

## **Explanation on interest payment Relative Performance Note (related to CASHES)**

As indicated in the addendum to the circular of 31 January 2009 and following the Avenant to the Protocole d'Accord, Fortis will no longer be required to make an upfront payment of EUR 2.35 billion for the cancellation of the Relative Performance Note ("RPN") related to the CASHES.

The original RPN remains in place until the reimbursement of all of the CASHES. The RPN in itself does under normal circumstances not lead to cash flows at any time. However, BNP Paribas and Fortis have agreed to a quarterly cash settlement between Fortis and Fortis Bank based on the value of the RPN as described below ("reference amount"). The amount to be settled is the interest on the reference amount at a rate of EURIBOR 3 months plus 20 basis points ("interest"). Under normal circumstances, the reference amount itself does never become due and payable, but only the interest thereon. Only if one of the parties goes into liquidation or otherwise defaults on its payment obligations in respect of the agreed interest, the reference amount at such time becomes due and payable in favour of the non-defaulting party, subject to an agreed cap of EUR 2.35 billion.

It should be noted that Fortis Bank received a guarantee from the Belgian State on the possible interest payments due by Fortis holding.

### **How does the RPN mechanism work?**

At inception, the CASHES instrument was issued for a total amount of EUR 3 billion. At the same time, 125,313,283 shares were issued at a price of EUR 18.75 per share (totalling EUR 2.35 billion).

The value of the RPN (the reference amount) is determined by:

- The difference between the original amount issued (EUR 3 billion) and the fair market value of the CASHES instrument
- The difference between the original value of the Fortis shares issued (EUR 2.35 billion) and the fair market value of the Fortis shares

The value of the RPN is the difference between the change in value of the CASHES (from inception) and the value of the Fortis shares (from inception).

However, the parties agreed that the reference amount on which future interest payments (either by Fortis Bank or Fortis Holding) is based, will be capped at EUR 2.35 billion.

In simple terms, if the CASHES drop more in value than the Fortis shares, Fortis holding will receive a payment from Fortis Bank; if the Fortis shares drop more in value than the CASHES, Fortis holding will be required to make an interest payment on the reference amount to Fortis Bank.

### **Example:**

The reference amount, the basis for the quarterly interest calculation, is calculated as follows :

<u>Fair value CASHES :</u>	
Prices CASHES at inception	100%
Market price CASHES	25%

Difference between original value and market value CASHES:

EUR 3.0 bln – (EUR 3 bln \* 25%) = **EUR 2.25 billion**

Fair value underlying FORTIS shares :

Issue price Fortis shares : EUR 18.75  
Market price Fortis shares : EUR 1.50

Number of shares issued : 125,313,283

Difference between original value and market value Fortis shares :

EUR 2.35 billion – (125,313,283 \* EUR 1.50) = **EUR 2,162 billion**

In this example, the reference amount is **EUR 88 million**. As the value decrease of the CASHES is larger than the value decrease of the underlying shares, Fortis Bank will have to make an interest payment on the reference amount to Fortis Holding.

The interest payment in this example can be calculated as follows (using rates at 2 February 2009) :

EURIBOR (3 months)	2.2%
<u>Basis points</u>	<u>0.2%</u>
<b>Total</b>	<b>2.4%</b>

The interest paid to Fortis Holding (on a quarterly basis) would be **EUR 0.5 million** (EUR 88 \* 2.4%)/4.

**In a second example** we would assume that the Fortis share price is EUR 1.40 while the value of the CASHES is 30%.

This would result in the following calculation :

Fair value CASHES :  
Prices CASHES at inception 100%  
Market price CASHES 30%

Difference between nominal value and market value CASHES

EUR 3.0 billion – (EUR 3 billion \* 30%) = **EUR 2.1 billion**

Fair value underlying FORTIS shares :

Issue price Fortis shares : EUR 18.75  
Market price Fortis shares : EUR 1.40

Number of shares issued : 125,313,283

Difference between nominal value and market value Fortis shares :

EUR 2.35 billion – (125,313,283 \* EUR 1.40) = **EUR 2,175 billion**

The reference amount is **EUR 75 million**. As the value decrease of the CASHES is lower than the value decrease of the underlying shares, Fortis holding will have to make an interest payment to Fortis Bank.

Based on the above mentioned interest rate, this would lead to an interest payment by Fortis holding of EUR 0.5 million (on a quarterly basis).