

General Meeting of Shareholders

28 and 29 April 2010

Speech¹ of Bruno Colmant, Deputy CEO

Ladies and Gentlemen,

Our activities are divided into two parts, reflecting the components of our group:

1. the insurance activities that Bart has just talked about;
2. the General Account – all other, non-insurance, activities.

The General Account consists of two types of items that remained after Fortis was split up:

1. on the one hand, financial items concerning the structural financing of the company;
2. on the other, items of a legal nature. Many of these items have a financial impact and the majority relate in one way or the other to the dismantling of the group

I will go through these items systematically.

Given the complexity, I will try to deal with the General Account's main items in a manner that is as structured and as clear as possible. I will describe point by point the General Account items on and off the balance sheet. In other words, I will tell you precisely what these items refer to, how they are specifically treated and what the impact of these are on the balance sheet, on the income statement, or in any other way.

The General Account, for which I am responsible at Fortis, contains a number of financial instruments and liabilities on and off balance sheet:

- Some elements are characteristic of all public companies (liquidity management, financing activities).
- Other elements are very specific and often complex, and ensue from the cessation of Fortis's banking activities.

On the balance sheet, we see:

- The options on BNP Paribas shares held by the Belgian government as a replacement for the 'Coupon 42' arrangement;
- The RPN(I), a very complex instrument linked to the CASHES, issued by Fortis Bank in 2007
- A claim against FCC, a subsidiary of Fortis Bank Nederland. This claim was written down in full in 2009;

¹ "Check Against Delivery. To the extent that any statements made in this presentation contain information that is not historical, these statements are essentially forward-looking. The achievement of forward-looking statements contained in this presentation is subject to risks and uncertainties because of a number of factors. Consequently, actual results may differ materially from those expressed or implied by such forward-looking statements. The company undertakes no obligation to publicly update any forward-looking statements."

- Royal Park Investments, the special purpose vehicle in which part of the structured credit portfolio of Fortis Bank is lodged and of which we are a co-shareholder along with the Belgian State and BNP Paribas.

The main off-balance sheet items comprise a liability relating to Fortis Bank and another liability relating to Fortis Bank Nederland:

- A financing instrument issued by Fortis Bank that, if not bought back by Fortis Bank, we must ourselves buy back from the holders at nominal value in 2011;
- MCS, convertible bonds that will be compulsorily converted into 107 million newly issued shares in December 2010.

The settlement of legal disputes with former operating companies or individual shareholders also comes under General Account, as does the improvement of the group's legal structures.

Royal Park Investments (RPI) is the special purpose vehicle for the structured credits that BNP Paribas selected at the time of its takeover of Fortis Bank from the Belgian government.

Fortis, the Belgian government and BNP Paribas, as parties to these transactions, are co-shareholders of RPI. The interest of Fortis and the Belgian government are approximately the same size, while that of BNP Paribas is smaller.

As a financial vehicle, RPI's objective is solely to manage the assets already in its possession and not to acquire new assets.

Royal Park Investments had a portfolio with a nominal value of EUR 18 billion on 31 December 2009. These assets had an IFRS book value of just over EUR 7 billion. In the course of 2009 RPI received EUR 150 million in interest and almost EUR 1.1 billion in repayments.

RPI is financed with equity of EUR 1.7 billion and debt capital of EUR 8.2 billion, a large proportion of which is guaranteed by the Belgian State. All the payments received in 2009 were used to repay the debt that RPI finances. Another noteworthy fact is that in the course of 2009 RPI issued bonds to raise finance in the tranche that comes under government guarantee and has thus become considerably less dependent on bank debt.

The Belgian State considered it necessary to create a payment mechanism for Fortis shareholders that provides for the allocation of profit in accordance with the sale of the BNP Paribas shares that the State received via the Federal Holding and Investment Company (FPIM/SFPI) at the time of the transfer of 75% of Fortis Bank to BNP Paribas.

The mechanism agreed between the Belgian government, Fortis and BNP Paribas concerns 121 million call options on BNP Paribas shares. These call options are held by the Belgian government. This payment mechanism replaces the Coupon 42 arrangement for shareholders, which the Belgian Council of State declared to be discriminatory.

This mechanism enables Fortis, by means of the practical terms and conditions agreed by the parties, to exercise options at its own discretion for a period of six years and to receive cash from the Belgian government. The mechanism has certain unusual characteristics that make monetisation and exercise complex.

The options are recorded for in accordance with applicable accounting and financial principles.

To round off this point, it is important to note that the European Commission has asked Fortis to propose to the shareholders that the profits generated by exercising the options be paid out as dividend. Owing to the liquidation of the Fortis Brussels holding, which we announced in mid April and which is in line with the simplification of our structures, we can pay out to our shareholders the gross proceeds from the exercise of the options. That translates into a one-off profit of EUR 405 million, EUR 289 million of which is based on the value of the options on 31 December 2009. This will be accounted for in the second quarter of 2010.

