

# Shareholder circular



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# 1. Introduction

This shareholder circular has been published by Fortis in the context of the upcoming General Meetings of Shareholders. As announced on 31 October, these meetings will be held respectively in Utrecht, the Netherlands on 1 December 2008 and in Brussels, Belgium on 2 December 2008. This document aims to provide comprehensive background information on the recently announced transactions that were concluded with the governments of Belgium, The Netherlands and Luxembourg and with BNP Paribas. Furthermore, this circular provides an overview of the remaining activities of Fortis.

This document complements the set of documents at the disposal of shareholders for the General Meetings. In addition to this shareholder circular, you have received the explanatory note to the agendas of the General Meetings of Shareholders and, insofar as Fortis SA/NV is concerned, a special report by the Board of Directors in accordance with Article 633 of the Belgian Companies Code.

As set out above, in preparation of the General Meeting of Shareholders of Fortis SA/NV in Brussels, Fortis has published a special report by the Board of Directors with respect to the application of Article 633 of the Belgian Companies Code. This article provides that a shareholders' meeting should be convened within two months in case the net assets of a company have decreased to an amount less than half of the company's registered capital. The shareholders' meeting should deliberate and decide whether or not to continue the company's activities.

As further detailed in the special report, the Board is of the opinion that dissolving and liquidating Fortis SA/NV will not result in maximizing shareholder value in current distressed markets. Hence it has put forward a proposal to continue the activities of Fortis SA/NV.

The Board will make every effort to present at a later stage a more elaborated strategic plan and will present an update of its strategy at the Annual Shareholders Meetings, which will be held at the end of April 2009.

## 2. Letter to the shareholders

Dear Shareholder,

Fortis, like many other financial institutions, has been confronted with a systemic financial crisis of ever-growing and unprecedented proportions. Faced with this mounting turmoil and the need for immediate, resolute action, and given the role and responsibilities of the governments, Fortis had to safeguard the interests of all stakeholders by ensuring that the operations of its large banking and insurance units would continue to function. In the prevailing market conditions, this could only be realized by agreeing to sell its main banking and insurance activities to strong parties. The resulting uncertainty and loss of value for our shareholders, customers and employees is reason for deep regret – also for the Board of Directors.

Fortis, listed on Euronext, after closing of the transactions announced on 29 September, 3 October and 6 October, no longer includes the banking and insurance activities that were sold to the Dutch and Belgian states and to BNP Paribas. The Dutch banking and insurance activities were acquired by the Dutch state. The non-Dutch banking activities were acquired by the Belgian state and 75% was subsequently sold by the Belgian state to BNP Paribas. The Belgian insurance activities were sold by Fortis to BNP Paribas. The transactions with BNP Paribas are expected to be closed in December 2008.

The operations remaining within Fortis are the international insurance activities, a 66% stake in a structured credit portfolio entity to be created with the Belgian state (24%) and BNP Paribas (10%) and the financial assets and liabilities of the various financing vehicles.

This circular intends to provide shareholders with a detailed overview of the background to these recent transactions.

A proposal has been put forward to appoint a smaller Board headed by a new Chairman, Viscount Etienne Davignon. Mr. Jan-Michiel Hessels, Baron Philippe Bodson and Mr. Louis Cheung Chi Yan have been nominated as non-executive members of the Board of Directors. Mr. Karel De Boeck has been nominated as an executive Board member and as CEO. At the end of this document, you will find a curriculum vitae of these persons.

As a result of a reduction in the non-consolidated net assets of Fortis SA/NV following the various transactions, Fortis has convened a shareholders' meeting of Fortis SA/NV, in Belgium, in which the shareholders will be asked to deliberate and decide whether or not to continue the activities of Fortis SA/NV.

The Board is of the opinion that dissolving and liquidating Fortis SA/NV will not result in maximizing shareholder value in current distressed markets. Hence it has put forward a proposal to continue the activities of Fortis SA/NV.

The new Board and management team of Fortis will do its utmost to maximize value for the Fortis shareholders.

Jan-Michiel Hessels  
Vice-Chairman FORTIS

## 3. Chronology

This section provides an overview of the recent events in Fortis's history as from April 2007. It will situate Fortis against the backdrop of a mounting financial crisis of unprecedented proportions affecting financial institutions worldwide. This systemic crisis ultimately threatened the liquidity of Fortis and led to the transactions with the Belgian, Luxembourg and Dutch states and with BNP Paribas.

### 3.1. Overview of events since April 2007

#### 3.1.1. Chronology of events from April 2007 until the end of August 2008

On 13 April 2007, Fortis announced the formation of a banking consortium with Royal Bank of Scotland Group (RBS) and Banco Santander with a view to formulating a proposed offer for the Dutch bank ABN AMRO Holding N.V. ("ABN AMRO"), in a rival bid to the one made by Barclays.

On 23 April 2007, ABN AMRO made public Barclays' offer, recommended by its management, as well as the sale of its subsidiary, the bank Lasalle, to Bank of America.

On 27 April 2007, the consortium announced its intention to launch in turn a public offer of acquisition for 100% of the ABN AMRO shares issued and in circulation.

On 29 May 2007, Fortis, RBS and Santander announced their proposed offer for ABN AMRO; the proposed price was EUR 38.40 per share, with approximately 79% payable in cash; the terms of this offer were more favourable than those of Barclays.

The offer was revised on 16 July 2007. The price per share remained the same, but the cash component increased to approximately 93% of the price. Fortis's share of the acquisition price was approximately EUR 24 billion.

The launch of the offer via the shared acquisition vehicle RFS Holdings B.V. was announced on 20 July 2007. Fortis held 33.8% of RFS Holdings B.V. In press releases dated 12 and 13 July 2007 and in the Offer Memorandum of 20 July 2007, Fortis set out how it intended to finance its portion of the purchase price. The Offer Memorandum stated (p. 90):

*"Fortis intends to finance its portion of the consideration to be paid by RFS Holdings in the Offer and the U.S. Offer, which portion Fortis expects to amount to approximately EUR 24 billion, by means of the following sources:*

- net proceeds of an equity offering by Fortis of up to EUR 13 billion, which offering will be made in the form of a non-statutory rights offering and offering of shares representing unexercised rights in accordance with applicable Belgian and Dutch and other applicable law;*
- net proceeds of the placement of conditional capital exchangeable notes ("CCENs"), a new contingent core Tier I capital instrument issued on 11 July 2007, raising EUR 2 billion; and*
- the remaining part from the proceeds of a combination of (i) the issuance of various securities; (ii) the sale of specific non-core assets of Fortis that Fortis may complete prior to the completion of the*

*Offer; and (iii) other internal financial resources including but not limited to cash on Fortis's balance sheet."*

On 6 August 2007, a 95.45% (Brussels) and 96.12% (Utrecht) majority of Fortis's shareholders approved Fortis's participation in the offer for ABN AMRO, and the principle of a capital increase intended to partially finance that acquisition.

The Dutch authorities finally gave their consent to the acquisition offer on 17 September 2007, while attaching various conditions. Amongst other things, the authorities stated that their prior approval would be required for each key stage in the separation of ABN AMRO and the integration of its operations within the respective members of the consortium.

On 21 September 2007 ahead of the rights issue, Fortis issued a trading update on the first nine months of 2007. In this press release Fortis provided an update on its risk exposure and more details on the profile of its structured credit exposure and other risk related assets by business segment.

In the context of the financing of the acquisition of the ABN AMRO assets, Fortis announced on 21 September 2007 a EUR 13.4 billion rights issue at EUR 15.00 per share. On 11 October 2007, Fortis announced a successful closing of the offer with a 97.995% acceptance.

The acquisition of ABN AMRO was approved by the European Commission on 3 October 2007, subject to the implementation of structural measures comprising the disposal of certain ABN AMRO operations in the Netherlands.

On 8 October 2007, the consortium announced that it had acquired 86% of ABN AMRO's shares. Following the reopening of the offer, the consortium increased its holding in ABN AMRO to 98.8%.

On 10 October 2007 RFS Holdings B.V. declared the public offer unconditional and made it payable on 17 October 2007. Fortis paid the amount of the purchase price of EUR 24 billion that was due in October 2007. In November 2007 RFS Holdings B.V. started a squeeze-out procedure in order to obtain the ABN AMRO shares still held by minority shareholders. On 24 September 2008, the consortium announced that it had completed the squeeze-out procedure, as a result of which RFS Holdings B.V. became the sole shareholder of ABN AMRO.

Upon the acquisition of ABN AMRO in October 2007, the rating agencies Standard & Poor's and Fitch affirmed that the ratings for Fortis remained unaltered.

On 8 November 2007, Fortis published a nine-month net profit of EUR 3.6 billion. Fortis, in line with the market, disclosed some details on its structured credit portfolio. It stated that more than 97% of the EUR 53 billion assets were rated AAA, AA or A. Fortis anticipated that if the current market environment would persist, by year-end net exposure of the subprime CDO portfolio would be less than 10% of the total structured credit portfolio and would consist only of Super Senior tranches in High Grade and Mezzanine. Finally, Fortis reiterated its net profit outlook for the full year of EUR 4.2 billion before divestments, barring unforeseen circumstances and in particular no further deterioration in asset values.

On 13 November 2007, Fortis finalised the sale of its holding in its Spanish joint venture, CaiFor, to La Caixa for a total consideration of EUR 980 million. The capital gain of EUR 950 million also contributed to the financing of the acquisition of the ABN AMRO assets.

On 30 November 2007, Fortis successfully placed the offering of Convertible and Subordinated Hybrid Equity-linked Securities, the so-called CASHES, for an amount of EUR 3.0 billion.

On 7 December 2007, Fortis Bank Nederland (Holding) N.V., Fortis Bank NV/SA, Fortis SA/NV and Fortis N.V. issued Mandatory Convertible Securities (MCS) with a nominal amount of EUR 2 billion in the context of the financing of the ABN AMRO transaction. The instrument is mandatorily convertible on 7 December 2010.

On 27 December 2007, Fortis announced the sale of its stake in ICBC (Asia) to ICBC, the parent company of ICBC (Asia) for a total consideration of EUR 170 million. The sale was part of the plan to finance the acquisition of certain parts of ABN AMRO.

On 27 January 2008, Fortis published a trading update in which it confirmed a sound capital and solvency position and unchanged dividend policy. A profit forecast for the full year 2007 was published taking into account very stringent and market consistent assumptions with respect to subprime exposures.

On 31 January 2008, Fortis received the permission of the Dutch regulator De Nederlandsche Bank (DNB) for the proposed demerger of ABN AMRO Asset Management. The integration of the activities within Fortis Investment Management was completed by 1 April 2008.

On 21 February 2008, Fortis announced the successful placement of a first non-dilutive Core Tier 1 Capital instrument (NITSH I) for an amount of USD 750 million.

On 5 March 2008, VINCI and Fortis entered into exclusive negotiations to create the world's leading car park operator. The transaction was expected to positively contribute to Fortis's solvency.

On 7 March 2008, Fortis reported a full year net profit of EUR 4.0 billion, including the result on the divestment of CaiFor. The result included a total impairment as a result of the credit market turmoil of EUR 3.0 billion before tax. In its press release and in the analyst presentation Fortis provided extensive details on its structured credit exposure and gave a significant amount of detail on each specific product group within this portfolio. In the next quarter results publications, these data were consistently updated and complemented with the most recent available information.

On 19 March 2008, Fortis and Ping An jointly announced the signing of a Memorandum of Understanding to form a global asset management partnership. Ping An intended to acquire a 50% equity stake in Fortis Investments, the global asset management arm of Fortis, for a consideration of EUR 2.15 billion.

On 13 May 2008, Fortis reported a net profit for the first quarter of 2008 of EUR 808 million, including a net of tax impact of EUR 380 million on the structured credit portfolio due to the credit market turmoil. In this context, the CEO, Jean Paul Votron was quoted as follows: *"These continue to be highly challenging times, as reflected by the further deterioration of financial markets in the second half March 2008. While it is clear that that the US economy is suffering, it is still uncertain how the crisis will impact other economies, which*

*in turn could affect commercial activity. We believe that the environment will continue to be challenging for the foreseeable future... In summary, the environment remains challenging, but we will continue to take whatever steps are necessary to navigate successfully through the current crisis..."*

On 20 May 2008, Fortis announced that ABN AMRO had begun talks to acquire the remaining stake in ABN AMRO Verzekeringen from Delta Lloyd.

