

# Shareholder circular

16 March 2009

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# 1. Introduction

On 12 March 2009 various Fortis entities (i.e. Fortis SA/NV, Fortis N.V., Fortis Brussels SA/NV, Fortis Utrecht N.V. and Fortis Insurance N.V.), BNP Paribas S.A., the Belgian State, the Federal Participation and Investment Corporation (Société Fédérale de Participations et d'Investissement/Federale Participatie- en Investeringsmaatschappij SA/NV or the "**SFPI/FPIM**"), Fortis Bank SA/NV ("**Fortis Bank**") and Fortis Insurance Belgium SA/NV ("**Fortis Insurance Belgium**") entered into an agreement setting out the terms and conditions of the transfer of a majority of the shares in Fortis Bank by the SFPI/FPIM to BNP Paribas and the transfer of 25% + 1 share in Fortis Insurance Belgium by Fortis Insurance N.V. to Fortis Bank and of the strategic partnership resulting from these transactions (the "**Agreement**"). Fortis SA/NV and Fortis N.V. and their subsidiaries (including Fortis Insurance Belgium and Fortis Insurance International N.V. ("**Fortis Insurance International**")) are hereinafter referred to as the "**Fortis Group**". The chart in section 3 sets out the main entities of the Fortis Group.

The Agreement is the result of intense negotiations between the Fortis Group, BNP Paribas and the Belgian State following the 11 February 2009 shareholders' meeting of Fortis SA/NV which, by a narrow margin, failed to approve the improvements to the Protocole d'Accord of 10 October 2008. These improvements resulted from the Avenant to the Protocole d'Accord which was signed on 1 February 2009 and were submitted to the 11 February 2009 shareholders' meeting of Fortis SA/NV. As a reminder, this shareholders' meeting of Fortis SA/NV resulted from the ruling of the Court of Appeal of Brussels of 12 December 2008. As a result of the failure of the shareholders' meeting of Fortis SA/NV to approve the improvements to the Protocole d'Accord, the 1 February 2009 Avenant never entered into force.

As set out in this shareholder circular, the Fortis Board of Directors believes that the transactions resulting from the Agreement create a true industrial project for the Fortis Group, with the Fortis Group maintaining considerable insurance operations, while at the same time strengthening the ties between the Fortis Group's insurance operations and Fortis Bank. The Fortis Board is of the opinion that, in the current situation of extreme volatility in the financial markets, the Agreement provides the best possible deal for the Fortis shareholders and for all other stakeholders.

## 2. The Agreement

The Agreement essentially is an agreement between the Fortis Group, BNP Paribas, the Belgian State and the SFPI/FPIM providing for (i) the transfer by the SFPI/FPIM of 74.94% of the shares in Fortis Bank to BNP Paribas and (ii) the transfer by Fortis Insurance N.V. of 25% + 1 share in Fortis Insurance Belgium to Fortis Bank. At the same time, the Agreement (i) puts in place a strategic partnership between BNP Paribas/Fortis Bank, on the one hand, and the Fortis Group's insurance operations, on the other hand and (ii) provides for the funding of a special purpose vehicle that is to purchase a certain structured credit portfolio from Fortis Bank.

The transfer of 74.94% (i.e. 362,115,778 shares) of the shares in Fortis Bank by the SFPI/FPIM to BNP Paribas follows the acquisition by the SFPI/FPIM of 99.93% of the shares in Fortis Bank. The sale of Fortis Bank to the SFPI/FPIM was one of the transactions that the Fortis Group entered into during the liquidity crisis of September and October 2008 in order to safeguard the continuity of the Fortis Group. The SFPI/FPIM acquired its 99.93% shareholding in Fortis Bank in two stages: a first 49.93% was acquired through a capital increase on 29 September 2008 and the remaining 50% + 1 share was purchased from Fortis Brussels on 10 October 2008 pursuant to a Share Purchase Agreement. The onwards transfer by the SFPI/FPIM of a majority of the shares in Fortis Bank to BNP Paribas under the Agreement seeks to partner Fortis Bank to a strong player in the banking industry, while at the same time maintaining for the SFPI/FPIM a blocking minority in Fortis Bank.

The consideration for the transfer by the SFPI/FPIM to BNP Paribas of this 74.94% stake in Fortis Bank will consist of 121,218,054 BNP Paribas shares, which - based on the current number of BNP Paribas shares - would give the SFPI/FPIM a stake of 11.6% in the capital of BNP Paribas. The SFPI/FPIM will transfer 74.94% of the shares in Fortis Bank to BNP Paribas in two stages. On the date of the closing of the Agreement, i.e. on the same date on which the transactions set out in sections 2.1 and 2.2 will be closed, the SFPI/FPIM will transfer 54.55% (263,568,083 shares in Fortis Bank) to BNP Paribas in exchange for BNP Paribas shares. The transfer of the second tranche of 98,529,695 shares in Fortis Bank (representing 20.39% of the capital of Fortis Bank) requires BNP Paribas shareholder approval and will take place as soon as possible after the date of the closing of the Agreement. Should the extraordinary shareholders' meeting of BNP Paribas convened to this effect fail to approve the capital increase by 30 June 2009, BNP Paribas agreed to purchase the second tranche from the SFPI/FPIM in cash for EUR 2,242,827,680.

