

**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 OF THE BOARD OF DIRECTORS**  
**drawn up in accordance with Article 596 of the Belgian Companies Code**

**I. Purpose of this report**

This report is drawn up in accordance with Article 596 of the Belgian Companies Code, in the context of a capital increase to be decided by the Board of Directors of Fortis SA/NV (the "Company") on this day in the framework of the authorised capital as part of an accelerated book building offering, without any public offering.

This special report presents the envisaged capital increase and justifies, in accordance with Article 596 of the Belgian Companies Code, the exclusion of the preferential right of the shareholders of the Company in the framework of such a capital increase. The report relates in particular to the issue price and the financial consequences of the issue for the existing shareholders.

The Board has been granted the right to exclude the preferential right of the existing shareholders by Article 11 b) of the Company's articles of association and can do so in accordance with the special Board report drawn up on 25 January 2008 pursuant to Article 604 of the Belgian Companies Code.

**II. Context**

While Fortis considers that its current solvency is strong and that commercial momentum of its businesses remains resilient, it has decided to accelerate its solvency plan. This decision is based on the expected outcome in the coming weeks of the imposed sale of some of the Dutch commercial banking activities under the EC remedies ruling, the anticipated acquisition of the remaining 51% stake in the insurance joint venture with Delta Lloyd, and anticipation of a continued worsening market environment and its prudent stance on required capital in the current environment.

The Fortis solvency plan includes updated elements of the existing solvency plan, more particularly a securitisation programme and sale and lease back transaction of real estate, resulting in a capital relief of around EUR 1.5 billion, issuance of non-dilutive capital instruments up to EUR 2 billion, additional disposals of non-core assets, which are expected to lead to a solvency relief of around EUR 2 billion, as well as additional measures, some of which will have an immediate impact, including the proposed capital raising and the decision not to pay an interim 2008 dividend.

### **III. Description of the capital increase**

#### **III.1. Decision to increase the capital**

The capital increase by contributions in cash to be decided on this day by the Board of Directors will be made pursuant to and within the limits of the Company's authorised capital as approved by the shareholders' meeting on 29 April 2008.

Pursuant to Article 9 a) of the Company's articles of association, the Board of Directors is authorised to increase the Company's capital, in one or more transactions, by a maximum amount of EUR 2,022,048,000. This authorisation is granted to the Board of Directors for a period of 3 years starting on the date of publication in the Belgian State Gazette of the amendment to the articles of association resolved by the shareholders' meeting of 29 April 2008, i.e. on 30 May 2008.

As of the date of this report, the Board of Directors has not yet made use of this authorised capital.

It is proposed to increase the Company's capital up to an amount of maximum EUR 856,800,000 through the issue of up to 200,000,000 ordinary Company's shares with a par value of EUR 4.284, with any excess amount being booked as issuance premium (see Section III.4).

This capital increase will be carried out through an accelerated book building offering ("ABO"). No public offering will take place in any country.

The actual size of the capital increase will be decided at the end and on the basis of the outcome of the ABO and in accordance with the preceding paragraphs, by the Chief Executive Officer and the Deputy Chief Executive Officer, acting together. Should the Chief Executive Officer or the Deputy Chief Executive Officer be unavailable, he will be replaced by any director of the Company.

The capital increase will be decided under the conditions precedent mentioned in Section VI and to the extent of the subscription of the Company's shares offered.

#### **III.2. Features of the New Company Units**

The new Company's shares issued further to the capital increase (the "New Company Shares") will be twinned with the same number of Fortis N.V. shares to form units (the "New Fortis Units").

The New Company Shares must be paid up in full no later than at the time of their issue.

The New Company Shares will have the same rights and characteristics as the existing Company's shares. They will generate dividend income as from 1 January 2008.

No Company VVPR strips will be issued.

Fortis will apply for admission of the New Fortis Units to the regulated market of Euronext Brussels, on Euronext Amsterdam by NYSE Euronext and to the EU regulated market of the Luxembourg Stock Exchange.

### **III.3. Accelerated book building offering and role of underwriters**

During the capital increase, the New Fortis Units will be offered in the framework of an ABO. Merrill Lynch International, Fortis Bank, JP Morgan Securities and Morgan Stanley & Co. International will act as joint lead managers and bookrunners (the "Bookrunners").

Merrill Lynch International, JP Morgan Securities and Morgan Stanley & Co. International shall subscribe to the new shares for the account of the investors and immediately transfer such shares to those investors.

The allocation of the New Fortis Units will be determined by the Bookrunners and the Company, on the basis of the book building and taking into account various relevant qualitative and quantitative elements, including but not limited to the size of the investor's expressed interest, the investor's investment strategy, objectives and assets under management, any price guidance or tolerance furnished by the investor and the timing of the investor's interest.