On 22 May 2008, Fortis reported progress in the integration of ABN AMRO. It reconfirmed the timetable for the full integration of the businesses acquired from ABN AMRO. It also reconfirmed its earlier statement on the level of the synergies potential (for an amount of EUR 1.3 billion) to be realized by the end of 2010.

On 23 May 2008, Fortis successfully placed EUR 625 million via a so-called non-dilutive Core Tier 1 Capital Instrument (NITSH II).

Share prices started to decline as of mid May 2008. This worldwide fall in share prices also affected the value of Fortis's portfolio of financial instruments at a time when it was obliged to proceed with the disposal of non-essential ABN AMRO assets. The Fortis group therefore suffered from a general lack of confidence between the banks on a global level. On 13 May 2008, Fortis reported a negative impact of EUR 1.2 billion (net of tax) on solvency as a result of the adverse evolution of equity markets in the first three months of 2008. Further declines in equity markets during the second quarter of 2008 resulted in an increase of this negative impact.

In the context of the acquisition of ABN AMRO activities, Fortis made commitments to the European Commission (EC), which aimed to address the EC's concerns regarding the concentration in the Dutch banking market resulting from Fortis's acquisition of certain ABN AMRO activities. The expected proceeds of this divestment (the "EC remedies") were significantly lowered in the course of the second half of May – early June 2008. Original estimations were based on a slightly positive impact on solvency.

The combination of different factors (lower proceeds from the EC remedies and the planned acquisition of the remaining stake in the Dutch insurance joint venture with Delta Lloyd) as well as the anticipation of a continued challenging market environment and the decision to take a prudent stance on required capital in the current environment prompted Fortis to accelerate the execution of its capital plan. On 26 June 2008, Fortis announced an equity raising of EUR 1.5 billion by means of an accelerated bookbuild offering and a series of supplementary measures. These supplementary measures may be summarised as follows:

- The decision not to pay an interim dividend in 2008 and to propose a full-year 2008 dividend in shares;
- The implementation of a capital-relief programme (through the securitisation of certain assets) and a real-estate sale-and-lease-back operation for approximately EUR 1.5 billion;
- The issue of non-dilutive Core Tier 1 instruments for a sum of EUR 2 billion;
- Additional disposals of non-strategic assets, which were expected to improve solvency by approximately EUR 2 billion.

Fortis anticipated that the announcement of its accelerated capital plan would have a positive impact on the market's perception of Fortis's financial situation. It quickly became apparent, however, that the anticipated effect was not achieved, to the extent that Fortis's closing price, which stood at EUR 12.65 on 25 June 2008, fell to EUR 10.20 on 26 June 2008.

On 2 July 2008, Fortis, ABN AMRO and Deutsche Bank announced the signing of an agreement by which Deutsche Bank would acquire from ABN AMRO parts of its commercial banking activities in the Netherlands. The transaction remained subject to approval by the EC and DNB but was expected to have a negative impact on solvency of around EUR 1.1 billion. The sale of the businesses was in line with the commitments that Fortis made to the EC on 3 October 2007, aimed at addressing the EC's concerns regarding concentration in the Dutch banking market resulting from the acquisition of certain ABN AMRO assets.

On 9 July 2008, Fortis announced the sale of International Asset Management (IAM), one of the former subsidiaries of ABN AMRO Asset Management, to its management team. The transaction had a positive solvency relief of EUR 40 million.

On 11 July 2008, the Fortis Board of Directors announced that it was terminating, by mutual agreement, Mr. Jean-Paul Votron's mandate as Chief Executive Officer. Mr. Herman Verwilt was designated as his temporary successor, in order to give Fortis the necessary time to select a new Chief Executive Officer.

On 15 July 2008, Fortis issued a statement in response to exceptional market speculation. It reconfirmed the adequacy of the measures disclosed on 26 June and stated that it did not envisage any additional capital increase.

On 17 July 2008, the rating agency Standard & Poor's decided to lower the rating of Fortis by one notch, to A with a stable outlook.

In July 2008, Fortis launched a communication initiative with the aim of establishing an open and permanent dialogue with all interested parties. Fortis responded in writing to all the questions that were raised by small shareholders' organisations, such as the VEB in the Netherlands and Deminor and Test-Aankoop/Achats in Belgium. Fortis's responses were published in a press release on 17 July 2008.

In the same context, Fortis announced on 19 July 2008 that it had opened the website [www.vosquestions.fortis.be](http://www.vosquestions.fortis.be) and equivalents in Dutch and English to enable anyone to submit their questions to Fortis. As of today's date, more than 150,000 people have visited the site and more than 10,000 questions have been posted.

On 1 August 2008, Fortis announced that Gilbert Mittler would from then on devote his time to the role of special advisor to the CEO. The Chief Financial Officer, Chief Risk Officer and General Counsel would report directly to the CEO.

On 4 August 2008, Fortis reported a first half year net profit of EUR 1,638 million, including a EUR 591 million net of tax impact of the credit market turmoil. Core equity stood at 30 June 2008 at EUR 24.6 billion, well above Fortis's target capital level of EUR 20.6 billion.

On 18, 20 and 21 August 2008, Fortis organised three shareholder information sessions in Amsterdam and Brussels. In the course of these meetings, Fortis provided the necessary information on the state of its business, the reasons behind the solvency plan and how it intended to implement it.

On 21 August 2008, Fortis announced the sale of ABN AMRO TEDA to Old Mutual for a cash consideration of EUR 165 million which was expected to provide a solvency relief of approximately half of the cash consideration.

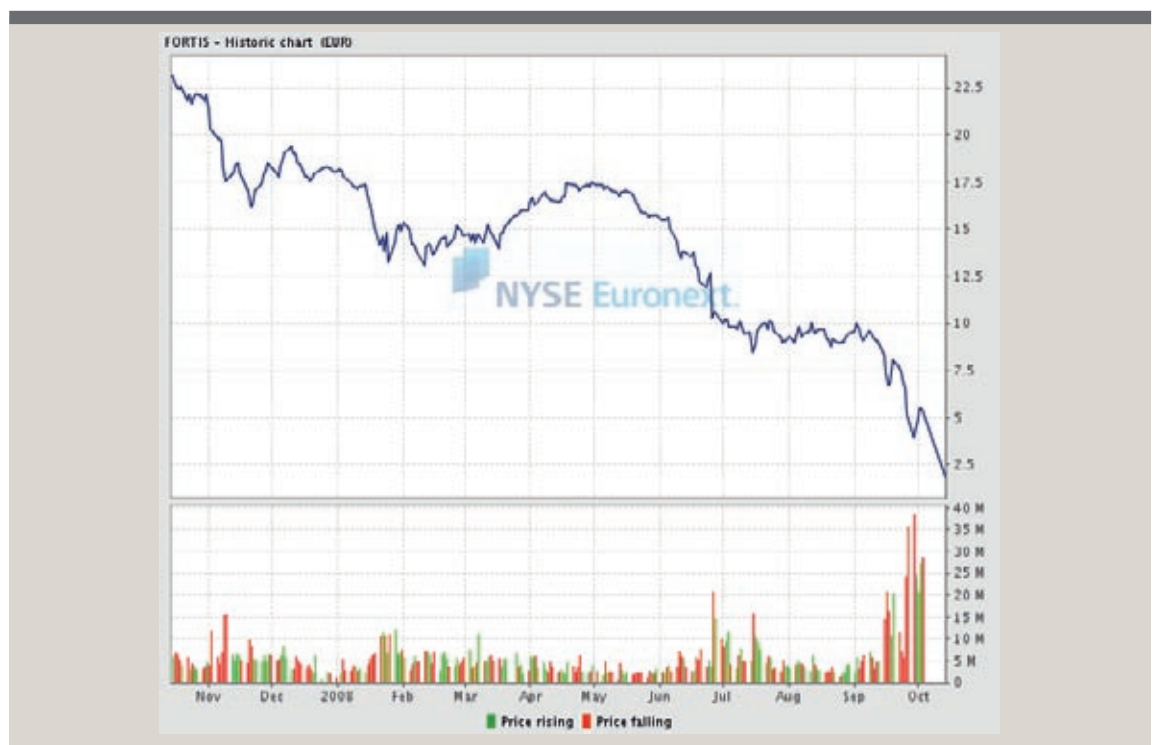
## 3.2. Overview of the recent transactions

### 3.2.1. Overview of the main events since the beginning of September 2008

The situation on the financial markets appeared to stabilise in July and August 2008, as did the price of the Fortis share.

However, in September 2008, events were suddenly unleashed that absolutely no one could have anticipated. In September 2008, the impact of the credit crisis made itself felt in full at global level. On 7 September 2008, the US authorities took control, at a cost of USD 100 billion, of Fannie Mae and Freddie Mac, America's two key mortgage lenders. On 13 and 14 September 2008, one of the world's largest investment banks, Merrill Lynch, was taken over by Bank of America, while Lehman Brothers was declared bankrupt. As a consequence, the stock markets plummeted, resulting in the greatest drop of the indices since 9/11.

Fortis's share price was heavily impacted in the month of September 2008. Rumours circulated regarding a new capital increase by Fortis. Fortis denied these rumours several times. Fortis's share price declined steadily and rapidly in the course of this period, as shown by the graph below, as, moreover, did most European and North American stock market indices.



The share price thus fell from EUR 9.57 on 1 September 2008 to EUR 6.53 on 25 September 2008.

### 3.2.2. Events during week 38-39 (16-28 September)

The global financial situation continued to deteriorate. On 16 September 2008, the US authorities nationalised the largest American insurance company, AIG.

In that same week, rumours began to circulate regarding Fortis's liquidity position, prompting Standard & Poor's to raise questions on the subject.

These rumours affected the interbank credit market, which enables banks to finance their day-to-day debts amounting to billions of euros. As far as liquidity is concerned, Fortis's net cash position showed a day-to-day volatility under normal conditions of several billion euros.

However Fortis's solvency remained good (all the solvency ratios, internal targets and those imposed by the external regulators, were met) and the liquidity situation enabled Fortis to meet its liabilities in what was an especially tense and nervous market.

The credit crisis not only affected Fortis. On 18 September 2008, the British bank Halifax Bank of Scotland (HBOS) had to be taken over by Lloyds TSB. On 20 September 2008, the US President asked the American Congress for formal approval of a series of support measures for the US financial sector, to the amount of USD 700 billion.

On 21 September 2008, Goldman Sachs and Morgan Stanley lost their status as pure investment banks, obliging them to accept more stringent oversight.

On 25 September 2008, Washington Mutual, America's largest savings bank, was sold to JP Morgan in an emergency sale. The US Congress refused to vote in favour of the USD 700 billion rescue package on its first passage. Fortis's share price fell sharply that day, reaching a level of EUR 6.53 at the close of trading in the wake of false rumours spread in the market, to the effect that the Dutch central bank had asked Rabobank to provide Fortis with liquidity support. Following consultation with the regulators, it was decided to issue a press release refuting these false rumours.

Later that evening, the CBFA, the Belgian regulator, advised Fortis to perform an immediate review of its strategic options, among them seeking the support of a strong external partner, because of the turmoil reigning in the markets and which was particularly affecting Fortis. This recommendation was reiterated by the CBFA to Mr. Lippens on the morning of 26 September.

On **Friday 26 September 2008** financial markets were very difficult again with financials, and Fortis more specifically, under pressure. In response to various and continued rumours and questions, Fortis decided, in consultation with the CBFA and AFM (the Dutch financial markets regulator), to provide an update on its commercial and financial situation.

At noon, Fortis published a press release in which it gave some clarification on some customer flows in the recent past, stating in particular that customer moves had occurred, but that the moves in the period since the 1st of January 2008 were rather limited.

In parallel with the publication of the press release, Mr. Verwilt and Mr. Dierckx held a press conference at which they confirmed the implementation of the solvency plan drawn up at the end of June 2008, but added that it had been decided to increase the number of operations and assets to be disposed of. This conference was immediately followed by a combined call for press and investors at which both gentlemen and the CFO answered questions from analysts, institutional investors and journalists.

Later that same afternoon (Friday 26 September), the Board of Directors of Fortis was obliged to conclude that serious measures had to be taken as a matter of extreme urgency because Fortis anticipated that at market close, it would no longer have the necessary collateral to obtain credit in the interbank market (including from the central banks). If no transaction could be negotiated during the weekend, and if the interbank market were to remain closed to Fortis, Fortis would be obliged to seek the liquidity support of the Belgian National Bank.