As far as the Fortis Group is concerned, the main elements of the Agreement can be summarized as follows:

### 2.1. Sale of 25% + 1 share in Fortis Insurance Belgium to Fortis Bank

Under the Agreement, Fortis Insurance N.V. will sell 25% + 1 share in Fortis Insurance Belgium to Fortis Bank for a total consideration of EUR 1,375,000,000. This is based on a total value for Fortis Insurance Belgium (100% of the capital) of EUR 5,500,000,000.

In various ways, the Agreement strengthens the commercial ties between Fortis's insurance operations, Fortis Bank and the BNP Paribas Group more generally. The Agreement provides that:

- The existing agreements between Fortis Insurance Belgium and Fortis Bank for the distribution of insurance products through Fortis Bank will remain in place until at least the end of 2020 and will form the basis of a strong and long-term strategic partnership in *bancassurance* between the Fortis Group and BNP Paribas.

- In addition, the Agreement also provides that the framework agreement between Fortis Luxembourg Vie S.A. (a 50-50 subsidiary of the Fortis Group and Banque Générale de Luxembourg S.A. (“**BGL**”)\*) and BGL will be amended to provide for a minimum duration and exclusivity of five years for the distribution of Fortis Luxembourg Vie’s insurance products to Luxembourg retail clients through BGL’s network during such period of exclusivity.
- Finally, BNP Paribas and Fortis Insurance have undertaken to explore further areas of cooperation, in particular in the automobile and housing insurance sector (and any other insurance products agreed to by the parties), in countries other than France, Belgium, Turkey and any other country where BNP Paribas’ or the Fortis Group’s existing agreements with third parties would prohibit such cooperation. As a result, the Fortis Group will become BNP Paribas’ preferred commercial partner for non-life insurance products.

This strategic partnership with BNP Paribas further strengthens and provides substance to the Fortis Group’s industrial project centered around Fortis’s operational activities carried out through Fortis Insurance Belgium and Fortis Insurance International and its subsidiaries.

Fortis Bank, BNP Paribas, Fortis Insurance Belgium and the relevant entities of the Fortis Group will enter into a shareholders’ agreement in respect of Fortis Insurance Belgium. This shareholders’ agreement will provide, amongst others, for the following:

- Fortis Bank will be entitled to two non-executive directors on the Board of Directors of Fortis Insurance Belgium as long as its shareholding is at least equal to 15% of the capital and to one non-executive director as long as such shareholding equals or exceeds 5% but is lower than 15%. In addition, Fortis Bank will be entitled to one member on certain operational committees within Fortis Insurance Belgium.
- Fortis Bank will not be entitled to sell its 25% + 1 share stake in Fortis Insurance Belgium prior to 1 January 2018. After such date Fortis Bank will have the right to sell its shareholding in Fortis Insurance Belgium to Fortis. This put option can be exercised during a period of six months after 1 January 2018.
- Other customary rights (e.g. reciprocal rights of first refusal and a tag along right in favor of Fortis Bank).

The sale of a strategic minority interest in Fortis Insurance Belgium to Fortis Bank combined with a strong distribution agreement allows to align the interests of Fortis Insurance Belgium (as insurer) and Fortis Bank (as distributor receiving performance related commissions). Transferring 25% + 1 share in Fortis Insurance Belgium and strengthening the commercial ties at various levels allows the creation of a strategic partnership between Fortis’s insurance operations and BNP Paribas’ banking operations, while at the same time allowing the Fortis Group to keep substantial operational activities.

## 2.2. Financing of the special purpose vehicle “Royal Park Investments”

The Agreement provides for the financing of a special purpose vehicle (“**SPV**”) that is to acquire a portion of the structured credits portfolio of Fortis Bank. Pursuant to the Protocole d’Accord of 10 October 2008, this SPV was incorporated on 20 November 2008 under the name “Royal Park Investments SA/NV”.

\* **Banque Générale de Luxembourg S.A. was named Fortis Banque Luxembourg S.A. until 22 December 2008.**

The portfolio that is to be sold by Fortis Bank to the SPV on the date of the closing of the Agreement comprises the structured credits that had originally been agreed under the Protocole d'Accord of 10 October 2008, as well as certain additional lines for a total amount of approximately EUR 2 billion. This will, however, only increase the purchase price by approximately EUR 1 billion, since repayments of approximately EUR 1 billion have occurred in respect of the original portfolio since 31 August 2008, and thus EUR 1 billion of the EUR 2 billion of new lines will replace the portion that has so been repaid.