It is expected that the ABO procedure will have been completed by the end of June 2008 or the beginning of July 2008, subject to Sections III.1 and VI.

### **III.4. Issue price**

The New Company Shares will be issued at their par value of EUR 4.284 each, plus an issuance premium to be determined by the Company upon recommendation of the Bookrunners, on the basis of the results of the ABO. This procedure will place a fair value on the New Company Shares, i.e., the price that the market is willing to pay for them. Consequently, such a value forms the benchmark for establishing the issue price.

The issue price of the New Fortis Units will be determined, in accordance with the preceding paragraphs, by the Chief Executive Officer and the Deputy Chief Executive Officer, acting together. Should the Chief Executive Officer or the Deputy Chief Executive Officer be unavailable, he will be replaced by any director of the Company.

The issue price of the New Fortis Units will be contributed to the capital of the Company and Fortis N.V. in equal amounts. The difference between (i) the half of the issue price per New Fortis Unit and (ii) the par value of the New Company Shares (EUR 4.284 per New Company Share) will be allocated to the Company's unavailable account entitled "issuance premium".

### **III.5. Realisation of the capital increase**

The realisation of the capital increase shall be recorded by notarial deed by one director, on the closing date of the ABO.

## **IV. Justification of the exclusion of the preferential right**

The Board of Directors considers that an exclusion of the preferential right is justified on the grounds of corporate interest for the reasons set forth below.

In the context described in Section II, the best alternative with an immediate positive impact on the level of shareholders' funds is to make a capital increase such as that being proposed.

Fortis has considered that the most efficient structure and consequently the most suitable structure on the grounds of corporate interest is to execute this capital increase without preferential right and through an ABO. Compared with other alternatives, this makes it possible to achieve:

- Greater flexibility in order to adapt the capital increase to the current market conditions.
- A shorter period for executing the operation, thereby reducing the strong risks associated with market volatility and market liquidity.
- Most suitable approach for transactions with limited size, where institutional market capacity to absorb the capital increase can be carried out in one day.
- Maximisation of issue prices, with lower discounts than in the case of capital increases with preferential right.
- Reduction of issue costs compared with the other alternatives: ABO costs are below those of a capital increase with preferential right or a public offering to the market as a whole, since the costs are limited to the placement process, with lower operational, legal and marketing costs.
- Greater flexibility for active allocation of the new shares, so that they can be distributed optimally, thereby reducing speculative risk.

Consequently, in the context set forth in Section II, the structure considered most favourable to the Company's corporate interest is a capital increase without preferential right through an ABO. This mechanism achieves the fundamental goal of raising the equity needed while making the placement at favourable conditions and minimising the financial risks of the operation.

## **V. Description of the impact of the proposed capital increase on the position of the existing shareholders**

### **V.1. Consequences in terms of participation in the capital and voting rights**

If all the 200,000,000 Company's shares are subscribed in the capital increase, which represents 8.45% of the currently existing number of ordinary Company's shares (2,366,595,497), and if no current shareholder subscribes to these Company's shares, the dilution of the existing shareholders will equal 8.45%.

### **V.2. Financial consequences**

The tables below summarise the Earning per Share ("EPS") dilution at various potential issue prices for the Fortis Units, for a EUR 1.5 billion issue and a EUR 2 billion issue respectively. Such tables are based on the following assumptions:

- current share price as of 24 June 2008 of EUR 12.26 (30 calendar day average share price of EUR 14.36);
- issued and outstanding number of shares of 2,190.6 million (excluding treasury shares) as of 1Q08 financial report;

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- EPS forecasts pre-transaction as per broker consensus of: EUR 2.20 in 2008E, EUR 2.53 in 2009E and EUR 2.85 in 2010E; and
- Based on the issue price and the amount of capital raised, the adjusted EPS estimates are calculated, assuming that proceeds of the capital increase will not be reinvested and therefore will return 4.5% pre-tax cash interest (assuming a tax rate of 33.99%).

**EPS Accretion / (Dilution) at Various Discounts for a EUR 1.5bn Issue**

Issue price (€)	Premium/(Discount) to Share Price as of 24 June 2008 (%)										
	9.81 (20.0%)	10.11 (17.5%)	10.42 (15.0%)	10.73 (12.5%)	11.03 (10.0%)	11.34 (7.5%)	11.65 (5.0%)	11.95 (2.5%)	12.26 0.0%	12.57 2.5%	12.87 5.0%
EPS Accretion/(Dilution) 2008E	-5.7%	-5.5%	-5.3%	-5.1%	-5.0%	-4.8%	-4.7%	-4.5%	-4.4%	-4.3%	-4.2%
EPS Accretion/(Dilution) 2009E	-5.8%	-5.6%	-5.4%	-5.2%	-5.1%	-4.9%	-4.8%	-4.7%	-4.5%	-4.4%	-4.3%
EPS Accretion/(Dilution) 2010 E	-5.9%	-5.7%	-5.5%	-5.3%	-5.2%	-5.0%	-4.9%	-4.7%	-4.6%	-4.5%	-4.4%