For that reason, the Board of Directors of Fortis took the following decisions in the afternoon of Friday 26 September:

- Fortis appointed Mr. Filip Dierckx as its new acting Chief Executive Officer, replacing Mr. Herman Verwilt, who would take no further active part in the management of the crisis. Mr. Dierckx was fully empowered to explore all possible options, including contacts with potential strategic partners, which included ING, BNP Paribas but also the Belgian government. The Board of Directors also authorised potential partners to go ahead with a limited due diligence during the weekend of 27 and 28 September 2008;
- Fortis designated Morgan Stanley as its external financial adviser.

Preliminary contacts were held with several potential strategic partners or buyers who might be interested in purchasing all Fortis's shares or certain Fortis group operations. ING and BNP verbally confirmed their interest. The Belgian state also indicated that it was prepared to take a substantial stake in the capital of Fortis.

Fortis's situation further deteriorated through the day of Friday 26 September 2008:

- Fortis's share price continued to fall;
- As a result of the ongoing market crisis, Fortis had lost access to the overnight interbank market, in which, in normal times, it raised roughly EUR 15–20 billion in liquidity;
- The bank's institutional clients had begun to withdraw substantial deposits;
- Retail customers were withdrawing their deposits, which was extremely harmful for the bank's image, even though the withdrawals themselves had a marginal impact on the liquidity of Fortis Bank;
- By the end of the day, Fortis had exhausted most of its collateral for obtaining liquidity from the central banks;
- For the first time, Fortis had had to turn to the Marginal Lending Facility provided by the Belgian National Bank for an amount of some EUR 5 billion.

The information about the various developments mentioned above, and their magnitude, only became available as the day progressed. So their combined impact only became clear towards the end of the day.

It was becoming clear that it was imperative that a solution had to be found before the markets opened on Monday 29 September 2008; failing that, the discontinuity of the banking operations was likely, since Fortis Bank was having to contend with an extremely substantial liquidity requirement. Fortis fell victim to the conjunction of three factors: alarmist rumours in the market; a precipitous fall in the share price; and loss of access to the day-to-day interbank market to raise liquidity.

During the **weekend of 27-28 September 2008**, a number of contacts were established with both a number of private investors (peers) and the public authorities. On Saturday 27 September 2008, several parties visited the data room that Fortis had provided for them.

The Belgian state informed Fortis that only ING and BNP had verbally expressed an interest at a level of EUR 1.50 per share for ING and EUR 2.00 per share for BNP. These suggestions were never confirmed in writing and were dismissed by the authorities.

The discussions with the aforementioned private investors were therefore interrupted over the course of the weekend. Fortis was not able to find a strong partner capable of bringing to Fortis the support that it required and therefore to comply with the requests made by Fortis's regulatory authority.

The Dutch, Belgian and Luxembourg authorities then decided to act in order to avoid an unacceptable level of risk of discontinuity on the part of the banking operations and the catastrophic consequences such an event would have, not only on shareholders but also, equally importantly, on customers and depositors, employees, the Benelux economy and ultimately, the entire European financial system. The governments of the three countries therefore announced at 10:30 p.m. on Sunday 28 September 2008 that they would inject EUR 11.2 billion into the group's banking entities.

The measures decided during that weekend were the result of the concerted efforts of the governments of the three countries involved, the national regulators and the president of the European Central Bank.

The Board of Directors of Fortis met on Sunday 28 September 2008 at midnight. The Board was informed of the results of the negotiations and the fact that the governments had issued press releases, stating the details of the agreement that had been concluded. The details of the intervention by the three countries were examined and duly accepted by the Board of Directors of Fortis on 29 September 2008 at 0:47 a.m. It was noted, in particular, that under the circumstances, this scenario allowed value to be preserved for shareholders, while having a positive impact on customers and other counterparties.

The measures entailed the Belgian state taking a 49.93% interest (by means of a capital increase subscribed to by the Federal Participation and Investment Corporation (SFPI/FPIM)) in Fortis Bank SA/NV for an amount of EUR 4.7 billion.

In addition, the Belgian National Bank agreed to conclude with Fortis Bank an Emergency Liquidity Assistance Agreement (ELA) intended to ensure the liquidity of the banking operations.

As its name indicates, such a credit line for extremely urgent circumstances can only be granted by the Belgian National Bank in case of urgency and for an extremely short time period; it in no way constitutes a normal credit line that can continue to be used in the medium term.

Central banks only grant such ELAs as a last resort and on a discretionary basis. Banks have no given right to obtain such ELAs. In the event that a bank requests such assistance, it must fulfil three conditions: exceptional liquidity problems without having access to another form of credit, credit granted for a very short term and conditions significantly above market conditions. In other words, strictly temporary assistance.

The Grand Duchy of Luxembourg agreed to provide Fortis Banque Luxembourg S.A. (a 99.92%-owned subsidiary of Fortis Bank) with a loan of EUR 2.5 billion in the form of a loan convertible into shares. The Luxembourg state would hold 49.9% of the capital of the Luxembourg bank on conversion.

The Dutch government announced that it would take a 49.9% stake in the capital of Fortis Bank Nederland (Holding) N.V., a wholly owned subsidiary of Fortis Bank, for an amount of EUR 4 billion. (This participation was never implemented, as will be explained below).

It was also agreed that the shares of ABN AMRO would be disposed of. Lastly, Mr. Lippens informed the Board that he would resign from his position as Chairman of the Board of Directors of the two parent companies. Awaiting the nomination of a new Chairman Mr. Hessels, Vice-chairman, took over as acting Chairman.

The Board of Directors of Fortis accepted the transaction described above.

On 29 September 2008, Fortis issued a press release confirming the aforementioned transactions and decisions and also announcing to book further value adjustments of around EUR 5 billion after tax to be booked in the third quarter. This decision was taken as a result of the change in strategy, the deteriorating business environment and the decision to further de-risk the balance sheet. The value adjustments related to among others the deferred tax assets, goodwill on the separately managed asset managers and the structured credit portfolio.

### 3.2.3. Events during week 40 (29 September - 5 October)

On 29 September 2008, the next morning, before the markets opened, the Board of Directors of Fortis Bank carried out a capital increase in the framework of the authorised capital without preference rights in favour of the Federal Participation and Investment Corporation (SFPI/FPIM) for a consideration of EUR 4.7 billion.

That same day, the Competition Council granted an exemption from the duty to suspend closing pending a decision from the Council, in the event that the transaction should be notified to the Council in accordance with the Law on the protection of economic competition.

The parties hoped that the crisis had now passed and that business could return to normal. In the days that followed, the parties negotiated the implementation of the agreements that had been concluded during the weekend, with both the Luxembourg government and the Dutch government. A term sheet was signed on 30 September 2008 with the Luxembourg government.

## 1. The intervention of the Dutch state

The agreement with the Dutch state, by contrast, could not be implemented. Despite hopes at the begin-

ning of the week that a solution had been found and that matters would resume their normal course, the Fortis share continued to decline, reaching a closing price on 29 September 2008 of EUR 3.97.

The situation continued to deteriorate during the course of the week, due to tensions in the interbank market. Fortis found it extremely difficult to regain the confidence of the market. The problems experienced by Dexia did nothing to help the situation at Fortis.

In terms of liquidity, the situation was extremely uncertain and it was necessary to negotiate new conditions with the Belgian National Bank and also to obtain an Emergency Liquidity Agreement with the Dutch central bank. Withdrawals by institutional clients and by companies had increased substantially.

By the **evening of 1 October 2008**, EUR 51.3 billion of the Emergency Liquidity Agreement from the Belgian National Bank had been utilised out of the EUR 57.6 billion available.

Having analysed the situation, the Board of Directors of Fortis considered several scenarios for disposing of the operations of ABN AMRO and of Fortis Bank Nederland, while indicating the desire to preserve the insurance operations.

On **Thursday 2 October 2008**, EUR 51.7 billion of the emergency loan from the Belgian National Bank had been used out of the EUR 57.9 billion available, and the Emergency Liquidity Agreement that had just been agreed by the Dutch central bank had been fully utilised to a level of EUR 7 billion, leaving Fortis with virtually no room to manoeuvre.

ABN AMRO, despite not being consolidated by Fortis, also began to experience liquidity problems as its customers associated it with Fortis.

That same day, a crisis meeting was held at the CBFA attended by the Belgian and Dutch authorities, as well as by Fortis. The Belgian government then informed Fortis that the Dutch central bank, the DNB, had announced its intention to place the group's Dutch banking and insurance activities under administration the following day, 3 October 2008. The Dutch authorities indicated to the Belgian state and to Fortis that they would not accept a situation in which the operations in the Netherlands were exposed to risk due to problems encountered by the Belgian banking activities.

The following day, the Dutch authorities publicly justified their stance by stating that they wished to preserve the "healthy" part of the group's operations which were located in the Netherlands, implying at the same time that the Belgian part of the operations was not viable.

These statements were formally refuted by the Belgian Prime Minister and the Belgian government, who indicated in particular that a substantial proportion of the exceptional credit lines granted to Fortis Bank by the Belgian National Bank had actually served to finance the Dutch banking operations. This fact was confirmed by Fortis.

It was feared, however, that if the operations in the Netherlands were placed under the administration of the Dutch government, the repercussions on the market would have been such as to endanger the rescue of the Belgian part of Fortis's operations.

The combination of several elements, and more specifically the liquidity requirements on the part of Fortis, which had exhausted the lines of credit granted by the central banks, led to fears of the imminent failure of the Fortis group's Belgian banking entities, or even the group as a whole.

The Belgian authorities informed Fortis that the Dutch state was ready to take over all the group's Dutch operations for the sum of EUR 9 billion, while the Belgian state would consider taking over the group's Belgian banking operations with a view to selling them on in due course to BNP Paribas. The Belgian and international insurance activities were to remain within the Fortis group.

Fortis indicated that it considered the price to be much too low, given that Morgan Stanley had valued the Dutch operations at EUR 22 billion. The Belgian authorities negotiated with the Dutch authorities with the aim of preventing the failure of Fortis Bank and protecting depositors, personnel and shareholders.

The Dutch state also indicated the sale of the Dutch insurance operations, which were not experiencing liquidity problems, as a condition to the purchase of the Dutch banking activities.

Finally, after negotiations the acquisition price was fixed at EUR 16.8 billion and a Term Sheet was signed on 3 October 2008. The Dutch state also undertook to reimburse immediately the short-term debt owed by Fortis Bank Nederland (Holding) N.V. to Fortis Bank to the amount of EUR 34 billion and to convert, within a period of one month, the long-term debt of Fortis Bank Nederland (Holding) and its subsidiaries in respect of Fortis Bank, to the amount of EUR 16 billion, into negotiable financial instruments concluded on the same terms and conditions as the existing bonds, but guaranteed by the Dutch state.

The Board of Directors of Fortis expressed its view of this sale to the Dutch state during its meeting on **3 October 2008**. Having examined the elements of the transaction, the Board decided unanimously that any transaction should be subject to the sine qua non that the bankruptcy of the parent companies would be avoided.

The Board noted that Fortis's liquidity position left it with no room for manoeuvre insofar as, if it did not accept the proposed solution, the risk of failure on the part of the banking operations would become very imminent.

By the evening of 3 October 2008, EUR 54 billion had been drawn from the EUR 59 billion available from the Belgian National Bank and the Belgian National Bank Marginal Lending Facility, while the EUR 7 billion provided by the Dutch central bank had also been completely exhausted.

The Board then considered ways of preserving the maximum value for shareholders noting that the assets could not be disposed of for a price of less than EUR 16.8 billion if it was wished to preserve some residual value in the parent companies on behalf of shareholders.

The Board thus decided, having balanced the interests of the different stakeholders (shareholders, customers and employees), to accept the proposed transaction. The Board noted that Fortis had been confronted with a situation in which it had no other choice, given the circumstances.

The sale of the Dutch banking and insurance activities was duly approved by the Board of Directors of Fortis Bank and the Board of Directors of Fortis Insurance N.V.

The transaction with the Dutch government was immediately executed: the shares of the Dutch banking and insurance activities were sold on 3 October 2008, while the sale price of EUR 16.8 billion was paid and the reimbursement of the short term financing of EUR 34 billion was effected respectively on 6 and 7 October 2008.