The table below contains an overview of the structured credits portfolio to be acquired by the SPV (based on exchange rates as at 31 August 2008).

	agreed price (in EUR bln)	agreed price (as % of par)
<b>US RMBS</b>	<b>4.8</b>	
prime	0.9	86%
subprime	0.3	58%
midprime	0.8	58%
Alt-A/Jumbo	1.0	62%
Alt-A/30yr fixed	0.5	77%
NegAm	1.1	57%
HELOC	0.2	57%
<b>ABS CDO Origination</b>	<b>1.2</b>	
Super Senior High Grade	1.0	25%
Super Senior Mezzanine	0.1	10%
Warehouses	0.1	10%
<b>US multi-sector CDO</b>	<b>0.6</b>	<b>66%</b>
<b>US Student Loans (private)</b>	<b>0.6</b>	<b>79%</b>
<b>CRE-CDOs</b>	<b>0.4</b>	<b>92%</b>
<b>ABS CDOs &amp; Other</b>	<b>0.9</b>	
US	0.2	56%
ROW	0.7	84%
<b>High Yield CBOs</b>	<b>0.1</b>	<b>95%</b>
<b>European RMBS</b>	<b>2.5</b>	
Spanish	1.6	86%
UK non-conforming	0.9	91%
<b>CLOs</b>	<b>0.1</b>	<b>86%</b>
<b>Other*</b>	<b>0.2</b>	<b>90%</b>
<b>Total</b>	<b>11.4 **</b>	<b>59%</b>

\* includes Equipment Leases (25%), Auto (23%), SMEs (7%), Dealer Floorplan (2%), Whole-business (20%), DPRs (13%), Credit Cards (9%) & CMBS (1%)

\*\* it being understood that this amount will be subject to change as a result of fluctuations in exchange rates between 31 August 2008 and the closing date

The purchase price to be paid by the SPV to Fortis Bank amounts to approximately EUR 11.4 billion. The price agreed for such purchase is derived from the value that the portfolio had in the books of Fortis Bank as at 31 August 2008 (adjusted for certain impairments). Furthermore, the purchase price is to be adjusted for exchange rate fluctuations between 31 August 2008 and the date of the closing of the Agreement. Any such adjustment of the purchase price will result in an adjustment of the debt that is to be provided to the SPV (but not of the equity).

To fund the purchase of the portfolio, the parties will contribute to the SPV equity in an aggregate amount of EUR 1.7 billion, with Fortis contributing EUR 760 million (44.7%), the SFPI/FPIM EUR 740 million (43.5%) and BNP Paribas EUR 200 million (11.8%).

The remainder of the financing of the SPV will be provided in the form of debt, divided into two tranches (subject to exchange rate adjustments on a pro rata basis):

- a senior tranche of EUR 4.850 billion in aggregate, of which EUR 485 million (10%) by BNP Paribas and EUR 4.365 billion (90%) by Fortis Bank; and
- a super senior tranche of EUR 4.850 billion to be provided entirely by Fortis Bank, which will be repaid in priority and will also rank ahead as far as payments of interest are concerned.

The senior debt to be provided by Fortis Bank in an amount of EUR 4.365 billion will benefit from a guarantee from the Belgian State.

Fortis's exposure in respect of the SPV will be limited to its equity stake of EUR 760 million. Compared to the EUR 1 billion of equity and subordinated debt that Fortis was to provide under the 1 February 2009 Avenant (on a total of EUR 2.5 billion of equity and EUR 900 million of subordinated debt under that Avenant), this represents a reduction of EUR 240 million. Also, due to the reduction in the overall size of the equity tranche (from EUR 2.5 billion to EUR 1.7 billion), Fortis's stake in the equity will increase from 29.6% under the 1 February 2009 Avenant to 44.7% under the Agreement. This means that the upside or upward potential for Fortis, if any, increases under the Agreement.

It should nevertheless be noted that, due to the reduced size of the equity (and the increase in the size of the portfolio), the equity will have a higher risk profile than under the 1 February 2009 Avenant. To mitigate such effect, the parties have agreed to a "loss absorption" mechanism in respect of the senior debt pursuant to which losses in excess of the SPV's equity will be set off against such senior debt. At the same time, given that the repayment profile of the underlying assets of the SPV is uncertain, the mechanism will contain a "*retour à meilleure fortune*" type of clause. This will in essence provide that, in the case of accounting profits in subsequent years (if any), the portion of the debt on which any losses have been imputed in previous years will first be reinstated and, if any profits are realized after the repayment in full of the debt (including the reinstated portion of the debt and the interest thereon), the original shareholders of the SPV will be entitled to any such profits pro rata to their initial investment upon the liquidation of the SPV.

The parties will work out the precise terms of the various implementing arrangements relating to the SPV, including the financing arrangements, the costs relating thereto, the guarantee from the Belgian State and any currency hedging. Accordingly, at this stage it is not possible to give any further information in this respect.

Under the Agreement, Fortis will receive a EUR 1 billion loan from Fortis Bank which is to be used *inter alia* to fund Fortis's portion of the equity. The loan to be provided by Fortis Bank will also benefit from a guarantee from the Belgian State and Fortis will remunerate the guarantee provided by the Belgian State. The precise terms of this loan are yet to be agreed among the parties. As security for the Belgian State's guarantee in respect of Fortis's obligations under this loan from Fortis Bank, Fortis will grant a pledge for the benefit of the Belgian State over 35% of the shares in Fortis Insurance Belgium or, subject to mutual agreement, post any other collateral for an amount of EUR 1.5 billion.

