

# **Explanatory note to the Agenda of the General Meeting of Shareholders of Fortis NV on 1 December 2008**

## **Agenda item 2: Comments and justification regarding recent events**

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 available strong parties. The resulting uncertainty and loss of value for our shareholders, customers and employees is reason for deep regret – also for your 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 Board of Directors will provide shareholders with comprehensive background information on these recent developments. Furthermore, an overview will be presented of the remaining activities of Fortis. This information will also be included in the shareholder circular, which will be available as of 19 November 2008.

## **Agenda item 3: Composition of the Board of Directors and remuneration**

The Chairman of the General Meeting will acknowledge the resignation of all current members of the Board of Directors, subject to the election of a new Board of Directors. Jan-Michiel Hessels, Philippe Bodson and Louis Cheung Chi Yan from the current Board of Directors are proposed as members of this new Board to be elected by the General Meeting.

Richard Delbridge, Clara Furse, Reiner Hagemann, Jacques Manardo, Aloïs Michielsen, Ronald Sandler, Rana Talwar, Herman Verwilst and Klaas Westdijk will resign from the Board of Directors as soon as the appointments of the nominated persons will become effective, which is also subject to regulatory approval. The process to obtain regulatory approval has been started, but still has to be concluded on the date of this explanatory note. In accordance with the articles of association of Fortis SA/NV and of Fortis N.V., the appointments of the members of the newly composed Board of Directors will only be effective if the proposed members are elected to the Board of Directors of Fortis SA/NV as well as to the Board of Directors of Fortis N.V.

### **3.1 Appointment of Etienne Davignon**

The Board of Directors proposes to the General Meeting of Shareholders that Viscount Etienne Davignon be appointed as a non-executive Director until the end of the Annual General Meeting of Shareholders in 2009, with the possibility of remaining for another year, provided the shareholders agree. Mr. Etienne Davignon will hold the title of Chairman.

Mr. Davignon, a Belgian national, was born in Budapest (Hungary) in 1932. Mr. Davignon holds a Doctor of Laws (LLD) degree and is a Belgian Minister of State.

Mr. 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, Mr. 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.

Mr. 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.

Mr. Davignon is Chairman of CMB, Recticel and SN Airholding. He is also a member of the Boards of Gilead Sciences, Suez and Sofina.

In addition, he is also active in non-profit organisations.

Mr. Davignon does not hold any Fortis shares.

Considering Mr. Davignon's long and distinguished track record and familiarity with the Belgian and international community, the Board recommends to depart from the rule stating that a member retires at the age of 70 and proposes that Mr. Davignon be appointed until the end of the Annual General Meeting of Shareholders in 2009. The Board holds the opinion that the business of the Fortis Group will benefit from this and that the relationship with the Fortis shareholders will be fostered.

### **3.2 Appointment of Jan-Michiël Hessels**

The Board of Directors proposes to the General Meeting of Shareholders that Mr. Jan-Michiël Hessels be appointed as a non-executive Director until the end of the Annual General Meeting of Shareholders in 2009.

Mr. Jan-Michiël Hessels, a Dutch national, was born in The Hague in 1942. He was appointed as a 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.

Mr. Hessels does not hold any Fortis shares.

Given the international business experience in both the financial and the non-financial sector of Mr. Hessels, the Board of Directors proposes that Mr. Hessels be appointed until the end of the Annual General Meeting of Shareholders in 2009.

### **3.3 Appointment of Philippe Bodson**

The Board of Directors proposes to the General Meeting of Shareholders that Mr. Philippe Bodson be appointed as a non-executive Director until the end of the Annual General Meeting of Shareholders in 2009.

Mr. Philippe Bodson, a Belgian national was born in Liege in 1944. He joined Fortis as a member of the Board of Directors in 2004.

Mr. 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.

Mr. Bodson holds 100,500 Fortis shares.