## **2. The second intervention of the Belgian state – Securing the support of the BNP Paribas group**

Following the transfer of the operations in the Netherlands to the Dutch state, Fortis was obliged to review its options:

- Continue on a stand-alone basis with the Belgian state as a minority shareholder in the bank;
- Find a strategic partner for Fortis Bank and for all or part of Fortis's other operations;
- Sell the remaining 51% of the Belgian bank to the Belgian state, prior to a possible resale to a private investor.

Although the stand-alone scenario was possible from a solvency point of view, liquidity was the crucial factor.

Despite the anticipated substantial inflow of liquidity from the Dutch state, it was very difficult to determine whether Fortis Bank would require further emergency assistance from the Belgian National Bank in the following week.

Fortis also attempted to obtain a guarantee from the Belgian state for the liabilities of Fortis Bank.

The CBFA and the Belgian National Bank also drew Fortis's attention to the fact that they anticipated huge problems in the financial markets on 6 October, because a number of financial institutions across Europe were going to require emergency intervention from central banks at national and European level. The Belgian government argued insistently in favour of the option of transferring the operations to a third party.

The important streams of liquidity expected from the Dutch government did not solve the immediate liquidity problem with which Fortis Bank was confronted:

- An amount of approximately EUR 51 billion was expected in the short term in order to meet the most urgent liquidity needs (EUR 16.8 billion from the purchase price and EUR 34 billion from the repayment of the short term financing).
- It was very difficult to assess if and, if yes, for which amount Fortis Bank would need emergency assistance from the Belgian National Bank in the week to come. Reality shows that Fortis Bank, after 6 October 2008, remained in a very critical position with emergency credit lines from the central banks still being used on 6 October for EUR 19.7 billion, on 7 October for EUR 6.5 billion, on 8 October for EUR 12.1 billion and on 9 October for EUR 6 billion.

The decrease in the use of the ELA was due to the fact that BNP Paribas started to fund the banking activities as of 6 October 2008 as soon as the agreement in principle was reached.

During intense discussions which took place throughout the weekend of 4–5 October 2008, Fortis was informed of the valuations circulating in the discussions between BNP Paribas and the Belgian state and concluded that, if the transaction were to proceed on that basis, the consequence would be that while Fortis Bank would be saved, the holding companies would face bankruptcy. It was essential for Fortis that the operation to be put in place should leave the holding companies with sufficient liquidity to enable them to meet

their liabilities, while preserving a certain value for shareholders. In the plan being envisaged at that moment, the Belgian state was proposing to buy the balance of shares of Fortis Bank for a symbolic one euro.

Fortis's Board then wrote to the Belgian prime minister and to the finance minister to inform them that this solution was unacceptable as it did not protect the parent companies against bankruptcy. The bankruptcy of the parent companies would have had a dramatic impact on the Belgian economy in so far as it would have been equated with the failure of the bank and would have caused the panic in the markets that everybody wanted to avoid.

This intervention on the part of Fortis allowed the terms of the transaction to be framed in such a way as to ensure the survival of the Fortis group companies, following the sale of the banking and insurance operations, and preserve a certain value for the shareholders.

The Belgian state continued its discussions with BNP Paribas. The following overall solution, taking account of the concerns expressed by Fortis in the morning, was announced in a government press release at around **11 p.m. on 5 October**:

- The purchase by the Federal Participation and Investment Corporation (SFPI/FPIM) of the balance of Fortis Brussels' stake in Fortis Bank (50% plus one share) for the amount of EUR 4.7 billion in cash;
- The creation of a new company ('NewCo') to be financed 66% by Fortis, 24% by the SFPI/FPIM and 10% by BNP Paribas, for the purpose of acquiring a portfolio of structured credits from Fortis Bank for an amount of EUR 10.4 billion;
- The conclusion by the SFPI/FPIM Fortis and BNP Paribas of head of terms under which the SFPI/FPIM would transfer to BNP Paribas 75% of the shares of Fortis Bank, while retaining the balance of 25%. In return for this contribution, the SFPI/FPIM would receive an 11% shareholding in BNP Paribas. Implementation of this agreement has been made subject to fulfilment of various conditions precedent;
- The direct sale by Fortis Insurance N.V. to BNP Paribas of 100% of the shares of Fortis Insurance Belgium for a price of EUR 5.5 billion in cash, subject to an upwards closing adjustment of maximum EUR 225 million; this sale is subject to the same conditions precedent as the contribution of the shares of Fortis Bank to BNP Paribas by the SFPI/FPIM;
- The acquisition by BNP Paribas (directly or indirectly) of 67% of the shares of Fortis Banque Luxembourg, with the Luxembourg state to acquire the balance;
- The announcement of a future study into the pro rata redistribution to Fortis shareholders of any capital gain realised by the SFPI/FPIM on its stake in BNP Paribas.

It should be noted that Fortis Investment Management with its asset management activities and Fortis Real Estate which, as the name indicates, owned Fortis's real estate portfolio, were indirectly transferred to BNP Paribas because they were subsidiaries of Fortis Bank and Fortis Insurance Belgium respectively.

The Board of Directors of Fortis met again at **2 a.m. on 6 October 2008** to formulate its position on the proposed solution.

During this meeting, Morgan Stanley, Fortis's financial adviser, calculated the theoretical value of the Fortis share on implementation of these operations at the amount of EUR 4-5, while noting that the stock market price would probably be lower than this and that the market would be extremely volatile.

The agreement in principle was reached on 5 October 2008. However, before the signing of the final agreement on 10 October 2008, and at the request of BNP Paribas and the Belgian state, Fortis agreed to pay an additional EUR 2.35 billion to Fortis Bank within the framework of a set of contracts linked to the CASHES instrument. As a result of this payment, the equity value of Fortis was lower than initially anticipated. The details and the impact of this transaction on the equity value of Fortis were part of the press release of 14 October 2008.

It was indicated that the Belgian government did not see any alternative solution and that the proposed transaction would ensure the continuity of the banking and insurance operations, thereby meeting the principal concern of the public authorities.

The Board noted that, based on the available information, the transaction would allow:

- Fortis SA/NV and Fortis N.V. to remain solvent;
- Some value to remain for shareholders;
- Fortis SA/NV and Fortis N.V. to retain sufficient liquidity to be able to continue to operate.

The Board of Directors was confronted with a systemic financial crisis of unprecedented scope. The Board had a duty to protect the interests of all stakeholders while assuring the continued viability of the operations of its important banking and insurance operations. It had to conclude that, in the current economic context, this would only be possible by agreeing to sell those operations to solid, interested third parties. The transfer of the Belgian insurance operations became necessary, since BNP Paribas insisted to pursue Fortis's bancassurance business model.

The Board of Directors of Fortis therefore approved the solution proposed by the Belgian state at **3 a.m. on 6 October 2008**.

The CBFA decided to suspend trading in Fortis shares (see its press releases of 6 and 7 October 2008).

#### 3.2.4. Events after 6 October

On **8 October 2008**, the Competition Council granted an exemption from the duty to suspend closing pending a decision from the Council, in the event that the transaction should be notified to the Council in accordance with the Law on the protection of economic competition.

On **10 October 2008**, the contract to transfer 50% +1 share of Fortis Bank was signed between Fortis and the SFPI/FPIM and immediately executed. As a result, the SFPI/FPIM holds 99.93% of Fortis Bank, the balance of the shares being held publicly.

In the course of this week and in order to guarantee the liquidity position of Fortis, a discussion with the Belgian government was started on the intention to install a credit line with a maximal amount of EUR 3 billion.

The Belgian government announced in a number of press releases on 7, 10 and 13 October 2008 the creation of a fund into which it will pay part of any capital gain and income it may receive through its participation in BNP Paribas. The fund will be distributed on 1 July 2014. Participation in this fund is subject to various conditions, including being a natural person, a Belgian or Belgian resident or having the nationality

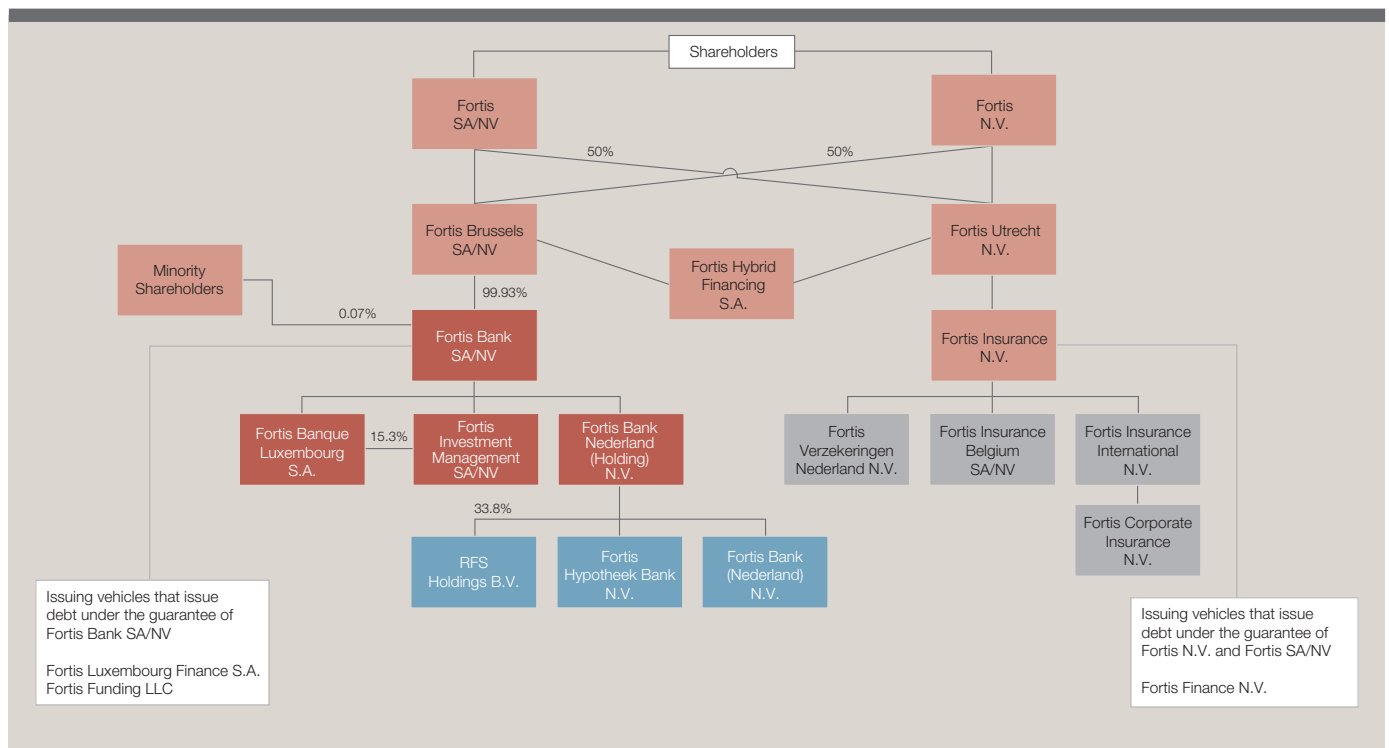
of a European Union Member State and proving that the applicant was a Fortis shareholder on 1 July 2008; participation in the fund is also subject to an upper limit of 5,000 shares (see [www.belgium.be](http://www.belgium.be)).

On **14 October 2008**, Fortis issued a press release containing details of its new structure. The CBFA decided to resume trading in Fortis shares on Euronext from 11 a.m. that day.

### 3.3. Fortis structure before and after the recent transactions

The charts below envisage to clarify the changes in the structure of the Fortis group as a result of the different transactions which took place on 29 September and on 3 and 10 October respectively.

#### 3.3.1. Fortis structure before 26 September 2008



\* Fortis Investment Management SA/NV is held for 84.7% by Fortis Bank SA/NV and 15.3% by Fortis Banque Luxembourg S.A.

#### 3.3.2. Fortis structure after the closing of the transactions with the Belgian and Dutch states

On 29 September, the government of Belgium (acting through the SFPI/FPIM) invested EUR 4.7 billion in Fortis Bank SA/NV in exchange for a 49% stake in the equity of this entity.

