Shareholder circular

Addendum dated 31 January 2009
to the shareholder circular
dated 29 January 2009

FORTIS

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1. Introduction

This addendum (the “Addendum”) supplements the shareholder circular dated 29 January 2009 issued by Fortis SA/NV (the “Circular”) on 30 January 2009.

As set out in the Circular and in a Fortis press release dated 28 January 2009, Fortis recommenced negotiations with BNP Paribas and the SFPI/FPIM against the backdrop of the findings and recommendations of the interim report of the committee of experts dated 26 January 2009. These experts were appointed by the Court of Appeal of Brussels in its ruling of 12 December 2008.

The negotiations between Fortis, BNP Paribas and the SFPI/FPIM were reopened following the publication of the interim report of the committee of experts. In their interim report the experts stated that the decisions taken by the Boards of Directors of the various Fortis entities may be considered as logical and reasonable and that they do not violate the corporate interest of the companies of the Fortis Group, including Fortis SA/NV and Fortis Bank. However, the experts also made a number of recommendations aimed at increasing shareholder value for the Fortis shareholders.

The recommendations made by the experts provided momentum and inspiration for Fortis, BNP Paribas and the SFPI/FPIM for their discussions to amend the Protocole d’Accord of 10 October 2008.

During the negotiations of late January 2009, the Fortis Board of Directors continued to be guided by the principle of the maximization of shareholder value for the Fortis shareholders. All parties involved also capitalized on the recommendations made by the experts in their interim report. In addition, the outcome achieved, as described in this Addendum, takes into account suggestions made by Fortis shareholders in the course of the last few weeks.

On 31 January 2009 Fortis, BNP Paribas and the SFPI/FPIM reached an agreement on an “Avenant au Protocole d’Accord” (the “Avenant”) modifying and improving certain terms of the transactions entered into under the Protocole d’Accord as described in the Circular. The initial Protocole d’Accord as amended by the Avenant is hereinafter referred to as the “Revised Protocole d’Accord”. The improved terms only impact the Protocole d’Accord and not the Share Purchase Agreement of 10 October 2008 with the SFPI/FPIM.

The purpose of this Addendum is to describe the changes made to the Protocole d’Accord by the Avenant and the impact of the Avenant and the Revised Protocole d’Accord on Fortis SA/NV. This should allow the Fortis shareholders to vote in an informed manner on the proposed resolutions set out in the Annex to this Addendum.

2. Improved terms of the agreement with BNP Paribas and the SFPI/FPIM

The main features of the agreement reached in the Avenant can be summarized as follows.

2.1. Fortis Insurance Belgium

Rather than Fortis selling 100% of the shares in Fortis Insurance Belgium to BNP Paribas as envisaged under the Protocole d'Accord, pursuant to the Avenant Fortis will sell to BNP Paribas 10% of the shares in Fortis Insurance Belgium for a total consideration of EUR 550 million. Therefore, the Fortis Group will maintain a stake of 90% in Fortis Insurance Belgium.

The existing distribution agreement between Fortis Insurance Belgium and Fortis Bank for the distribution of insurance products through Fortis Bank Belgium will remain intact. This agreement cannot be unilaterally terminated by any of the parties prior to the end of 2020.

Furthermore, BNP Paribas agreed not to sell its 10% stake in Fortis Insurance Belgium prior to 1 January 2018. After such date BNP Paribas will have the right to sell its 10% stake to Fortis.

2.2. CASHES

Under the Protocole d'Accord Fortis agreed to make a cash payment to Fortis Bank in connection with the cancellation of the Relative Performance Note ("RPN") linked to the CASHES and the entering into of a total return swap. The RPN neutralizes 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.

As a result of the Avenant, Fortis will no longer be required to make an upfront payment of EUR 2.35 billion. However, 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, which amount will only have to be paid in exceptional circumstances as stated below. 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 at a rate of EURIBOR 3 months plus 20 basis points. In addition, Fortis will be required to pay a fee on such amount 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.

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).

While the arrangement under the Avenant will no longer require an upfront payment of EUR 2.35 billion, the obligations of Fortis in respect of the RPN will impact the P&L and equity 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. This amount may, in all likelihood, increase over time and is capped at EUR 2.35 billion. The fair value is taken into account pro memorie in section 3, as the valuation of this instrument is still subject to internal assessment.

2.3. Financing of the SPV

Under the Protocole, it was agreed that Fortis would fund 66% of the SPV's financing needs with a view to purchase a selected structured credit portfolio from Fortis Bank (for an amount of EUR 10.4 billion, subject to certain adjustments as described in the Circular).

