

## **FORTIS SA/NV**

### **SPECIAL REPORT FROM THE BOARD OF DIRECTORS TO THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS HELD ON 31 MAY 2006, DRAWN UP IN ACCORDANCE WITH ARTICLES 604 AND 607 OF THE COMPANIES CODE**

The agenda for the extraordinary general meeting of shareholders convened for 31 May 2006 includes a proposal to cancel the balance of the authorised capital remaining unused as at the date of the meeting and to create new authorised capital of EUR 1,627,920,000, enabling the issue of 380,000,000 shares. This authorisation is conferred upon the Board of Directors for a period of three years, starting at the end of the general meeting.

The agenda also includes a proposal to authorise the Board of Directors to use the authorised capital in the event of a public takeover bid for a period of three years.

\*\*\*

#### **I. AUTHORISED CAPITAL OF 27 MAY 2003**

On 27 May 2003, the extraordinary general meeting of the company authorised the Board of Directors to increase the registered capital up to an amount of EUR 1,713,600,000, enabling the issue of 400,000,000 shares, for a period of three years starting at the end of the general meeting.

The Board of Directors has made use of this authorisation to carry out the following transactions:

##### ***Share issue***

- Issue in December 2003 of 2,820,535 new Fortis SA/NV shares twinned with 2,820,535 Fortis N.V. shares as part of a capital increase plan reserved for members of staff of the Fortis group.

- Issue in December 2004 of 2,903,911 new Fortis SA/NV shares twinned with 2,903,911 Fortis N.V. shares as part of a capital increase plan reserved for members of staff of the Fortis group.

### *Option issue*

- Issue in 2004 of 2,775,500 options as part of an options plan on Fortis Units in favour of members of staff of the Fortis group.
- Issue in 2005 of 2,806,000 options as part of an options plan on Fortis Units in favour of member of staff of the Fortis group.
- Issue in 2006 of a maximum of 4,000,000 options as part of an options plan on Fortis Units in favour of members of staff of the Fortis group<sup>1</sup>.

## **II. AUTHORISATIONS REQUESTED FROM THE MEETING**

### **A. AUTHORISED CAPITAL**

#### *Circumstances in which the authorised capital can be used and objectives pursued*

The main reasons for having recourse to the authorised capital procedure are the flexibility and/or the rapidity which this procedure offers to enable the company to seize to any opportunities which may arise and, if appropriate, to be able to set up and implement the appropriate means of defence without delay.

In accordance with the provisions concluded with Fortis N.V. and resulting, in particular, of the twinning of the shares of both companies, the Board intends to be able to have recourse to this technique, in the most flexible and extensive manner possible, in the interests of the company and with the option, each time the law permits, of waiving the preferential subscription right of shareholders, including that in favour of specified persons wishing to support and pursue the development strategy of the Fortis group. It also reserves the right to carry out capital increases in this manner by means of contributions in kind to be made by one or more shareholders within the legal limits.

The circumstances and objectives within which the Board of Directors may use the authorised capital lie within this essential context of preserving and developing the corporate interests of Fortis SA/NV and its subsidiaries.

While the circumstances and objectives set out below may not be restrictively interpreted, or considered exhaustive, insofar as it would be both difficult and illusory to provide a limitative list, a priori, of all the circumstances with which it may be

---

<sup>1</sup> This plan will be launched after the date on which this report is signed but before the general meeting.

confronted, **the Board plans to use the authorised capital with a view to the following objectives taken individually or together:**

- To bring in fresh capital for the company or for one or more of its subsidiaries, either from all investors or on a specific market (issue in favour of unspecified persons), or from one or more specified persons.
- To fund investment opportunities that are in line with the strategy of the Fortis group.
- To remunerate one or more contributions in kind.
- To make it possible to remunerate shareholders in a particular manner, such as by paying a share dividend.
- To reorganise the equity structure, amongst other things by incorporating reserves into the capital, with or without the free allocation of shares or by incorporating the share premium account.
- To take an initiative to motivate all or some of the managers and staff of the company or its group.
- In the interests of the company, to avoid the direct or indirect destabilisation of the company, for instance further to any major modification in its shareholding structure or the potential or actual occurrence of any public takeover bid likely to hamper pursuance of the company's development strategy.
- To cover the commitments to be made by the Board of Directors in the context of any issue of certain financial instruments.