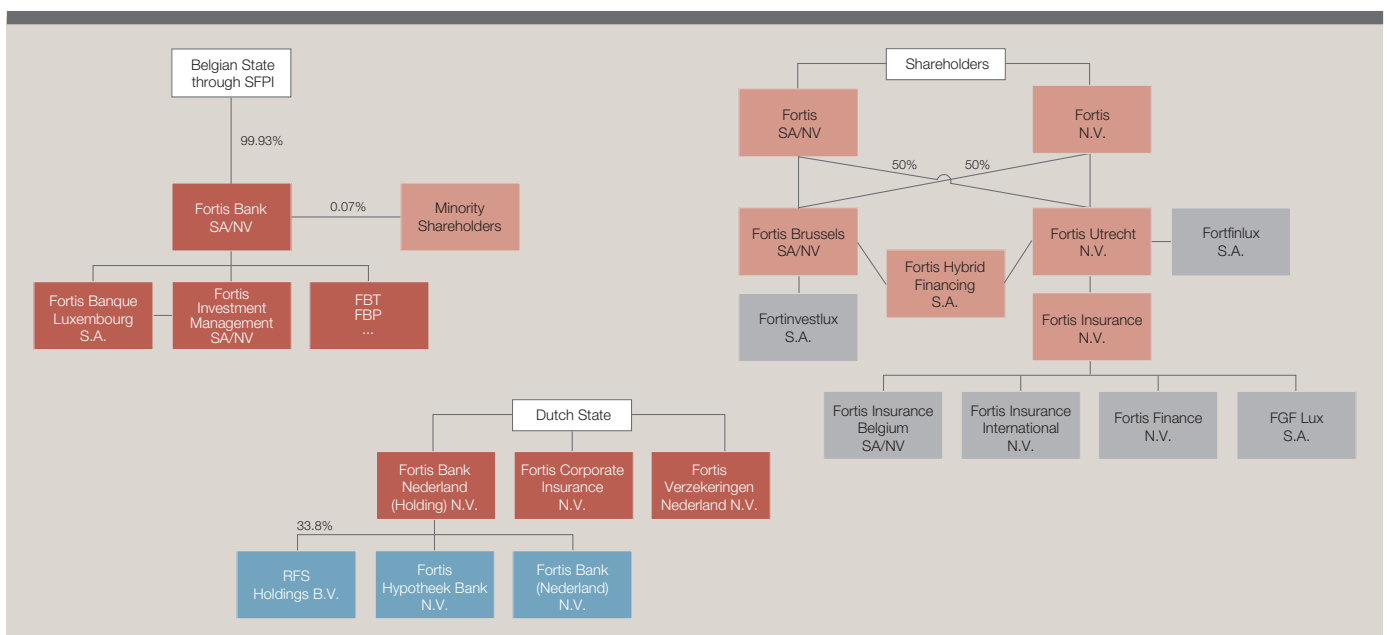
On 3 October, the Dutch government acquired Fortis Bank Nederland (Holding) N.V., including the participation in RFS Holdings B.V. (representing the acquired ABN AMRO activities), Fortis Verzekeringen Neder-

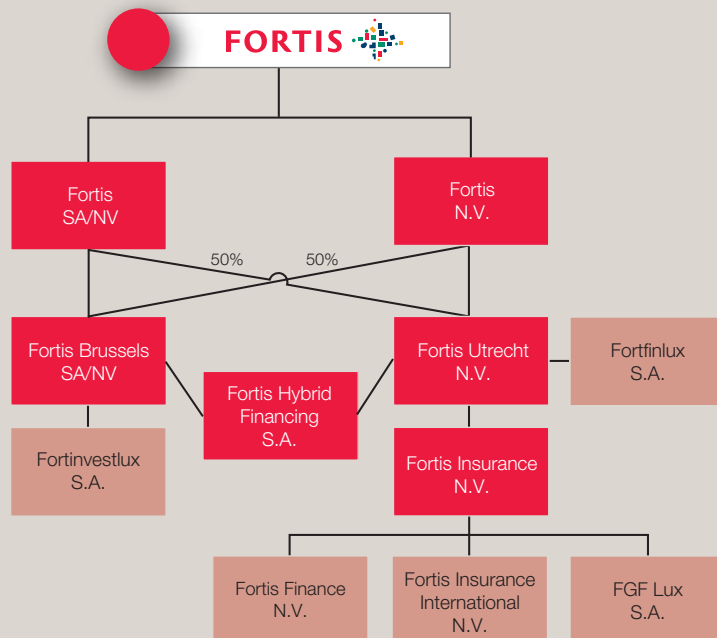
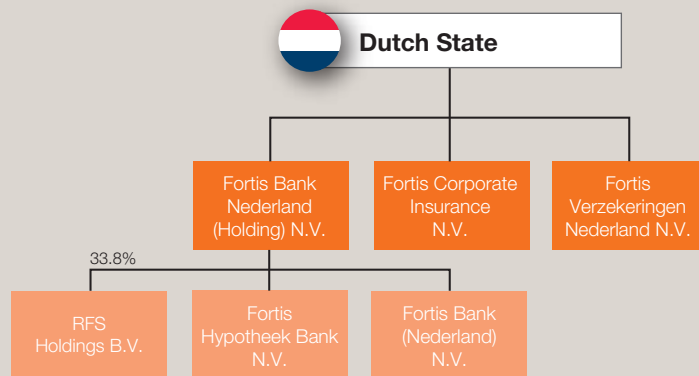
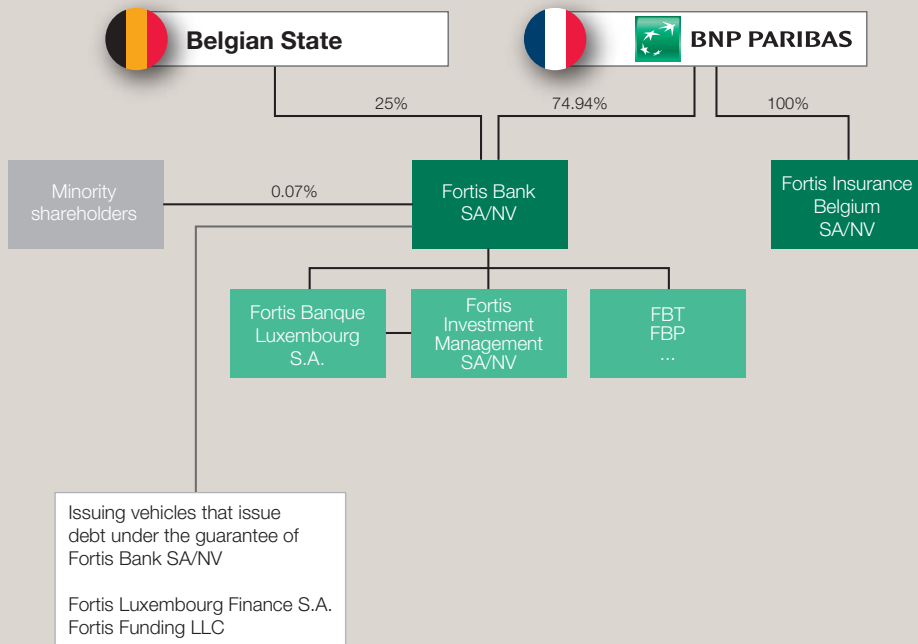
land N.V. and Fortis Corporate Insurance N.V. for a total consideration of EUR 16.8 billion. This transaction replaced the investment of EUR 4 billion by the Dutch state in Fortis Bank Nederland (Holding) N.V. previously announced on 29 September.

On 10 October, as announced on 6 October, the Belgian government (acting through the SFPI/FPIM) acquired from Fortis Brussels its remaining stake of 50% + 1 share in Fortis Bank SA/NV. The Belgian government also reached an agreement with BNP Paribas on the subsequent transfer of 75% of Fortis Bank SA/NV to BNP Paribas, with the Belgian state and the minority shareholders continuing to own the remaining 25% of Fortis SA/NV. Fortis Insurance N.V. agreed to sell 100% of the shares in Fortis Insurance Belgium SA/NV to BNP Paribas. Finally, Fortis, the Belgian government and BNP Paribas agreed to fund a new entity that would acquire from Fortis Bank SA/NV part of the latter's structured credit portfolio.

At the same time of the transfer by the Belgian state of a first stake (representing a majority stake in Fortis Bank SA/NV) to BNP Paribas, BNP Paribas will acquire from Fortis Insurance N.V. 100% of Fortis Insurance Belgium SA/NV for a total consideration of EUR 5.5 billion in cash (subject to a potential final closing adjustment of EUR 0.225 billion) and Fortis (for 66%), the Belgian state (for 24%) and BNP Paribas (for 10%) will fund the new entity that will acquire from Fortis Bank SA/NV part of the latter's structured credit portfolio. The closing of these transactions with BNP Paribas is currently expected to occur early December 2008. The transfer by the Belgian state of a further stake in Fortis Bank SA/NV, bringing the total shareholding of BNP Paribas in Fortis Bank SA/NV to just under 75%, is expected to occur at the end of December 2008 or early January 2009.

Set out below is the situation as at 10 October 2008 (i.e. before the closing of the transactions with BNP Paribas mentioned in the preceding paragraph, which are shown in section 3.3.3).





### 3.3.3. Fortis structure after the closing of the transactions with BNP Paribas

After the closing of all the transactions between BNP Paribas and the Belgian state on the one hand and between BNP Paribas and Fortis on the other hand, Fortis Bank SA/NV will be part of the BNP Paribas Group for just under 75% and the Belgian State for 25% (with approximately 0.07% continuing to be held by minority shareholders). Fortis Insurance Belgium SA/NV will be fully owned by BNP Paribas. After the closing of separate agreements with the Luxembourg state, Fortis Banque Luxembourg S.A. will be 66% owned by BNP Paribas and 33% by the Luxembourg state.

### 3.4. Board decision making and justification

It follows from this overview of the recent events that the Board of Directors had to make very difficult decisions in the face of an exceptional and sudden liquidity crisis. After making unsuccessful attempts within a very tight time frame to find a private partner to support the Fortis group as a whole, the Board had to accept the solutions proposed by the Belgian, Dutch and Luxembourg authorities with a view to safeguarding the continuity of Fortis's banking and insurance operations. The proposals made by the authorities were first and foremost inspired by the interests of the depositors and other creditors and aimed at ensuring the stability of the financial system in general.

While the Board was keenly aware of its responsibility towards depositors, customers and Fortis employees, the interest of the shareholders was at the forefront of its concerns throughout the process that led to the Board's decisions of 29 September, 3 and 6 October 2008. The Board strived to preserve value for the shareholders by insisting with the authorities that it would only accept a solution that would ensure the continuity of the remaining Fortis holding entities. Although the Board is aware that the shareholders are disappointed with the outcome of this process, the Board is convinced that the divestment of the banking and most of the insurance activities to strong partners was necessary to safeguard the future of those activities and that the conditions under which these divestments were made ensure the continuity of Fortis SA/NV and Fortis N.V.

The Board was of the opinion that Belgian law does not require approval from the shareholders' meeting of Fortis SA/NV for significant divestments of assets by subsidiaries of Fortis SA/NV. By the same token, it considered that even if relevant Dutch law rules would prescribe a shareholders' meeting of Fortis N.V., such rules would be set aside by Article 2:8 of the Dutch Civil Code if justified by reasonableness and fairness taking account of specific and pressing circumstances. Given the mounting liquidity crisis affecting Fortis's banking operations and the urgency of the situation, the Board also was unable to comply with the Fortis Governance Statement provision requiring such transactions to be submitted to prior shareholder approval, since the conclusion and prompt completion of the transactions described above were absolutely necessary to ensure the survival of the Fortis entities.

The Board is confident that its view that no shareholder approval was required will ultimately prevail in the lawsuits that were initiated or announced by a number of shareholders in Belgium and in the Netherlands. In Belgium, Fortis SA/NV currently is involved in two separate summary proceedings requesting the appointment of an ad hoc director and of experts, the suspension of the decisions of the Fortis Board of 3 and 6 October 2008 and of the sales of the shares of Fortis Bank, and the convening of a General Meeting of Shareholders to vote on the transactions. In the Netherlands, Fortis N.V. is a defendant in proceed-

ings before the Enterprise Chamber of the Amsterdam Court of Appeal requesting that the court orders an investigation into the affairs of Fortis N.V. as well as provisional orders in respect of the governance of Fortis N.V., including convening a General Meeting of Shareholders, providing a shareholder circular and information memorandum prior to such General Meeting, and the appointment of one or more independent directors.

The president of the commercial court of Brussels confirmed this view of the Board in the judgments rendered on 18 November 2008. The decisions declared ill founded all claims filed by the plaintiffs in the summary proceedings in Belgium, except for the designation of three experts.

