant to the Rights Issue.

The used conversion price methodology expresses the confidence of the Board in the future performance of the Fortis Shares, as Fortis will keep a significant upside potential: upon conversion, Fortis keeps all upside relating to any Fortis Share price increase between 0 and 20% above the reference price, as well as a 17% stake in the upside above 120% of the reference price.

5. Conclusions of the special report prepared by the Company's auditors

The Board agrees with the conclusions of the attached special report prepared by the Company's auditors.

On this basis and in consideration of all the foregoing elements, the Board of Directors considers the proposed issue of the Notes and Mandatory Convertible Securities on the terms as described above as being in the interest of both Fortis SA/NV and its shareholders.

Made in Brussels, on 6 July 2007

For the Board of Directors of Fortis SA/NV

Jean-Paul Votron
Chief Executive Officer

Maurice Lippens
Chairman