A key change resulting from the Avenant is that Fortis's funding obligation and exposure towards the SPV will be limited to an amount of EUR 1 billion (again, subject to possible adjustments due to the evolution of exchange rates since August 2008).

The EUR 1 billion from Fortis will be provided as (i) equity (approximately EUR 740 million out of a total equity of approximately EUR 2.5 billion) and (ii) subordinated debt (approximately EUR 260 million in the relevant currency out of a total subordinated debt of approximately EUR 900 million). Besides Fortis, the SFPI/FPIM and BNP Paribas will participate in the equity for amounts of approximately EUR 1.47 billion and EUR 290 million, respectively. Likewise, they will participate in the subordinated tranche in the relevant currency for approximately EUR 530 million and EUR 110 million.

The remainder of the SPV's funding will be provided by BNP Paribas and Fortis Bank. This will be divided into (i) a senior tranche of approximately EUR 5.5 billion, with Fortis Bank providing EUR 5 billion and BNP Paribas EUR 500 million, and (ii) a super senior tranche from Fortis Bank of up to EUR 1.5 billion. These amounts will be provided in USD or GBP, as appropriate. The SPV will not be entitled to make any interest or principal payments in respect of the subordinated debt prior to the redemption in full of the senior and super senior loans.

A new feature of the SPV is that the SPV's obligations in respect of the EUR 5 billion senior loan from Fortis Bank will be guaranteed by the Belgian State.

In addition, Fortis will have the benefit of a loan of EUR 1 billion from Fortis Bank to fund its commitments towards the SPV. Fortis will remunerate the guarantee provided by the Belgian State on the EUR 1 billion Fortis Bank loan and on its payments under the RPN (for the latter, see section 2.2). The cost of the guarantee will reflect the posting of collateral by Fortis, which may include shares in Fortis Insurance Belgium, cash and other assets. The precise mechanism of the guarantee will be negotiated in a separate agreement.

2.4. Call option for the Fortis Group on the BNP Paribas shares held by the SFPI/FPIM

Under the Avenant Fortis will now also 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 and will entitle Fortis 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 cash settled. Fortis will be entitled to exercise this option at any time during a period of 6 years after the expiration of a lock-up period of 2 years.

The call option allows all Fortis shareholders to benefit from a potential increase in the value of the BNP Paribas shares (representing a 11.6% stake in BNP Paribas) to be acquired by the SFPI/FPIM following the transfer by the SFPI/FPIM of 74.94% of the shares in Fortis Bank to BNP Paribas pursuant to the Protocole d’Accord.

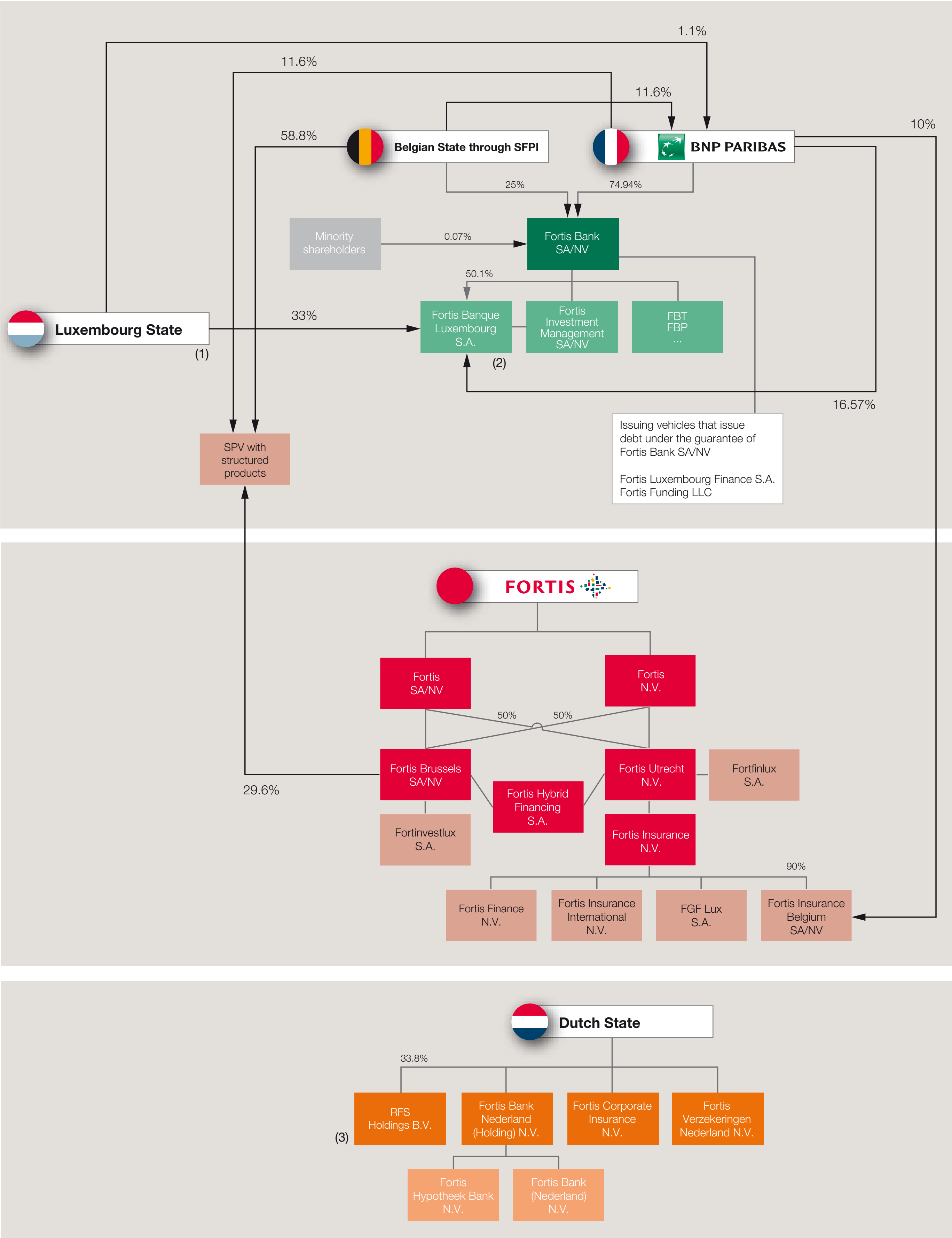
This arrangement replaces the so-called “coupon 42”, a compensation mechanism created (but not implemented) by the Belgian State in favour of certain categories of Fortis shareholders.