Withholding tax must naturally be paid on the profit generated by the exercising of the option, as it must on any dividend.

The RPN(I) is the most complex instrument on our balance sheet.

The RPN(I) is linked to the CASHES financial instrument issued by Fortis Bank and to the blocked Fortis shares that Fortis Bank bought at the time this instrument was issued. The value of the RPN (I) is therefore inextricably linked to the market value of the CASHES and of Fortis shares. The interest payments that Fortis makes to Fortis Bank on this instrument are guaranteed by the Belgian government.

To value this very complicated instrument, Fortis, with the help of experts, has developed a method, which arrived at a value of EUR 316 billion at year-end 2009.

Another asset Fortis is entitled to, is compensation for a payment of EUR 362 million that Fortis was obliged to pay to holders of preference shares issued by a subsidiary of Fortis Bank Nederland.

The background to this obligation, which Fortis Bank Nederland and the new shareholder, the Dutch State, failed to meet, is as follows:

- In 1999 Fortis Capital Company, a subsidiary of Fortis Bank Nederland (FBN), issued financial instruments, co-guaranteed by Fortis, to finance FBN;
- In 2009 Fortis had to buy back these securities for contractual reasons. Fortis opted for cash settlement, paying EUR 362 million to the holders instead of issuing new shares;
- FBN refuses to compensate Fortis in any way;
- Fortis has instituted legal proceedings at the Amsterdam commercial court claiming full compensation for the amount it paid out.

Given FBN's refusal to meet this commitment in good faith, Fortis has written down this claim in full. This had a negative impact on Fortis's results of EUR 362 million before tax or EUR 301 million after tax.

Let's now look at liabilities linked to instruments issued by former operating companies, namely Fortis Bank Nederland for MCS and Fortis Bank for Tier 1 in 2001.

MCS are convertible bonds that were issued by Fortis Bank Nederland to fund the takeover of ABN AMRO and which will be mandatorily converted into Fortis shares in December 2010. The conversion will entitle Fortis to compensation from Fortis Bank Nederland amounting to EUR 2 billion in the form of shares.

After gaining control, the Netherlands State disputed Fortis's right to compensation, although this compensation had been contractually agreed.

Since conversion has not yet taken place, the situation has not yet culminated in a contractual dispute, but only to a few public announcements. This is thus an off-balance sheet obligation for Fortis.

The prospectus for the Tier 1 instrument that Fortis Bank issued for a total sum of EUR 1 billion in September 2001 states that after ten years:

- Fortis Bank can offer to buy back the instrument from the holders at nominal value;
- If Fortis Bank does not do this, the holders can offer their securities to Fortis, which must buy the securities at nominal value, either after a share issue or for cash.

Fortis therefore has an off-balance sheet liability to buy back the securities issued by Fortis Bank in 2001. This liability will remain in place until Fortis Bank notifies the market of its intentions regarding this instrument. As a precaution Fortis has deducted this future liability in full from discretionary capital, that is to say the capital Fortis intends to have available for expanding and investing in its activities.

Some of the instruments that Fortis had left after the sale of the banking activities have the potential to create strong volatility. Particularly the options on BNP Paribas shares held by the Belgian government and the RPN(I) are greatly effected by market parameters.

The volatility of these instruments could lead to one-off unrealised profits or losses, which could have a considerable impact on the group's results.

Before closing this chapter, we will look at the legal disputes in which Fortis is involved in connection with the dismantling of the group.

Ladies and Gentlemen,

The Chairman has already mentioned the lines that the Board of Directors has drawn for the management of the legacy issues.

I will now provide more clarification on the concrete issues and investigations now pending that stem from the dismantlement of the old Fortis more than eighteen months ago. We have divided these into five categories.

First there are the administrative proceedings instigated by the Netherlands Authority for the Financial Markets (AFM) and the Belgian Banking Finance and Insurance Commission (CBFA). As you know, early in February the AFM imposed fines amounting to EUR 576,000 on Fortis SA/NV and Fortis NV for alleged infringements of the Dutch Financial Supervision Act. In particular, according to the AFM, Fortis would have disseminated information that gave an inaccurate or misleading picture of its solvency position, and did not respect the publication requirements for market-sensitive information. Fortis has lodged an appeal against the AFM's finding.

We have no firm information on the administrative proceedings initiated by the CBFA. The same applies to the criminal investigation underway in Belgium. We are awaiting the results of both investigations.

Third, there are the expert investigations currently in progress that were initiated at the request of shareholders' representatives.