**EPS Accretion / (Dilution) to a EUR 1.5bn at Market Price Issue (Based on Share Price as of 24 June 2008)**

	Premium/(Discount) to Share Price as of 24 June 2008(%)										
	(20.0%)	(17.5%)	(15.0%)	(12.5%)	(10.0%)	(7.5%)	(5.0%)	(2.5%)	0.0%	2.5%	5.0%
EPS Accretion/(Dilution) 2008E	-1.2%	-1.1%	-0.9%	-0.7%	-0.6%	-0.4%	-0.3%	-0.1%	0.0%	0.1%	0.2%
EPS Accretion/(Dilution) 2009E	-1.2%	-1.1%	-0.9%	-0.7%	-0.6%	-0.4%	-0.3%	-0.1%	0.0%	0.1%	0.2%
EPS Accretion/(Dilution) 2010E	-1.2%	-1.1%	-0.9%	-0.7%	-0.6%	-0.4%	-0.3%	-0.1%	0.0%	0.1%	0.2%

**EPS Accretion / (Dilution) at Various Discounts for a EUR 2.0bn Issue**

Issue price (€)	Premium/(Discount) to Share Price as of 24 June 2008(%)										
	9.81 (20.0%)	10.11 (17.5%)	10.42 (15.0%)	10.73 (12.5%)	11.03 (10.0%)	11.34 (7.5%)	11.65 (5.0%)	11.95 (2.5%)	12.26 0.0%	12.57 2.5%	12.87 5.0%
EPS Accretion/(Dilution)	-7.4%	-7.1%	-6.9%	-6.7%	-6.5%	-6.3%	-6.1%	-5.9%	-5.8%	-5.6%	-5.5%

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2008E											
EPS	-7.5%	-7.3%	-7.1%	-6.9%	-6.7%	-6.5%	-6.3%	-6.1%	-5.9%	-5.8%	-5.6%
Accretion/(Dilution)											
2009E											
EPS	-7.6%	-7.4%	-7.2%	-7.0%	-6.8%	-6.6%	-6.4%	-6.2%	-6.0%	-5.9%	-5.7%
Accretion/(Dilution)											
2010E											

**EPS Accretion / (Dilution) to a EUR 2.0bn at Market Price Issue (Based on Share Price as of 24 June 2008)**

	Premium/(Discount) to Share Price as of 24 June 2008(%)										
	(20.0%)	(17.5%)	(15.0%)	(12.5%)	(10.0%)	(7.5%)	(5.0%)	(2.5%)	0.0%	2.5%	5.0%
EPS	-1.6%	-1.4%	-1.1%	-0.9%	-0.7%	-0.5%	-0.3%	-0.2%	0.0%	0.2%	0.3%
Accretion/(Dilution)											
2008E											
EPS	-1.6%	-1.4%	-1.1%	-0.9%	-0.7%	-0.5%	-0.3%	-0.2%	0.0%	0.2%	0.3%
Accretion/(Dilution)											
2009E											
EPS	-1.6%	-1.4%	-1.1%	-0.9%	-0.7%	-0.5%	-0.3%	-0.2%	0.0%	0.2%	0.3%
Accretion/(Dilution)											
2010E											

## **VI. Conditions precedent**

The capital increase will be subject to the following conditions precedent:

1. Decision of the Board of Directors of Fortis N.V. to issue the same number of ordinary Fortis N.V. shares as the Company, which will be twinned with the Company's shares issued as a result of the capital increase, to form New Fortis Units;
2. The Chief Executive Officer and the Deputy Chief Executive Officer acting jointly not having determined that market conditions prevent the ABO from being carried out at satisfactory conditions. Should the Chief Executive Officer or the Deputy Chief Executive Officer be unavailable, he will be replaced by any director of the Company.
3. Signing of the placing agreement.

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**VII. Conclusions**

The Board of Directors is of the opinion that the contemplated capital increase of the Company is in the interest of the Company and its shareholders.

The Board of Directors is furthermore of the opinion that the exclusion of the preferential right of the existing shareholders is in the interest of the Company and its shareholders. The purpose of such an exclusion is to allow an efficient and successful capital increase in the present context.

Brussels, 25 June 2008

On behalf of the Board of Directors of Fortis SA/NV

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Jean-Paul Votron  
Chief Executive Officer

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Maurice Lippens  
Chairman