The estimated fair value of the option as of 29 January 2009, based on normal market volatility, is EUR 600 million.

2.5. Structure of the Fortis Group after the closing of the Revised Protocole d’Accord

The chart hereafter sets out the structure of the Fortis Group after the closing of the Revised Protocole d’Accord.

After the Closing of the Revised Protocole d'Accord



(1) The Luxembourg State became a 49.9% shareholder of Fortis Banque Luxembourg on 15 December 2008 following the conversion of a loan. Pursuant to separate agreements between the Luxembourg State and BNP Paribas - to which the Fortis Group is not a party - the Luxembourg State had agreed to transfer 16.57% of the shares in Fortis Banque Luxembourg to BNP Paribas in exchange for BNP Paribas shares representing 1.1% of the capital of BNP Paribas. The 19 December 2008 shareholders' meeting of BNP Paribas convened to issue shares to the Belgian and Luxembourg States was cancelled by BNP Paribas following the ruling of the Court of Appeal of Brussels of 12 December 2008.

(2) Changed name to BGL effective 22 December 2008.

(3) Direct subsidiary of Dutch State since 24 December 2008.

3. Impact of the improved transaction on the pro forma financial position

Closing of the Revised Protocole d'Accord would:

- generate EUR 550 million of cash for the sale of 10% of the shares in Fortis Insurance Belgium to BNP Paribas;
- require a cash investment of approximately EUR 1 billion, representing Fortis's share in the funding of the SPV;
- increase the cash position by EUR 1 billion as Fortis will receive a EUR 1 billion loan from Fortis Bank to finance its investment in the SPV. Although the amounts "Due to banks" are deducted from the net cash position, Fortis excluded this loan from the deduction in calculating the net cash position since this is a long term funding related to the funding of the SPV;
- not require an upfront cash payment for the CASHES, it being understood 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 certain interest payments under the RPN. The fair value of the adjusted RPN has not yet been determined, and is therefore 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. Based on market information of 29 January 2009, this option is estimated to have a market value of EUR 600 million. Given the volatility of the value, this instrument has been included pro memorie below.