### 2.3. Cash-settled call option in respect of the BNP Paribas shares held by the SFPI/FPIM

Fortis SA/NV will have the benefit of a call option granted by the SFPI/FPIM. This option will be linked to the BNP Paribas shares to be acquired by the SFPI/FPIM under the Agreement as consideration for the Fortis Bank shares it will contribute to the capital of BNP Paribas. Under the option, Fortis will be entitled to the difference between the stock price of the BNP Paribas shares at the time of the exercise of the option and EUR 68. This option will be settled exclusively in cash. Fortis will be entitled to exercise this option at any time during a period of 6 years as from 10 October 2010 (being after the expiration of a lock-up period of 2 years imposed upon the SFPI/FPIM in respect of the BNP Paribas shares it will acquire).

The call option allows the Fortis Group and therefore all Fortis shareholders to benefit from a potential increase in the value of the BNP Paribas shares to be acquired by the SFPI/FPIM pursuant to the Agreement. As indicated above, the SFPI/FPIM will acquire BNP Paribas shares in two stages: (i) 88,235,294 BNP Paribas shares on the date of the closing of the Agreement in exchange for 54.55% of the shares in Fortis Bank and (ii) 32,982,760 BNP Paribas shares as soon as possible after the date of the closing of the Agreement in exchange for a further 20.39% of the shares in Fortis Bank. The issuance of the additional 32,982,760 BNP Paribas shares is subject to the approval of the shareholders of BNP Paribas (failing which BNP Paribas will acquire the additional 20.39% shareholding in Fortis Bank in exchange for cash). Assuming approval by the BNP Paribas shareholders of the issuance of such 32,982,760 BNP Paribas shares, Fortis's option will extend to 121,218,054 BNP Paribas shares, which - based on the current number of BNP Paribas shares - represents a stake of 11.6% in the capital of BNP Paribas. Otherwise the option will be limited to 88,235,294 BNP Paribas shares.

This arrangement replaces the so-called "coupon 42", a compensation mechanism created (but not implemented) by the Belgian State in favor of certain categories of Fortis shareholders.

The Agreement also provides that the Fortis Group will benefit from certain anti-dilution rights aimed at preserving the value of Fortis's option upon the occurrence of certain BNP Paribas corporate events (such as a BNP Paribas capital increase with preferential subscription for the BNP Paribas shareholders, an extraordinary dividend, a merger or split). However, the anti-dilution protection will not apply in the case of a capital increase of BNP Paribas without preferential subscription rights nor in any other cases where the SFPI/FPIM itself would be diluted as a BNP Paribas shareholder without compensation.

The estimated fair value of the option as of 12 March 2009, based on normal market volatility and assuming the option extends to 121,218,054 BNP Paribas shares, is EUR 504 million.

## 2.4. Interest payment mechanism between Fortis and Fortis Bank in relation to the Relative Performance Note linked to the CASHES

The CASHES are tradable securities that Fortis Bank issued in November 2007 for a principal amount of EUR 3 billion to strengthen its solvency. The CASHES can only be reimbursed through an exchange against 125,313,283 Fortis shares held by Fortis Bank. Fortis Bank pledged these shares in favor of the holders of the CASHES.

When the CASHES were issued, Fortis SA/NV and Fortis Bank agreed to a Relative Performance Note ("**RPN**"), the purpose of which was to neutralize the impact on Fortis Bank of differences in the value changes in the CASHES and Fortis shares that occur on Fortis Bank's balance sheet and otherwise affect Fortis Bank's P&L.

Under the 1 February 2009 Avenant it had been agreed to replace the mechanism contained in the Protocole d'Accord of 10 October 2008 under which Fortis was to make an upfront payment of EUR 2.35 billion to Fortis Bank in connection with the cancellation of the RPN and the entering into of a total return swap. In lieu, in the 1 February 2009 Avenant it was agreed to leave the RPN in place and to provide for an interest payment in respect of the amount that may be outstanding from time to time under the RPN.

The Agreement maintains the interest payment mechanism between Fortis and Fortis Bank in relation to the RPN, as it was put in place by the 1 February 2009 Avenant and also provides that the RPN will remain in place until the reimbursement of all of the CASHES.

Depending on the evolution of the fair market value of the CASHES and the Fortis shares, either Fortis or Fortis Bank will owe an amount to the other party under the RPN. The party owing this notional amount (which, based on current expectations, is likely to be Fortis rather than Fortis Bank) will be required to pay interest on such amount to the other party on a quarterly basis at a rate of EURIBOR 3 months plus 20 basis points.

If Fortis were to default on its interest payments in respect of the RPN (and the Belgian State would not elect to make such interest payments in lieu of Fortis), Fortis Bank will have the option to terminate the RPN. In the case of such a termination, Fortis will be required to pay to Fortis Bank the amount then due under the RPN (subject to a cap of EUR 2.35 billion).