Therefore the Board is convinced that throughout the process leading up to the transactions with the Belgian and Dutch states and with BNP Paribas, it has made every effort to further the interests of all stakeholders and to preserve value for the shareholders of Fortis SA/NV and Fortis N.V. The Board trusts that this circular provides shareholders with insight into the exceptional circumstances and mounting crisis that required the Board to take particularly difficult decisions. In addition, at the occasion of the General Meetings to be held in Utrecht on 1 December and in Brussels on 2 December, the shareholders will be able to exercise their statutory right to ask questions to the Board of Fortis N.V. and Fortis SA/NV respectively.

Going forward, the Board will do its utmost to maintain and enhance value for the shareholders.

## 4. Fortis's current activities

### 4.1 Description of key assets

After the closing of the transactions announced on the 6th of October, the new consolidation scope will be composed of:

- Fortis Insurance International N.V. (excl. Fortis Corporate Insurance N.V. (FCI), sold to the Dutch state)
- A 66% stake in a structured credit portfolio entity (a special purpose vehicle or SPV)
- The Fortis General Account, which mainly contains various financial assets and liabilities of the different financing vehicles.

#### 4.1.1 Fortis Insurance International N.V.

Fortis Insurance International N.V. is a Dutch holding company, which contains the following insurance assets:

- 100% owned subsidiaries in the U.K., France, Hong Kong, Luxembourg (Non-Life), Germany, Turkey, Russia and Ukraine
- Joint-ventures in Luxembourg (Life), Portugal, China, Malaysia, India and Thailand
- Fortis Re, a 100% owned Dutch-based re-insurance captive, will continue to be reported under Fortis Insurance International.

On 30 September 2008, Fortis Insurance International N.V. (excluding FCI) reported a consolidated balance sheet total of EUR 26.7 billion and a total consolidated equity of EUR 1.7 billion (of which EUR 0.4 billion minority interests). The consolidated net profit amounted to EUR 40 million.

#### 4.1.2 A 66% stake in a structured credit portfolio entity

Part of the structured credit portfolio of Fortis Bank will be acquired by a special purpose vehicle (SPV). The special purpose vehicle (SPV) will be jointly owned by Fortis (66%), the Belgian state (24%) and BNP Paribas (10%). All three parties are expected to participate pro rata in the equity and to procure debt funding of the SPV in the same proportions. For further details, please refer to the interim management statement annexed to this shareholder circular.

#### 4.1.3 General Account, including financing instruments

The Fortis General Account consists of the following companies:

- Fortis SA/NV and Fortis N.V., the two holding companies (Topco's)
- Fortis Brussels SA/NV and Fortis Utrecht N.V., two sub-holding companies (Subco's) which principally hold all the assets of Fortis SA/NV and Fortis N.V.
- Fortis Insurance N.V., the holding of the insurance entities (including Fortis Insurance International N.V.)
- Fortis Finance N.V., the main (long term) financing vehicle for the General Account and for the Fortis operating entities
- Financing vehicles: Fortfinlux S.A. (issuer of the FRESH), FGF Lux S.A. (issuer of convertible in FGF Lux shares), Fortinvestlux S.A. (the main assets are the forward purchased FGF Lux shares) and Fortis Hybrid Financing S.A. (issuer of Hybrone and NITSH I and II).

## 4.2 Key figures

Please refer to the interim management statement published on 14 November. This interim management statement provides a detailed overview of the most recent unaudited pro forma figures published on Fortis under its new structure as at 30 September. You can find the entire text of the interim management statement as an annex to this shareholder circular.

## 4.3 Strategy going forward

At the shareholders meeting of Fortis SA/NV the Board of Directors will ask the shareholders of Fortis SA/NV to support the continuation of its activities. The Board is of the opinion that dissolving and liquidating Fortis SA/NV will not result in maximizing shareholder value in current distressed markets. It is believed that in the current circumstances, taking into account the harsh economic conditions and a number of organisational complexities, an immediate liquidation of Fortis SA/NV would not allow to unlock all potential value present in the remaining activities and would thus not be a value-creating proposal. Hence, the Board of Directors has put forward a proposal to vote in favour of the continuation of the activities of Fortis SA/NV in spite of the losses incurred.

A special Board report has been prepared for the shareholders of Fortis SA/NV to explain the Board's view. As set out above, the Board of Directors believes that a dissolution of the company would be destructive of the value of the assets remaining in Fortis SA/NV for various reasons and would not allow to maximize value for the shareholders of Fortis SA/NV.

The Board will make every effort to formulate a plan for the future in order to create the best possible value for the shareholders and will present an update of its strategy at the Annual Shareholders Meetings, which will be held in April 2009.

## 5. Board of Directors

At the General Meetings of 1 and 2 December, the Chairman of the General Meeting will officially announce the resignation of all the current members of the Board of Directors and propose the election of a new Board of Directors.

Viscount Etienne Davignon will be nominated to hold office as the new Chairman of the Board of Directors of Fortis SA/NV and Fortis N.V. until the end of the Annual General Meeting of Shareholders in 2009 with the possibility of remaining for another year, provided the shareholders agree.

Jan-Michiel Hessels, Baron Philippe Bodson and Louis Cheung Chi Yan will be nominated for non-executive membership of the Board of Directors until the end of the Annual General Meeting of Shareholders in 2009.

Karel De Boeck will be nominated for election as executive Director until the end of the Annual General Meeting of Shareholders of 2010. He will be appointed CEO by the Board of Directors in accordance with the current Articles of Association on 2 December 2008.

In the annexes you will find a curriculum vitae of the respective nominated Board members and the proposed CEO.

# Annexes

## 1. Agendas of the General Meetings

The agendas of the General Meetings of 1 and 2 December 2008 were published on 8 November as follows:

### 1.1. The agenda for the General Meeting of Fortis N.V. to be held on 1 December 2008 in Utrecht

#### **1. Opening**

#### **2. Comments and justification regarding recent events**

Comments on and justification of the recent events and the decisions taken during the period 28 September – 10 October 2008, with respect to the intervention of the Belgian, Dutch and Luxembourg states and the future acquisition by BNP Paribas of Fortis group assets.

#### **3. Composition of the Board of Directors and remuneration**

The Chairman of the General Meeting will acknowledge the resignation of all the current members of the Board of Directors and propose the election of a new Board of Directors to the General Meeting.

3.1 Proposal to appoint Viscount Etienne Davignon as a non-executive member of the Board of Directors until the end of the Annual General Meeting of Shareholders in 2009. Viscount Etienne Davignon will hold the title of Chairman.

3.2 Proposal to appoint Mr. Jan-Michiel Hessels as a non-executive member of the Board of Directors until the end of the Annual General Meeting of Shareholders in 2009.

3.3 Proposal to appoint Baron Philippe Bodson as a non-executive member of the Board of Directors until the end of the Annual General Meeting of Shareholders in 2009.

3.4 Proposal to appoint Mr. Louis Cheung Chi Yan as a non-executive member of the Board of Directors until the end of the Annual General Meeting of Shareholders in 2009.

3.5 Proposal to appoint Mr. Karel De Boeck as a member of the Board of Directors until the end of the Annual General Meeting of Shareholders in 2010. Mr. Karel De Boeck will carry out the function of executive director and will hold the title of Chief Executive Officer in accordance with the current Articles of Association.

#### **4. Closure**

### 1.2. The agenda for the General Meeting of Fortis SA/NV to be held on 2 December 2008 in Brussels

In accordance with the Belgian law, the agenda of the General Meeting of Shareholders of Fortis SA/NV contains a specific provision which submits the continuation of the Company's business to the approval of

the shareholders. To be able to decide validly on this point, the Meeting must have the quorum of attendance required – i.e. at least 50% of the capital must be represented. If, as the experience of recent years suggests, this quorum is not reached, a new Meeting of Shareholders of Fortis SA/NV devoted exclusively to this point will be convened for 19 December 2008. In that case you will be notified on Wednesday 26 November 2008.

### **1. Opening**

### **2. Comments and justification regarding recent events**

Comments on and justification of the recent events and the decisions taken during the period 28 September – 10 October 2008, with respect to the intervention of the Belgian, Dutch and Luxembourg states and the future acquisition by BNP Paribas of Fortis group assets.

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3.2 Proposal to appoint Mr. Jan-Michiel Hessels as a non-executive member of the Board of Directors until the end of the Ordinary General Meeting of Shareholders in 2009.

3.3 Proposal to appoint Baron Philippe Bodson as a non-executive member of the Board of Directors until the end of the Ordinary General Meeting of Shareholders in 2009.

3.4 Proposal to appoint Mr. Louis Cheung Chi Yan as a non-executive member of the Board of Directors until the end of the Ordinary General Meeting of Shareholders in 2009.

3.5 Proposal to appoint Mr. Karel De Boeck as a member of the Board of Directors until the end of the Ordinary General Meeting of Shareholders in 2010. Mr. Karel De Boeck will carry out the function of executive director and will hold the title of Chief Executive Officer in accordance with the current Articles of Association.

### **4. Continuation of the business**

4.1 Special report by the Board of Directors and deliberation in accordance with Article 633, paragraph 1 of the Companies Code.

4.2 Proposal to continue the business of the company after having been informed of the measures set out in the special report aimed at turning around the financial situation of the company.

*To be able to decide validly on this fourth point, the Meeting must have the quorum of attendance required – i.e. at least 50% of the capital must be represented. If, as the experience of recent years suggests, this quorum is not reached, a new Meeting of Shareholders of Fortis SA/NV devoted exclusively to this point will be convened for 19 December 2008. In that case, shareholders will be notified by an announcement in the press on Wednesday 26 November 2008.*

## **5. Closure**

### **2. Interim Management Statement**

On 14 November Fortis issued an Interim Management Statement, focusing on the recent events and the remaining activities of the Fortis group after the closing of the transactions announced on 29 September, 3 and 6 October.

Hereafter you will find an integral version of the press release.

#### **Press release**

Brussels / Utrecht, 14 November 2008

The following information constitutes regulated information as defined in the Royal Decree of 14 November 2007 on the obligations of issuers of financial instruments that have been admitted to trading on a regulated market.

#### **Interim management statement**

Fortis, like all financial institutions, has been confronted with a systemic financial crisis of ever-growing, unparalleled proportions. Faced with this situation of mounting crisis and the need for immediate resolute action, and given the role and responsibilities of the governments, Fortis engaged in a series of transactions that changed the composition of the Group significantly. As a result, Fortis decided not to publish the regular third quarter results publications for the period ended 30 September 2008. In order to comply with the European transparency directive, Fortis decided to publish an interim management statement instead, focusing on recent events and the remaining activities of the Fortis Group after the closing of the transactions announced on 29 September, 3 and 6 October.

This interim management statement contains unaudited pro forma key figures for the Fortis Group in its new constellation consisting of the General Account (containing the holding companies and the finance companies) and Fortis Insurance International (excluding Fortis Corporate Insurance). Fortis announced that it will also take a 66% stake in a structured credit portfolio entity. This entity will not be incorporated until December 2008. Since not all transactions have closed as of the date of this interim management statement, best estimates have been used.

Fortis will publish its full year 2008 results in March 2009. The full year results will be based on the formal consolidation rules and will include the results of the divested entities until date of sale. However, these results will not impact the equity of Fortis as presented in this interim management statement as the proceeds (to be) received for the sale transactions are fixed and included as such in this pro forma interim

management statement. The third quarter results of the divested companies were negatively impacted by exceptional events mentioned in previous press releases such as value adjustments on the structured credit portfolio, impairment on deferred tax assets, impairment on the participation in RFS Holdings and impairment on the goodwill of the asset managers.