*In terms of the number of securities, the Board feels it would be advisable to have authorised capital of 255,000,000 shares. Bearing in mind the par value of the Fortis SA/NV share, this corresponds to an authorised capital of EUR 1,092,420,000.*

Moreover, the authorised capital must **enable the Board to cover the commitments entered into in the context of the issue of the following financial instruments:**

- Hybrids

The Board of Directors of Fortis (B) had made a commitment to hold adequate authorised capital at all times to meet the obligations in terms of share issues undertaken in the context of certain hybrids. These obligations are of two orders: (i) if Fortis does not use its right to redeem the hybrids at the first call date, the investors may require the conversion of the hybrids in ordinary shares, and (ii) in certain circumstances the payment in shares of one year dividends. Further to the merger by acquisition of Fortis (B) and Fortis SA/NV in December 2001, these obligations now have to be taken on by Fortis SA/NV. This concerns the following transactions:

\* Issue in June 1999 of non-cumulative, non voting perpetual shares for an amount of EUR 450 million with a fixed coupon of 6.25% for the first ten years, and a variable coupon of 3-month Euribor plus 2.60% in subsequent

years. After year 10 and once a year in subsequent years Fortis has the opportunity to redeem the instrument for cash on a distribution date.

This transaction is further detailed in the Fortis Annual Statements, in the section “Subordinated liabilities”

\* Issue by Fortis Bank in September 2001 of a Redeemable Perpetual Cumulative Coupon Debt Securities (Tier 1 loan) for an amount of EUR 1,000,000,000, with an interest rate of 6.50% until 26 September 2011 and a variable coupon of 3-month Euribor +2.37% thereafter.

The Board of Directors of Fortis SA/NV has also made a commitment to enable the payment in shares of one year dividends in the context of the following issue:

\* Issue by Fortis Bank in October 2004 of a Redeemable Perpetual Cumulative Coupon Debt Securities (Tier 1 loan) for an amount of EUR 1,000,000,000 with an interest rate of 4.265% until 27 October 2014 and a variable coupon of 3-month Euribor +1.70% thereafter.

- FRESH

As part of the FRESH transaction launched in May 2002 and described in the “Fortis Annual Statements”, in the section “Subordinated liabilities”, the Board of Fortis SA/NV has undertaken to have access to sufficient authorised capital at all times to cover the payment in shares of one year dividends.

*In terms of the number of securities, the supplementary authorised capital required to fulfil the commitments made in the context of the issue of the aforementioned financial instruments may be set at 125,000,000 shares, which corresponds to an authorised capital of EUR 535,500,000.*

**The Board of Directors therefore proposes that the general meeting authorise it to increase the registered capital, on one or several occasions, up to a maximum of 380,000,000 shares, corresponding to a capital of EUR 1,627,920,000. This authorisation is granted for three years.**

The capital increase may be achieved, amongst other means, by contributions in cash or in kind, by the incorporation with or without the issue of new shares, of available or non-available reserves, share premium accounts, claims, the issue of bonds convertible into shares or bonds with subscription rights, and subscription rights which may or may not be attached to another transferable security.

## **B. AUTHORISED CAPITAL IN THE EVENT OF A PUBLIC TAKEOVER BID**

As indicated in the agenda for the meeting, the Board of Directors asks the meeting to renew the authorisation referred to in Article 9 c) of the articles of association, to make use of the authorised capital in the event of a public takeover bid. This authorisation is granted for a period of three years.

Brussels, 8 March 2006

For the Board of Directors of Fortis SA/NV

---

Jean-Paul Votron  
Chief Executive Officer

---

Maurice Lippens  
Chairman