Given Mr. Bodson's experience and knowledge of the managerial and financial aspects of international business, the Board of Directors proposes that Mr. Bodson be appointed until the end of the Annual General Meeting of Shareholders in 2009.

### **3.4 Appointment Louis Cheung Chi Yan**

The Board of Directors proposes to the General Meeting of Shareholders that Mr. Louis Cheung Chi Yan be appointed as a non-executive Director until the end of the Annual General Meeting of Shareholders in 2009.

Mr. Cheung was born in Hong Kong in 1963. He 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, 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.

Mr. Cheung does not hold any Fortis shares.

Given the wide international business and insurance experience of Mr. Cheung, the Board of Directors proposes that Mr. Cheung be appointed until the end of the Annual General Meeting of Shareholders in 2009.

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Details concerning the remuneration of non-executive Board members are presented for information purposes below. In line with the remuneration policy, which was approved by the General Shareholders' Meeting of Fortis N.V. on 11 October 2004 and which is detailed in the Fortis Governance Statement and in the Annual Report (Note 11 to the Annual Accounts):

- The remuneration of non-executive Board members includes both regular basic remuneration for Board membership and Board Committee meeting attendance fees.
- Non-executive Board members do not receive annual incentive awards or stock options and are not entitled to pension rights.
- Non-executive Board members are not entitled to any termination indemnity.
- Non-executive Board members will be granted a regular basic annual salary of EUR 40,000 (Chairman) and EUR 35,000 (Other non-executive Board members) as from 2 December 2008.
- The Board and Board Committee attendance fees amount to EUR 1,000 as from 2 December 2008.

### **3.5 Appointment Karel De Boeck**

The Board of Directors proposes to the General Meeting of Shareholders that Mr. Karel De Boeck be appointed as executive Director until the end of the Annual General Meeting of Shareholders in 2010. He will be appointed CEO by the Board of Directors in accordance with the current articles of association on 2 December 2008.

Karel De Boeck, a Belgian national was born in 1949. Mr. De Boeck holds Master's Degrees in Civil Engineering Electromechanics (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.

Mr. De Boeck holds 29,206 Fortis shares.

In view of Mr. De Boeck's long history within the Fortis Group and his wide experience and knowledge of banking, the Board of Directors proposes that Mr. De Boeck be appointed until the end of the Annual General Meeting of Shareholders in 2010. The Board recommends to depart from the rule stating that executive Board members retire on the date of the General Meetings of Shareholders held in the year in which they reach the age of 60.

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The main aspects of the contract between Fortis and Mr. K. De Boeck, for the exercising of his function of CEO of Fortis, are presented for information purposes below.

Mr. De Boeck's contract is for a fixed term, taking effect on 2 December 2008 and coming to an end at the end of the Annual General Meeting to be held in 2010, but at the latest on 30 April 2010. Mr. De Boeck's remuneration is well within the limits of the remuneration policy approved by the General Shareholders Meeting of Fortis N.V. on 11 October 2004. This remuneration policy is detailed in the Fortis Governance Statement and in the Annual Report (Note 11 to the Annual Accounts):

- Mr. De Boeck's annual salary will remain EUR 800,000 (gross). It may only be adjusted by decision of the Board of Directors.
- Mr. De Boeck's variable remuneration will be determined by the Board of Directors, after consultation with shareholders, and will be dependent on realized shareholders' value as measured by the net cash flow realized.
- Mr. De Boeck will participate in a pension plan and will also participate in the medical cover plan and other insurance policies for Fortis employees.
- If Fortis brings the contract to an end, Mr. De Boeck will be paid gross compensation in line with regulations which are developed by the Belgian authorities at the moment. However, no compensation shall be due if the contract is discontinued on account of gross negligence or willful misconduct.
- Mr. De Boeck will be granted normal expense allowances and a company car.
- Mr. De Boeck will receive no Stock Appreciation Rights and no sign-on bonus.

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