In addition, Fortis will be required to pay a fee on the amount owed to Fortis Bank to compensate for the guarantee that the Belgian State will provide to Fortis Bank in respect of such interest payments as well as in respect of the amount payable on termination. As security for the Belgian State's guarantee in respect of Fortis's obligations under the RPN, Fortis will grant a pledge over 10% to 20% of the shares in Fortis Insurance Belgium (depending on the amount of the interest payments under the RPN). The cost of the guarantee will take into account the pledge that Fortis will grant on a variable number of shares in Fortis Insurance Belgium.

The obligations of Fortis in respect of the RPN will impact the P&L of Fortis. The RPN will remain in place on the outstanding amount of the CASHES, which is a perpetual instrument. At the end of 2008, the basis for the calculation of the RPN interest payments amounted to EUR 29 million due by Fortis to Fortis Bank. This amount may, in all likelihood, increase over time and is capped at EUR 2.35 billion. Due to the volatility of the RPN, the fair value is taken into account *pro memorie* in section 5.

It is understood between all parties to the Agreement that, as long as the CASHES have not been exchanged into Fortis shares, the underlying Fortis shares related thereto will not carry any dividend or voting rights.

## 2.5. Closing of the Agreement

The date of the closing of the Agreement is the date on which the SFPI/FPIM will transfer 54.55% (263,568,083 shares) of the shares in Fortis Bank to BNP Paribas in exchange for BNP Paribas shares (see the introductory paragraphs to section 2) and on which the transfer of 25% + 1 share in Fortis Insurance Belgium to Fortis Bank will take place (see section 2.1). On the closing date, Fortis, the SFPI/FPIM, BNP Paribas and Fortis Bank will also fund the SPV (see section 2.2).

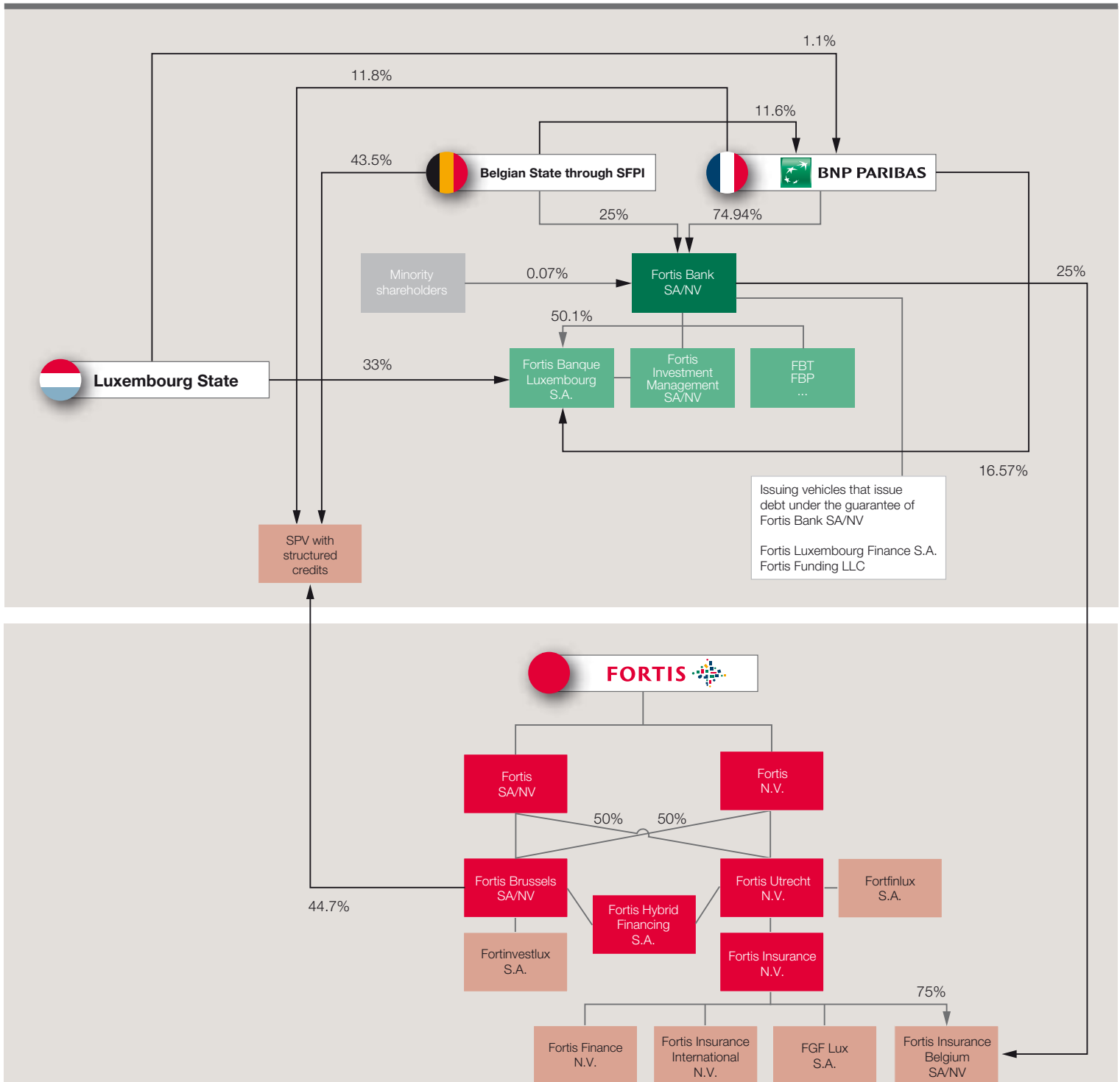
The closing of the Agreement and the execution of the various transactions contemplated thereby is subject to the fulfillment (or the waiver by BNP Paribas) of a number of conditions precedent. These include customary conditions such as the approvals and consents of regulatory authorities. The approval of the transactions relating to the Fortis Group by the shareholders' meetings of Fortis N.V. and Fortis SA/NV no later than 18 April 2009 also is one of the conditions precedent of the Agreement.