An investigation into the valuation of the parts of the business sold in September and October 2008 is being carried out in Belgium at the request of Deminor. No cut-off date has been set for this inquiry.

Another, still ongoing, investigation has been ordered by the Court in Amsterdam at the request of VEB and Euroshareholders. This concerns events at Fortis between 2007 (the takeover of ABN AMRO) and October 2008 (the sale of Fortis Bank and other assets). As already mentioned, Fortis has now been given a draft report on this inquiry. We are however bound by a strict code of secrecy and are therefore unable to comment further.

As soon as the final reports on these inquiries are made public, Fortis will immediately make its own position clear.

The fourth category comprises several civil lawsuits. These have been initiated by (former) shareholders who feel disadvantaged by the dismantling of the old Fortis or the course of events prior to that dismantling.

In Belgium, legal proceedings have been brought by shareholders represented by lawyer Mischaël Modrikamen. Last December the court hearing the case ruled that it had no authority over the Dutch defendants. Mr Modrikamen's request for an interim ruling to safeguard the possible reversal of the dismantlement of Fortis was denied.

Other legal proceedings have been initiated in Belgium at the request of Deminor concerning alleged misleading communications in the period prior to the dismantlement of Fortis. These proceedings are still at an early stage.

Several lawsuits are pending in the Netherlands as well. Witnesses will be called in the proceedings instituted by FortisEffect and lawyer Hendrik Jan Bos. Furthermore, as already said, we dispute any recourse claim put forward by the former management of the old Fortis in the context of the Bos case.

The class action in the US was in the first instance dismissed by the court and an appeal is pending.

The fifth and last category –Financial Instruments– refers to legal proceedings in which two individual investors are disputing the legality of the FRESH instrument issued in 2002. After consultation with external legal counsel, Fortis considers it unlikely that the court would rule that the FRESH are invalid.

Ladies and Gentlemen,

That's my summary of current cases and investigations. We will naturally keep you informed of the further course of events.

Fortis has worked meticulously on simplifying its structures, since these are no longer appropriate to the new size of the group.

The group's first important decision concerned the liquidation of Fortis Brussels, which enables Fortis to pay out free of tax the profits generated by the exercise of the BNP Paribas options.

Further simplification of our structures is planned in future provided this meets the criteria we have set. One of the consequences of this simplification is the realisation of a one-off profit amounting to EUR 400 million.

The key figures are as such self explanatory. I would perhaps highlight the net equity per share which was in 2009 at EUR 3,37 per share. Net shareholders' equity stood at EUR 8,3 billion with the insurance activities representing EUR 5,5 billion.

You also can see that the insurance net profits recovered significantly compared to 2008. Of course, this has mainly to do with the negative impact from financial markets in 2008, but it also illustrates, once again that our commercial franchise has not been dramatically hit by these events.

If we indeed add back the higher minority share for the Belgian operations and we take into account a lower net profit in Non-Life due to the weaker operational performance, you will see that the total net profit is moving back towards the previous years levels.

Of course, one should take into account that the Life activities are still suffering from low capital gains.

As of the first quarter of 2010 we will break up the International segment into three new segments : UK, Continental Europe and Asia. This will increase transparency and give you a much better insight in the profit contribution and value creation of these respective activities. A full first set of data by new segment will be available as of the first half year 2010.

Our capital position remains robust and we believe this to be an important strength in times of volatile financial markets. Our total solvency ratio amounts to 231%, among the strongest in the sector. Compared to the regulatory minimum, we have a total excess capital position for our Insurance activities of EUR 3.6 billion. If we add the EUR 2.4 billion capital position of the General account, this excess capital even amounts to EUR 6.0 billion. We aim to maintain over time a minimum aggregate solvency ratio of 200%.

Fortis's Discretionary Capital provides an estimate of the amount of capital that Fortis has at its disposal to invest in new developments (organic and inorganic growth).

Estimating Discretionary Capital starts from the equity capital and long-term financing that Fortis has at its disposal, from which all illiquid, contingent and previously committed assets are subtracted. As a matter of fact, such assets constrain the amounts that Fortis will be able to invest in the future. Discretionary Capital is available to invest provided it is available in cash or very liquid assets.

At end 2009, Discretionary Capital stood at EUR 1.3 billion. Part of this is considered as a buffer to meet these uncertainties.

As indicated in September last year, Fortis has committed to a renewed dividend policy in which it expressed the intention to pay a dividend corresponding to a ratio of 40 to 50% of the net profit of the insurance activities.

In this context, the Board has taken the decision to propose for approval to the shareholders a dividend of 8 eurocent per share. This corresponds to an expected pay out ratio of 41% of the net profit of the insurance activities.

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