### **Headlines pro forma financial performance and position**

- Fortis confirms its financial position as announced on 14 October 2008, which has been updated to include the third quarter results
- Fortis reports a pro forma net loss attributable to shareholders in the third quarter of EUR 135 million (including eliminations)
- Fortis Insurance International pro forma net profit attributable to shareholders in the first nine months improved year-on-year to EUR 40 million as a result of an improved claim ratio in non-life and good cost control. The pro forma net profit was impacted by losses and write-downs on investments of EUR 55 million after tax and minority interests
- Fortis Insurance International recorded a pro forma net loss attributable to shareholders of EUR 30 million in the third quarter driven by capital losses and write-downs on investments of EUR 45 million after tax and minority interests. Under current market conditions, additional write-downs and capital losses are expected to be recorded in the fourth quarter 2008. Since 30 September 2008, life insurance sales reduced further, whereas non-life sales remained stable compared to the third quarter of 2008
- Fortis General Account reported a pro forma net loss of EUR 99 million in the third quarter due to the negative net interest income related to the leverage created at Group level and operating expenses
- After the completion of the announced transactions, the pro forma shareholders' equity of the Group is expected to amount to EUR 7.7 billion. The pro forma net cash position of the General Account, after servicing EUR 9.1 billion of debt, is expected to be EUR 3.5 billion. This should cover the cash pledge of EUR 1.9 billion for the structured credit portfolio entity and any additional funding required related to currency effects

### **Overview of recent transactions**

The recent transactions are the following:

- On 29 September, the Belgian Government invested EUR 4.7 billion in Fortis Bank in return for 49.9% of the common equity of this entity
- On 3 October, Fortis Bank Nederland (Holding) N.V., Fortis Verzekeringen Nederland N.V. and Fortis Corporate Insurance N.V. (FCI) were sold to the Dutch State for a total consideration of EUR 16.8 billion, of which EUR 4 billion benefited Fortis directly, the remainder benefited Fortis Bank
- On 6 October, Fortis announced the sale of the remaining 50% plus 1 share of Fortis Bank to the Belgian State for EUR 4.7 billion. This sale was closed on 10 October. Separately, the Belgian government agreed with BNP Paribas on the subsequent transfer of 75% of Fortis Bank to BNP Paribas against shares of BNP Paribas while continuing to own the remaining 25% of Fortis Bank
- Finally, the sale of 100% of Fortis Insurance Belgium to BNP Paribas in December 2008 will generate EUR 5.7 billion subject to certain conditions precedent and to a potential final closing adjustment (minus EUR 0.2 billion)

As a result of these transactions, Fortis will comprise of:

- Fortis Insurance International (FI), with a presence in the UK, France, Hong Kong, Luxembourg (Non-Life), Germany, Turkey, Russia, Ukraine and with joint-ventures in Luxembourg (Life), Portugal, China,

Malaysia, India and Thailand. The largest profit contributors are Fortis UK, Millenniumbcp Fortis (Portugal) and Fortis Hong Kong. Since the structured credit portfolio will reside in a separate legal entity, the operating companies of Fortis Insurance International are shielded from any direct impact of this portfolio

- A 66% stake in a structured credit portfolio entity, to be created with the Belgian State (24%) and BNP Paribas (10%). This entity will contain a structured credit portfolio to be acquired from Fortis Bank with a carrying value of EUR 10.4 billion (this amount can change as a result of a fluctuation of exchange rates between 31 August and the date of closing). It will be separately managed and is expected to be funded with EUR 7.4 billion of external funding and an estimated EUR 3 billion of equity (subject to the selection of the final portfolio and subject to changes as a result of a fluctuation of exchange rates between 31 August and the date of closing)
- Fortis General Account, which mainly contains various financial assets and liabilities of the different financing vehicles

### **FORTIS INSURANCE INTERNATIONAL**

The Fortis Insurance International scope excludes Fortis Corporate Insurance which was bought by the Dutch State and 50% of profits from the Luxembourg Life Business which is owned by Fortis Bank. The comparison with the 2007 results excludes the results of the Spanish joint venture Caifor, which was sold in the fourth quarter of 2007.

Despite challenging market conditions in the first nine months of 2008, overall underlying performance was resilient with significant growth in sales. This reflected the successful implementation of multi-channel development (Turkey, UK, Thailand and China), product innovation (UK Life, Portugal) and further geographic diversification (India).

Pro forma net profit for the first nine months of 2008 increased to EUR 40 million from EUR 20 million for the same period in 2007. The 2008 result was affected in particular by capital losses and value write-downs on investments of EUR 55 million after tax and minority interests (losses were mainly in Life), due to adverse market conditions and by adverse currency movements. The 2007 result was affected by major weather related claims in the Non-Life business partially offset by realised capital gains.

In the third quarter a pro forma net loss after minority interests of EUR 30 million was recorded as a result of the aforementioned negative impact on the investment portfolio of the Life activities of EUR 45 million after tax and minority interests. Under current market conditions, additional write-downs and capital losses are expected to be recorded in the fourth quarter 2008.

### **Life**

Consolidated gross inflow of the Life business in the first nine months was higher compared to the same period of last year, driven by a strong performance in Portugal and Hong Kong. The Life activities reported year-to-date a pro forma net loss after minority interests of EUR 18 million due to capital losses and impairments on the investment portfolio. Based on current market conditions, additional losses on investments are expected in the fourth quarter. Life consolidated gross inflow reduced in the third quarter, compared to the previous quarter due to adverse market conditions and uncertainty around Fortis. The reduction in sales has continued in the fourth quarter. The third quarter recorded a pro forma loss after minority interests of EUR 40 million as a result of capital losses and impairments on investments.

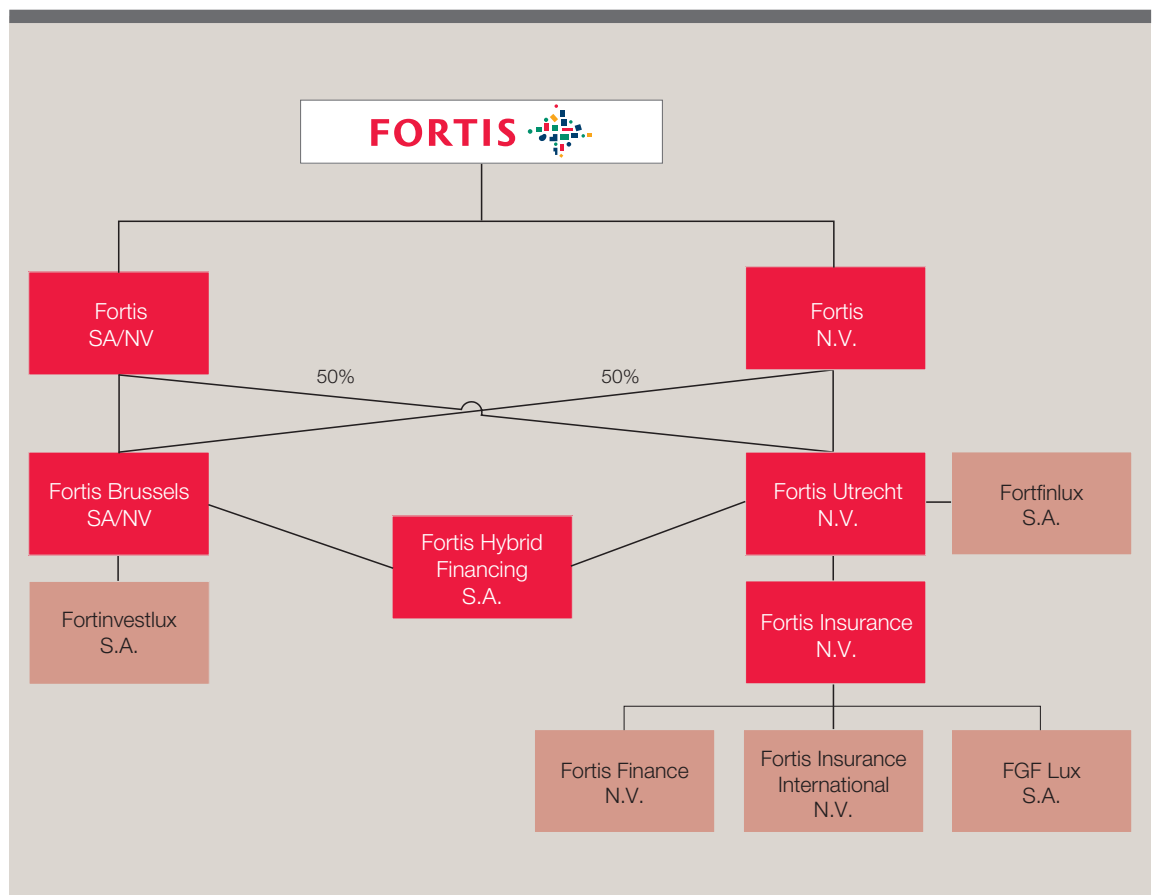
### Non-life

Non-life consolidated gross written premiums in constant exchange rates were higher in the first nine months compared to the same period in 2007. Pro forma net profit after minority interests increased to EUR 58 million as the 2007 result (net loss of EUR 33 million) was negatively impacted by natural disasters (Windstorm Kyrill and floods in the United Kingdom). The combined ratio improved to a level below 100%.

Gross written premiums in constant exchange rates were higher quarter-on-quarter. Sales in the first weeks of the fourth quarter indicate that premium income in the fourth quarter remained stable. The pro forma net profit after minority interests in the third quarter amounted to EUR 10 million.

### GENERAL ACCOUNT

The General Account contains the Holding companies and various financing vehicles that issued debt to finance the banking and insurance activities now sold. The General Account created negative net equity (so called leverage) at Group level by injecting equity in the operating entities that was (partly) financed by debt issued by the General Account (primarily through Fortis Finance N.V.).



The profile of the General Account will change as a result of the recent transactions. The General Account will no longer create leverage at Group level in the future, but it will manage shareholders' equity and pro-

vide back-to-back funding to the operating entities. The negative net equity of the General Account (equity minus investments in operating companies by the General Account) amounted to EUR 4.8 billion at the end of June 2008. After the completion of the announced transactions, the equity of the General Account is expected to be positive (EUR 5.5 billion).

The pro forma result for the third quarter ended at a loss of EUR 99 million. This result included a loss on the Mandatory Exchangeable Bond portfolio of EUR 18 million, the normal funding cost of the negative equity and head office expenses.

The completion of all the transactions announced will change the profile of the General Account. As a result, net equity will become positive during the fourth quarter and the net interest margin for the General Account should improve over time. The change in profile of the General Account will also allow for substantial cost reductions going forward. This could lead to a restructuring charge in the fourth quarter.

## STRUCTURED CREDIT PORTFOLIO

As agreed with the sale of Fortis Bank, a special purpose company will be incorporated to purchase part of the structured credit portfolio from Fortis Bank. The shareholders will be the Belgian State (24%), BNP Paribas (10%) and Fortis (66%), for an estimated total amount of EUR 3 billion in equity.

The selection of the detailed lines of the portfolio that will be transferred to the new entity at closing of the transaction is yet to be finalised. The agreement is that out of a portfolio with a carrying value of EUR 11.2 billion (as detailed below) BNP Paribas can select lines up to EUR 10.4 billion (carrying value taking into account the market situation at 30 September 2008 and currency rates at 31 August 2008).

Exchange rates at 31 August 2008		
Type of asset (EUR billion)	Carrying Value	Marked at (% of par)
USA US RMBS	3.7	60%
US Multi-sector	0.6	67%
US Student Loans Private	0.6	79%
US CDO	0.7	87%
Europe RMBS Spain, RMBS UK, CDO	4.5	87%
<b>Total Structured Credits</b>	<b>10.1</b>	<b>73%</b>
USA CDO Origination	1.1	22%
<b>Total</b>	<b>11.2</b>	<b>59%</b>

The funding in excess of the estimated EUR 3 billion of equity is to be provided by the three shareholders based on their pro rata equity stakes. Fortis' part of the debt funding is EUR 4.9 billion (based on the values mentioned above). To that effect Fortis has secured external funding of which EUR 3 billion is expected to be secured with the shares in the structured credit portfolio entity and EUR 1.9 billion is expected to be secured with a cash pledge.

As explained above, the final amount of the debt to be funded depends on the final selection of the portfolio and the prevailing exchange rates at the time of closing of the transaction. Set out below is an overview

of the possible value of the portfolio from which the selection can be made (based on exchange rates of 13 November 2008).

Bln	Nominal local currency	Bookvalue local currency	Exchange rates 31 Aug 08	Value in EUR 31 Aug 08	Exchange rates 13 Nov 08	Value in EUR 13 Nov 08
USD	20.1	9.8	1.472	6.7	1.252	7.8
EUR	3.7	3.1	1	3.1	1	3.1
GBP	1.2	1.1	0.807	1.4	0.847	1.3
AUD	0.0	0.0	1.863	0.0	1.955	0
				11.2		12.2

Accordingly, if the portfolio were to be purchased using exchange rates as of 13 November, the purchase price of EUR 10.4 billion (based on exchange rates at 31 August 2008) would now be approximately EUR 11.4 billion depending on the lines chosen. This would lead to an additional funding requirement of approximately EUR 0.7 billion by Fortis.

### FORTIS GROUP

The pro forma shareholders' equity of Fortis Group at the end of the third quarter of 2008 was EUR 7.7 billion. This can be broken down as follows (subject to rounding differences).