The Agreement will lapse if the conditions precedent (which can only be waived by BNP Paribas) are not fulfilled by 30 April 2009.

It is the intention of the parties to the Agreement to proceed with the closing thereof as soon as all conditions precedent have been fulfilled. Accordingly, the closing of the Agreement is expected to take place by the end of April 2009 or early May 2009 at the latest.

### 3. Structure of the Fortis Group after the closing of the Agreement

The chart hereafter sets out the structure of the Fortis Group after the closing of the Agreement (assuming approval by the BNP Paribas shareholders of the issuance of BNP Paribas shares as consideration for the second tranche of the Fortis Bank shares to be transferred to BNP Paribas).



## 4. Approval by the shareholders' meetings of Fortis N.V. and Fortis SA/NV

Fortis will submit the transactions relating to the Fortis Group, as they are laid down in the Agreement, for approval to the shareholders' meetings of both Fortis N.V. and Fortis SA/NV to be held on 8 April 2009 and 9 April 2009 respectively. The agenda of such shareholders' meetings is set out in the Annex to this shareholder circular.

Fortis will voluntarily submit the transactions to the shareholders' meetings of Fortis N.V. and Fortis SA/NV given the importance of these transactions for the future of the Fortis Group and given the need to have a serene atmosphere reinstated around Fortis.

Submitting the transactions to the shareholders' meetings of Fortis N.V. and Fortis SA/NV in no way constitutes an acknowledgement by Fortis of the ruling of the Court of Appeal of Brussels of 12 December 2008 nor of the legal reasoning underlying this ruling. Such voluntary submission does not mean that Fortis acknowledges that the Fortis Governance Statement is part of the articles of association of Fortis SA/NV or that it has the same status as the articles of association of Fortis SA/NV, nor that the transactions entered into in October 2008 had to be submitted to the shareholders' meetings of Fortis SA/NV or of Fortis N.V. for approval.

## 5. Impact of the transaction on the pro forma financial position

Closing of the Agreement would:

- generate EUR 1,375,000,000 of cash for the sale of 25% + 1 share in Fortis Insurance Belgium to Fortis Bank;
- require a cash investment of EUR 760 million, representing Fortis's share in the equity of the SPV;
- mean that the RPN will remain in place and that, in addition, Fortis (or, in certain more unlikely scenarios, Fortis Bank) will be required to make quarterly interest payments under the RPN calculated at a rate of EURIBOR 3 months plus 20 basis points on the then outstanding amount. Given the volatility of the RPN, the interest payment on the RPN has been included *pro memorie* below;
- recognize the fair value of the call option granted by the SFPI/FPIM in respect of the upside on the BNP Paribas shares above EUR 68. Assuming that the option extends to 121,218,054 BNP Paribas shares and based on market information of 12 March 2009, this option is estimated to have a market value of EUR 504 million. Given the volatility of the value, this instrument has been included *pro memorie* below.

Assuming approval of the transactions by the Fortis shareholders, based on the unaudited pro forma figures of Fortis as at 30 September 2008, closing of the Agreement would result in a pro forma net equity attributable to shareholders of Fortis of EUR 7 billion and in a pro forma net cash position of EUR 3.4 billion.

Set out below is a table which shows the changes to the pro forma financial position after giving effect to the closing of the Agreement, compared to the pro forma financial position communicated by Fortis in the 31 January 2009 addendum to the shareholder circular (in each case as at 30 September 2008):

**Reconciliation addendum shareholder circular 31 January 2009**

	<b>NAV</b>	<b>Net Cash</b>	<b>Cash Pledge</b>
Situation as per press release 14 November 2008	7.7	3.5	( 1.9 )
Currency loss booked in Q4 08	( 0.3 )	( 0.3 )	
Capital increase Fortis Insurance Belgium		PM	
<b>Updated position</b>	<b>7.4</b>	<b>3.2</b>	<b>( 1.9 )</b>
<b>Impact Avenant 1 February 2009</b>			
Cancellation of sale of 100% FIB	( 3.6 )	( 5.7 )	
Sale 10% FIB	0.3	0.6	
Cancellation old funding plan SPV		2.0	1.9
Participation in SPV	0.0	( 1.0 )	
Long term loan from Fortis Bank		1.0	
No cash payment CASHES	2.4	2.4	
Relative Performance Note	PM		
Option on shares BNP Paribas	PM		
<b>Adjusted Pro forma situation 30 September 2008 as per addendum shareholder circular 31 January 2009</b>	<b>6.5</b>	<b>2.4</b>	<b>0.0</b>
<b>Impact Agreement</b>			
Sale of additional 15% FIB	0.5	0.8	
Lower investment in SPV		0.2	
<b>Adjusted Pro forma</b>	<b>7.0</b>	<b>3.4</b>	<b>0.0</b>