Based on the unaudited pro forma figures of Fortis as at 30 September 2008, closing of the Revised Protocole d'Accord would result in a pro forma net equity attributable to shareholders of Fortis of EUR 6.5 billion and in a pro forma net cash position of EUR 2.4 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 Revised Protocole d'Accord, compared to the pro forma financial position communicated by Fortis on 14 November 2008 (in each case as at 30 September 2008):

Reconciliation press release 14 November 2008

	NAV	Net Cash	Cash Pledge
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	
Updated position	**7.4**	**3.2**	**(1.9)**
Impact Avenant			
Cancelation of sale of 100% FIB	(3.6)	(5.7)	
Sale 10% FIB	0.3	0.6	
Reduction participation in SPV	0.0	1.0	1.9
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		
Adjusted Pro forma situation	**6.5**	**2.4**	**0.0**

Accordingly, the closing of the Revised Protocole d'Accord would result in a pro forma net cash position of Fortis as at 30 September 2008 of EUR 2.4 billion, compared to EUR 1.6 billion as reported on 14 November 2008. This increase in Fortis's pro forma net cash position would be due to (i) the sale of only 10% in Fortis Insurance Belgium for a purchase price of EUR 0.55 billion compared to a sale of 100% of Fortis Insurance Belgium for an assumed purchase price of EUR 5.7 billion as reported on 14 November 2008; (ii) an actual financing commitment of EUR 1.0 billion for the SPV compared to an amount of EUR 3.9 billion (EUR 2.0 billion equity and EUR 1.9 billion cash pledge) as reported on 14 November 2008; (iii) Fortis receiving a long term funding from Fortis Bank of EUR 1 billion to fund its financing commitment towards the SPV; (iv) no upfront cash outlay of EUR 2.35 billion in relation to the CASHES; and (v) a currency loss of EUR 0.3 billion as reported on 24 December 2008 (which, for the avoidance of doubt, is not due to the closing of the Revised Protocole d'Accord).

The closing of the Revised Protocole d'Accord would result in pro forma net equity attributable to shareholders of Fortis (accounting view) as at 30 September 2008 of EUR 6.5 billion, compared to EUR 7.7 billion as reported on 14 November 2008. This decrease would be due to (i) the inclusion of a lower capital gain (EUR 3.3 billion lower) on the sale of Fortis Insurance Belgium due to the sale of only 10% instead of 100%; (ii) the positive impact of the absence of an upfront cash outlay of EUR 2.35 billion in relation to the CASHES and (iii) the negative impact of the currency loss of EUR 0.3 billion as reported on 24 December 2008 (which, for the avoidance of doubt, is not due to the closing of the Revised Protocole d'Accord).

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 is 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. 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 Revised Protocole d'Accord. 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 29 January 2009 estimated at EUR 600 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 Revised Protocole d'Accord. These figures have not been audited and are solely based on information made publicly available (including by way of this Addendum). 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 reported on 24 December 2008. This loss is not due to the closing of the Revised Protocole d'Accord.

Moreover, it should also be noted that the pro forma figures set out in this section 3 do not purport to reflect the evolution of the underlying value of the structured credits to be acquired by the SPV from Fortis Bank after 30 September 2008, nor the evolution of the value of Fortis Insurance Belgium or Fortis Insurance International after 30 September 2008. This Addendum does not purport to express an opinion on the merits of an investment by Fortis in the structured credits portfolio through the SPV, nor to give any assurance as to the future performance thereof, Fortis Insurance Belgium or Fortis Insurance International.

4. Impact on the agenda of the 11 February 2009 shareholders' meeting of Fortis SA/NV

In order to comply with the ruling of the Court of Appeal of Brussels, Fortis has organised a shareholders' meeting of Fortis SA/NV to be held on 11 February 2009. The agenda of this shareholders' meeting was determined under the responsibility of the co-chairmen of the committee of experts. As provided in the ruling of the Court of Appeal of Brussels, the decisions of the Board of Directors of Fortis SA/NV of 3 October 2008 and 5/6 October 2008 and the agreements entered into in implementation thereof are being submitted for approval to the shareholders on 11 February 2009. At the same time, the Court of Appeal of Brussels entrusted the experts with a mediation mission. The experts' report of 26 January 2009 gives effect to this mission by suggesting improvements to the Protocole d'Accord. These in turn have led Fortis, BNP Paribas and the SFPI/FPIM to enter into the Avenant.

In line with the ruling of the Court of Appeal of Brussels, transactions submitted for approval to the shareholders' meeting of Fortis SA/NV of 11 February 2009 under the wording of the agenda in the Annex to this Addendum should be considered to be the transactions as improved following the recommendations of the experts appointed by the Court of Appeal. As a result, if the outcome of the vote on resolution 2.9 is positive, this would be taken to be an implicit approval of the improvements resulting from the Avenant and the transactions with BNP Paribas and the SFPI/FPIM would only be closed taking into account the improvements set out in the Avenant as described in this Addendum.

Shareholders who have already provided Fortis with a proxy containing voting instructions and who would like to change such voting instructions in view of this Addendum are urged to send to Fortis SA/NV a new proxy, and this no later than 7 p.m. on 4 February 2009.