<b>Analysys shareholder's equity</b>	
Cash & cash equivalents	15,5
Due from banks	1,5
Due to banks	(4,5)
Debt certificates	(9,1)
Net cash	3,5
Due from customers*	8,6
Subordinated liabilities	(2,6)
Other borrowings	(4,8)
On balance subordinated loans to Fortis Bank and FIB	1,2
Accruals and Other, primarily Treasury shares	0,7
<b>Equity General account</b>	<b>5,5</b>
Equity SCP entity	2,0
Equity FII	1,3
Elimination treasury shares	(1,0)
<b>Shareholder's equity Fortis</b>	<b>7,7</b>

\* Out of the EUR 8.6 billion Due from customers, EUR 7.2 billion is funded back-to-back in subordinated liabilities (EUR 2.6 billion, amongst other NITSH I, NITSH II and Hybrone) and other borrowings (EUR 4.8 billion borrowed from Fortis Bank)

A pro forma balance sheet and equity reconciliation are included in the Annex of this interim management statement.

### **Governance**

Fortis will hold a General Meeting of Shareholders in Utrecht (Fortis N.V.) on 1 December 2008 and in Brussels (Fortis SA/NV) on 2 December 2008. The agenda includes the composition of the Board of Directors.

The Chairman of the General Meeting will officially announce the resignation of all the current members of the Board of Directors and will propose the election of a new Board of Directors. Viscount Etienne Davignon will be nominated to hold office as the new Chairman of the Board of Directors of Fortis SA/NV and Fortis N.V. until the close of the Annual General Meeting of Shareholders in 2009. Jan-Michiel Hessels, Philippe Bodson and Louis Cheung Chi Yan will be nominated for non-executive membership of the Board of Directors until the close of the Annual General Meeting of Shareholders in 2009.

Karel De Boeck will be nominated for election to the Board of Directors until the close of the Annual General Meeting of Shareholders of 2010. He will be appointed Chief Executive Officer by the Board of Directors on the day of the meeting, 2 December 2008.

### **Special Board report and shareholder circular**

The agenda for the Shareholders Meeting of Fortis SA/NV in Brussels includes a resolution which needs to be adopted on the continuation of the activities of Fortis SA/NV in accordance with the Belgian Companies Code, article 633. In preparation of this last topic, a special Board report has been made available today. This special Board report contains some data on Fortis entities which is also included in this interim management statement. In addition, Fortis intends to publish on 19 November a shareholder circular, which will contain an overview of the events preceding the transactions announced in September and October.

### **Dividend policy**

Fortis will review its dividend policy after completion of the transactions announced on 29 September, 3 and 6 October. The dividend policy of Fortis will be further discussed at the 2008 Annual General Meetings of Shareholders, which will be held in April 2009.

### **Contingent liabilities**

Fortis SA/NV and Fortis N.V. (together "Fortis") currently are subject to certain investigations, court proceedings and litigation. Fortis is confident about the outcome of these proceedings. However, it is inherently difficult to predict the outcome of these proceedings. It cannot be excluded that such proceedings may have significant effects on Fortis' financial position or profitability.

### **Disclaimer**

*The information on which the statements in this press release are based may be subject to change and this press release may also contain certain projections or other forward looking-statements concerning Fortis. These statements are based on current expectations of management of Fortis and are naturally subject to uncertainties, assumptions and changes in circumstances. The financial information included in this interim management statement is unaudited.*

*The forward-looking statements are not guarantees of future performance and involve risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond Fortis' ability to control or*

estimate precisely, such as future market conditions and the behaviour of other market participants. Other unknown or unpredictable factors beyond the control of Fortis could also cause actual results to differ materially from those in the statements and include but are not limited to consents required from regulatory and supervisory authorities and the outcome of pending and future litigation involving Fortis. Therefore undue reliance should not be placed on such statements. Fortis assumes no obligation and does not intend to update these statements, whether as a result of new information, future events or otherwise, except as required pursuant to applicable law.

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Fortis holding (Fortis SA/NV and Fortis N.V.) will, after the conclusion of the deal with BNP Paribas, include only (1) international insurance activities, (2) a 66% stake in a structured credit portfolio entity and (3) financial assets and liabilities of various financing vehicles. The international insurance activities (Fortis Insurance International) are located in UK, France, Hong Kong, Luxembourg (Non-Life), Germany, Turkey, Russia, and Ukraine, and in joint ventures in Luxembourg (Life), Portugal, China, Malaysia, India and Thailand. Fortis holding is therefore no longer involved in any banking activities, and once the deal with BNP Paribas is concluded, will comprise only of the international insurance activities, a stake in a structured credit portfolio entity and the General Account.

Annexe :

		30 September 2008							
		General	Proceeds sales	CASHES	Incorporation SCP entity	General pro forma	SCP entity	FII	Eliminations
<b>Assets</b>									
Cash and cash equivalents	5,4	14,4	(2,4)	(2,0)	15,5		0,6		16,1
Due from banks	1,5				1,5		0,9		2,4
Due from customers *	8,6				8,6	10,4	0,1	(1,1)	18,0
Investments	1,1				1,1		9,5	(1,1)	9,5
Other assets	0,5				0,5		15,6	(0,1)	16,1
<b>Total assets</b>	<b>17,2</b>	<b>14,4</b>	<b>(2,4)</b>	<b>(2,0)</b>	<b>27,3</b>	<b>10,4</b>	<b>26,7</b>	<b>(2,2)</b>	<b>62,2</b>
<b>Liabilities</b>									
Due to banks	4,5				4,5		0,7		5,2
Debt certificates	9,1				9,1				9,0
Subordinated liabilities	2,6				2,6		0,0	(0,1)	2,5
Other borrowings	4,8				4,8	7,4	1,2	(1,1)	12,3
Accrued interest and other liabilities	0,9				0,9		23,1		24,0
<b>Total liabilities</b>	<b>21,9</b>				<b>21,9</b>	<b>7,4</b>	<b>25,0</b>	<b>(1,2)</b>	<b>53,0</b>
<b>Shareholders' equity</b>	<b>(4,6)</b>	<b>14,4</b>	<b>(2,4)</b>	<b>(2,0)</b>	<b>5,5</b>	<b>2,0</b>	<b>1,3</b>	<b>(1,0)</b>	<b>7,7</b>
Minority interests						1,0	0,4		1,4
<b>Total equity</b>	<b>(4,6)</b>	<b>14,4</b>	<b>(2,4)</b>	<b>(2,0)</b>	<b>5,5</b>	<b>3,0</b>	<b>1,7</b>	<b>(1,0)</b>	<b>9,1</b>
<b>Total liabilities and equity</b>	<b>17,2</b>	<b>14,4</b>	<b>(2,4)</b>	<b>(2,0)</b>	<b>27,3</b>	<b>10,4</b>	<b>26,7</b>	<b>(2,2)</b>	<b>62,2</b>

<b>Equity reconciliation</b>	<b>Shareholders' equity</b>	<b>Minority interest</b>	<b>Total equity</b>
Fortis 30 June 2008	29,2	1,2	30,4
Net asset value bank & insurance	<u>(36,7)</u>	<u>(1,2)</u>	<u>(37,8)</u>
Adjusted equity before eliminations	(7,4)	0,0	(7,4)
Eliminations	<u>2,6</u>	<u></u>	<u>2,6</u>
<b>General 30 June 2008</b>	<b>(4,8)</b>		<b>(4,8)</b>
Exclusion of RPN related to CASHES	0,3		0,3
Profit general third quarter 2008	(0,1)		(0,1)
Proceeds sales	14,4		14,4
CASHES	(2,4)		(2,4)
Incorporation SPV	<u>(2,0)</u>	<u></u>	<u>(2,0)</u>
<b>General pro forma 30 September 2008</b>	<b>5,5</b>		<b>5,5</b>
Equity Fortis Insurance International	1,3	0,4	1,7
Equity SPV	2,0	1,0	3,0

### 3. Curriculum Vitae Members of the Board of Directors

#### **Etienne Davignon**

Chairman  
Independent, Non-executive Director

*Born in Budapest (Hungary) on 4 October 1932*

*Nationality: Belgian*

*Doctor of Laws (LLD)*

*Minister of State*

Viscount Etienne Davignon joined the Belgian Ministry of Foreign Affairs in 1959 and became head of offices of Ministers Paul-Henri Spaak and Pierre Harmel. He was responsible for the Political Department of the Ministry from 1969 until he left to join the European Commission in 1977.

Following the oil crisis in 1973, Viscount Davignon chaired the international conference that established an oil-sharing treaty. He was the first President of the International Energy Agency created on 18 November 1974, holding this post until 1977.

Viscount Davignon left the civil service in 1977 when he joined the European Commission and was appointed Vice President in charge of industry, research and energy until the end of 1984.

At the beginning of 1985 he joined Société Générale de Belgique, Belgium's leading holding company of which he became Chairman on 11 April 1989 and Vice-Chairman on 28 February 2001. Since 31 October 2003, he has been Vice-Chairman of Suez-Tractebel.

Viscount Davignon is Chairman of CMB, Recticel and SN Airholding. He is also a member of the Boards of Gilead Sciences, Suez and Sofina. Furthermore he is also active as Board member in a number of cultural

and academic organizations.

**Jan-Michiël Hessels**

Vice-Chairman

Independent, Non-executive Director

*Born in The Hague (The Netherlands) on 21 December 1942*

*Nationality: Dutch*

Mr. Jan-Michiël Hessels was appointed as member of the Board of Directors of Fortis in 2001.

Mr. Hessels is also Chairman of the Board of Directors of NYSE Euronext, Chairman of the Supervisory Board of Royal Philips Electronics N.V., Member of the Supervisory Board of Heineken N.V., Member of the International Advisory Board of the Blackstone Group and Chairman of the Supervisory Board of SC Johnson Europlant N.V.

**Philippe Bodson**

Independent, Non-executive Director

*Born in Liège (Belgium) on 2 November 1944*

*Nationality: Belgian*

Baron Philippe Bodson joined Fortis as a member of the Board of Directors in 2004.

Baron Bodson is also Chairman of the Board of Directors of the Belgian listed company Exmar, Director of Ashmore Energy (USA), Chairman of the Board of Directors of Floridienne, Member of the Credit Suisse Advisory Board Europe, Director of Hermes Asset Management Europe Ltd. and Director of Cobepa/Cobehold.

**Louis Cheung Chi Yan**

Non-executive Director

*Born in Hong Kong on 11 September 1963*

*Nationality: British and Chinese Hong Kong*

Mr. Louis Cheung Chi Yan joined Fortis as a member of the Board of Directors in 2008.

Mr. Cheung has been an Executive Director with Ping An since May 2006 and has been serving as Group President since October 2003. He joined Ping An Insurance Company in February 2000 and previously served as Senior Advisor to the Chairman, Chief Information Officer and Senior Vice President, and Chief Financial Officer. From 1993-2000, Mr. Cheung was a management consultant and later became a global partner of McKinsey & Company, advising mainly financial services clients throughout Asia. Mr. Cheung has a Ph.D. degree in Business Information Systems from the University of Cambridge.

**Karel De Boeck**

Chief Executive Officer

Executive Director

*Born in Mechelen (Belgium) on 3 August 1949*

*Nationality: Belgian*

Karel De Boeck, Belgian resident, is 59 years old and holds Master's Degrees in Civil Engineering Electro-mechanics (1972) and Economics (1974) from the Katholieke Universiteit Leuven.

From 1976 to 1993 he worked at Generale Bank, where he exercised various General Manager's positions.

In 1993, he joined ASLK Bank and became Managing Director of Marketing & Retail and a member of the Board of Directors. In November 1996, he was appointed Chairman of the Executive Committee of ASLK Group.

In July 1998, he also became a member of the Management Committee of Generale Bank and in June 1999, he became Managing Director for Fortis Bank, responsible for the business line "Medium-sized Enterprises and Corporate".

Between December 1999 and December 2002, he was President of the Belgian Bankers Association. In September 2000, he became member of Fortis's Executive Committee. He was responsible for the Network Banking customers from 2000 to 2004.

Between March 2003 and March 2006, he was Chairman of the European Financial Management and Marketing Association.

From 2005 to end 2006, he was the CEO of Commercial & Private Banking. In January 2007 he became responsible for all risk activities.

In October 2007 he was appointed as Vice Chairman of ABN AMRO Bank.