*Note: The cash pledge in the Protocole d'Accord of 10 October 2008 was intended to secure Fortis's financing obligation in respect of the SPV and would have reduced the available net cash from EUR 3.5 billion to EUR 1.6 billion.*

Accordingly, the closing of the Agreement would result in a pro forma net cash position of Fortis as at 30 September 2008 of EUR 3.4 billion, compared to EUR 2.4 billion as reported in the 31 January 2009 addendum to the shareholder circular. This increase in Fortis's pro forma net cash position would be due to the additional payment of EUR 825 million for an additional 15% of Fortis Insurance Belgium and by the lower investment (lower by EUR 240 million) in the SPV.

The closing of the Agreement would result in pro forma net equity attributable to shareholders of Fortis (accounting view) as at 30 September 2008 of EUR 7 billion, compared to EUR 6.5 billion as reported in the 31 January 2009 addendum to the shareholder circular. This increase of EUR 510 million would be due to the capital gain on the sale of an additional 15% in Fortis Insurance Belgium.

In accordance with previous circulars, in this net asset value calculation of Fortis, Fortis Insurance Belgium is now valued at its net asset value of EUR 2.1 billion as at 30 September 2008. This net asset value is, however, unrelated to the actual value of Fortis Insurance Belgium today, nor does this purport to express an opinion on the future value of Fortis Insurance Belgium.

The actual value of an insurance company is expressed amongst others in relation to its embedded value. This led to the price of EUR 5.5 billion for Fortis Insurance Belgium on 10 October 2008, a price which was maintained in the Agreement for the valuation of 100% of Fortis Insurance Belgium. Although the embedded value of insurance companies has decreased lately, the actual value of Fortis Insurance Belgium is significantly higher than its net asset value, as illustrated by the transaction with BNP Paribas under the Agreement. A similar comment can be made in respect of the actual value of Fortis Insurance International.

The value of the option on the BNP Paribas shares (value on 12 March 2009 estimated at EUR 504 million) and the value of the adjusted RPN have not been included given the inherent volatility in the value of the instruments.

The figures in the above table are indicative pro forma figures to reflect the estimated impact of the closing of the Agreement. These figures have not been audited and are solely based on information made publicly available (including by way of this shareholder circular). Moreover, these figures are based on a pro forma financial position as at 30 September 2008 which does not take into account the impact of the results of the fourth quarter of 2008, except for the net currency loss of EUR 295 million reported on 24 December 2008.

Furthermore, it should also be noted that the pro forma figures set out in this section 5 do not purport to reflect the evolution of the underlying value of the various assets of Fortis after 30 September 2008, nor to give any assurance as to the future performance of Fortis Insurance Belgium, Fortis Insurance International or the SPV.

## 6. Position and voting recommendation of the Boards of Directors of Fortis N.V. and of Fortis SA/NV

Following the shareholders' meetings of Fortis SA/NV in Brussels on 11 February 2009 and of Fortis N.V. in Utrecht on 13 February 2009, a new Board of Directors was composed for both companies. The new Fortis Board of Directors firmly believes that the new deal resulting from the Agreement is in the best interests of all Fortis stakeholders, first and foremost the Fortis shareholders.

First of all, the Agreement consolidates the Fortis Group's position as a strong player in the insurance industry, through Fortis Insurance Belgium and Fortis Insurance International. Fortis's insurance operations represent a sizeable domestic and international insurance franchise that provides Fortis with a platform for growth and future value creation. Maintaining Fortis Insurance Belgium and Fortis Insurance International within the Fortis Group constitutes a significant industrial project, allowing for synergies resulting from operations, managerial talent, diversification and scale.

Furthermore, the strategic partnership between the Fortis Group's insurance operations on the one hand and BNP Paribas/Fortis Bank on the other hand, *inter alia* through the strengthening of the commercial ties between the two groups, provides substance to this renewed industrial project. The partnership allows the continuation and consolidation of the "bancassurance" model and secures for Fortis's insurance operations existing distribution channels or opens up the possibility of new distribution channels. At the same time the sale of 25% + 1 share in Fortis Insurance Belgium for EUR 1,375,000,000 generates a considerable amount of cash for the Fortis Group, valuing Fortis Insurance Belgium at EUR 5,500,000,000 at a time when insurance multiples are decreasing.

In addition to upward potential from the insurance operations, the downward risk for Fortis has been further limited as a result of a reduced exposure to the SPV of EUR 760 million.

Finally, the anti-dilution rights granted to Fortis will preserve the value of its cash-settled call option on the BNP Paribas shares. This option allows Fortis to benefit from a potential increase in the value of the BNP Paribas shares.