An important point is that the Avenant provides that the modifications contained therein are subject to the condition precedent of a positive vote on resolutions 2.7 and 2.9 at the shareholders' meeting of 11 February 2009. As a result, if there were to be a negative vote on resolution 2.7 and/or 2.9, the Avenant would not take effect and the initial Protocole d'Accord of 10 October 2008 would continue to bind the parties without the improvements of the Avenant.

5. Position and voting recommendation of the Board of Directors of Fortis SA/NV and of the committee of experts

5.1. Board of Directors

The Board of Directors of Fortis SA/NV firmly believes that the transactions under the Avenant create additional value for the Fortis shareholders. First of all, maintaining a controlling interest of 90% in Fortis Insurance Belgium provides the Fortis Group with upwards potential. The Fortis Group will have substantial operational activities through Fortis Insurance Belgium and Fortis Insurance International which can be managed and developed in accordance with the strategy of the Fortis Board of Directors. Maintaining Fortis Insurance Belgium along with Fortis Insurance International within the Fortis Group creates a renewed industrial project for the Fortis Group. The Fortis Group will remain a major player in the insurance business, both in Belgium through Fortis Insurance Belgium and throughout the world through Fortis Insurance International. Historically, the managerial pool of talent of Fortis Insurance Belgium has been one of the drivers for the development of Fortis Insurance International. Maintaining this expertise and know how within the Fortis Group will foster the development of Fortis Insurance International and of the Fortis Group as a whole.

In addition, the downward risks have been significantly reduced as a result of a reduced exposure of the Fortis Group to the SPV (EUR 1 billion under the Avenant compared to EUR 3.9 billion under the Protocole d’Accord).

Lastly, it is expected that the fair value impact of the possible payments that should be made with respect to CASHES will be lower than the termination penalty of EUR 2.35 billion under the Protocole d’Accord.

The Board of Directors is of the opinion that the improved transaction is in the interest of all of Fortis’s stakeholders, first and foremost the Fortis shareholders.

Accordingly, the Board of Directors recommends that the Fortis shareholders vote “YES” or “APPROVE” on all of the proposed resolutions 2.4 up to and including 2.9.

5.2. Committee of experts

Fortis has informed the committee of experts appointed by the Court of Appeal of Brussels of the improvements resulting from the Avenant. The committee of experts has confirmed to the Board of Directors that these improvements are in line with the recommendations contained in their interim report and allow to increase value for the Fortis shareholders. Consequently, the committee of experts has confirmed to Fortis that, in addition to its recommendation in the interim report to approve resolution 2.5, they also recommend to approve resolutions 2.7 and 2.9.

Annex

Agenda of the shareholders' meeting of 11 February 2009 convened by the co-chairmen of the committee of experts appointed by the Court of Appeal

Approval of the decisions taken on 3, 5 and 6 October 2008 by the Board of Directors of Fortis SA/NV and of the agreements entered into in implementation of these decisions (General Meeting of Shareholders convened by the co-chairmen of the Committee of Experts appointed by the Court of Appeal of Brussels)

2.1 Report of the Board of Directors.

2.2 Interim report of the Committee of Experts: conclusions and prospects.

2.3 Comments of the Board of Directors on the interim report of the Committee of Experts.

2.4 Proposal to vote on item 2.5 on the agenda.

2.5 Proposal to approve the sale of 100% of the shares of Fortis Bank Nederland (Holding) N.V., Fortis Verzekeringen Nederland N.V. and Fortis Corporate Insurance N.V. to the Dutch state on 3 October 2008 in implementation of the decision of the Board of Directors of 3 October 2008, as summarised in the shareholder circular.

2.6 Proposal to vote on item 2.7 on the agenda.

2.7 Proposal to approve the sale of the remaining 50% + 1 share of Fortis Bank SA/NV to the Federal Participation and Investment Corporation (SFPI/FPIM) on 10 October 2008 and the transactions to be entered into, as the case may be, with the SFPI/FPIM in implementation of the decision of the Board of Directors of 5 and 6 October 2008, as this sale and these transactions are summarised in the shareholder circular.

2.8 Proposal to vote on item 2.9 on the agenda.

2.9 Proposal to approve the sale of 100% of the shares of Fortis Insurance Belgium SA/NV to BNP Paribas S.A. on 10 October 2008 and the transactions to be entered into with BNP Paribas S.A. and the Federal Participation and Investment Corporation (SFPI/FPIM) in implementation of the decision of the Board of Directors of 5 and 6 October 2008, as this sale and these transactions are summarised in the shareholder circular.

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