Also, it should be noted that in the case of a negative vote on the proposed resolution set out in the Annex hereto, Fortis would as a legal matter nevertheless continue to be bound by a fallback provision in a Share Purchase Agreement of 10 October 2008 with the SFPI/FPIM (as amended) relating to the financing of the SPV. This agreement provides for the financing of the SPV only by Fortis and the SFPI/FPIM in case the Agreement (with BNP Paribas) does not take effect. In case the fallback provision would be enforced against Fortis, Fortis would be required to fund EUR 6.86 billion out of a total amount of EUR 9.36 billion (subject to redemptions and currency adjustments). A negative vote on the deal resulting from the Agreement would also mean a new period of uncertainty for the Fortis shareholders and the other Fortis stakeholders, including the employees of the various entities of the Fortis Group.

In view of the current situation of extreme volatility in the financial markets and a potentially deteriorating market environment, the Fortis Board of Directors is of the opinion that the transactions described in this shareholder circular are the best deal achievable and maximize value for the Fortis shareholders.

Accordingly, the Board of Directors recommends that the shareholders vote in favor of the proposed resolution set out in the Annex hereto.

## Annex: Agenda for the shareholders' meetings of Fortis N.V. and Fortis SA/NV

Proposal to approve the project based, on the one hand, on the partnering of Fortis Bank SA/NV to BNP Paribas S.A. and, on the other hand, on the consolidation of the "*bancassurance* model" through a sale by Fortis Insurance N.V. of 25% + 1 share in Fortis Insurance Belgium SA/NV to Fortis Bank SA/NV and through the creation of a strategic partnership between the BNP Paribas Group (including Fortis Bank SA/NV) and the Fortis Group. The terms and conditions of this project are laid down in an agreement between Fortis SA/NV, Fortis N.V., Fortis Brussels SA/NV, Fortis Utrecht N.V., Fortis Insurance N.V., BNP Paribas S.A., the Société Fédérale de Participations et d'Investissement/Federale Participatie- en Investeringsmaatschappij, the Belgian State, Fortis Bank SA/NV and Fortis Insurance Belgium SA/NV and are summarized in the shareholder circular.

## Glossary of asset classes of structured credits portfolio

**ABS** – Asset Backed Security.

**Agency** – Agency loans are originated by Fannie Mae, Freddie Mac and Ginnie Mae. The first two are government-sponsored enterprises, and the pools they create have the implicit guarantee of the U.S. government with respect to timely payment of principal and interest. Ginnie Mae, which is part of the U.S. Department of Housing and Urban Development, is explicitly backed by the full faith and credit of the U.S. government.

**CDO** – A Collateralized Debt Obligation (CDO) is a type of asset-backed security and structured credit product. CDOs provide exposure to a portfolio of fixed-income assets and divide the credit risk among different tranches with different credit ratings. A CDO can comprise Collateralized Loan Obligations (CLOs), Collateralized Bond Obligations (CBOs) and Collateralized Synthetic Obligations (CSOs).

**CRE** – Commercial Real Estate.

**FICO** – FICO is an acronym for “Fair Isaac Corporation”. FICO score is the most widely used borrower credit score model in the USA, summarizing the information on a consumer’s credit file. (A credit score is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation). A FICO score is a single 3-digit number ranging from 300–850, which rank orders consumers according to risk. Higher scores equate to lower future risk of default. In general, the FICO score evaluates five main categories of information: payment history, amounts owed, length of credit history, new credit and type of credit used.

**HELOC** – Home Equity Lines of Credit (HELOC) refers to a loan in which the lender agrees to lend a maximum amount within an agreed period. This differs from a conventional home equity loan (which is a revolving, open-end loan extended under a line of credit and secured by the borrower’s residential property) in that the borrower is not advanced the entire sum up, but uses the line of credit to borrow sums that total no more than the amount.

**Jumbo/Alt A** – Loans where a borrower is unable or unwilling to provide the full documentation required by the agencies, but with strong credit history qualify for Alternative-A (Alt-A). Compared to agency loans, Alt-A loans have following characteristics:

- (a) higher proportion of investor properties;
- (b) slightly lower credit quality;
- (c) lower proportion of single-family properties;
- (d) higher average loan balances;
- (e) higher debt-to-income ratios; and
- (f) more heterogeneous pools, including a greater dispersion of loan balances and FICO scores.

**Mid-prime** – Loan characteristics show a high resemblance with Residential B/C loans but borrowers have a higher personal credit score (FICO > 625). Residential B/C loans are loans for borrowers with weaker than average and imperfect credit standing (FICO below 625). Loans are characterized by a lower loan balance than Alt-A as well as a higher percentage of equity extraction, a higher weighted average coupon and shorter reset periods making borrowers more dependent on refinancing.

**NegAm** – A Negative Amortization (NegAm) product is the result of a mortgage repayment plan in which the borrower makes payments that amount to less than the interest due. Unpaid interest is then added to the outstanding loan balance, causing the outstanding loan balance to increase instead of decrease.

**RMBS** – A Residential Mortgage Backed Security (RMBS) is a type of security whose cash flows come from residential debt such as mortgages, home-equity loans and subprime mortgages.

**Subprime** – An asset is considered as subprime within Fortis if it relates to US mortgages loans with a FICO < 625.



