

## **FORTIS SA/NV**

Société Anonyme/Naamloze Vennootschap

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### **SPECIAL REPORT BY THE BOARD OF DIRECTORS TO THE SHAREHOLDERS**

#### **on the use and purpose of the authorized capital**

prepared in accordance with Article 604 of the Belgian Companies Code

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This report is drawn up in accordance with Article 604 of the Belgian Companies Code, to support the proposal that will be made to the Extraordinary General Meeting of Shareholders of 6 August 2007, to cancel the unused balance of the authorized capital existing on the date of the publication in the Belgian State Gazette of the amendments to the articles of association of the Company resolved by the Extraordinary General Meeting of Shareholders of 6 August 2007 and to grant to the Board of Directors:

- the authorization to increase the share capital of Fortis SA/NV (also referred to as the "Company") with a maximum amount of EUR 1,148,112,000, enabling the issue of 268,000,000 shares. The Board of Directors proposes that this authorization will be granted for a period of three years with effect as from the date of publication in the Belgian State Gazette of the resolution of the Extraordinary General Meeting of Shareholders approving this proposal;
- an additional authorization to increase the share capital of Fortis SA/NV with a maximum amount of EUR 4,609,584,000, enabling the issue of 1,076,000,000 shares, in the context of a public offer on, and the acquisition of certain businesses of, ABN AMRO. The Board of Directors proposes that this additional authorization will be granted until 31 March 2008 and will expire on that date if the Board of Directors has not partially or fully used it in the aforementioned context by such a date.

#### **I. AUTHORIZATION TO INCREASE THE SHARE CAPITAL OF FORTIS SA/NV WITH A MAXIMUM AMOUNT OF EUR 1,148,112,000**

##### **1. *Authorized capital granted on 4 October 2006***

On 4 October 2006, the Extraordinary General Meeting of Shareholders granted to the Board of Directors of the Company the authorization to increase the share capital of the Company with a maximum amount of EUR 1,071,000,000 enabling the issue of 250,000,000 shares, out of which:

- 125,000,000 shares can be issued to cover commitments entered into in the context of the issue of certain financial instruments; and

- 125,000,000 shares can be issued for general purposes as described in the special report of the Board of Directors dated 23 June 2006.

The Board of Directors has made use of the authorized capital to carry out the issue in April 2007 of 4,600,000 subscription rights as part of a stock option plan in favour of staff members of the Fortis group.

Furthermore, besides the rights issue referred to in section II below, the Board of Directors is contemplating using the current authorized capital to issue, after the date of this report but prior to the date of the Extraordinary General Meeting of Shareholders, a financial instrument that it considers appropriate in the framework of the financing of Fortis' participation to the public offer on, and the acquisition of certain businesses of, ABN AMRO. The Board of Directors is contemplating in particular the issuance of an instrument that is convertible into new Fortis SA/NV and Fortis N.V. shares. Up to 115.000.000 shares could be issued in this context. If the Board of Directors resolves to issue such an instrument, it will take into account, in whole or in part, the proceeds of such an issue when it subsequently resolves to increase the capital of Fortis SA/NV in the framework of the rights issue.

This might reduce the number of shares that can additionally be issued for general purposes pursuant to the authorization granted on 4 October 2006 to 5,400,000 shares. Given the limited remaining number of shares that it will be possible to issue pursuant to this authorization after the issue of the 4,600,000 subscription rights in April 2007 and the contemplated issue of the financial instrument referred to above, the Extraordinary General Meeting of Shareholders is requested to renew the authorization granted to the Board of Directors. For the avoidance of doubt, such a renewal shall not affect any of the issues having taken place under the existing authorized capital before the Extraordinary General Meeting of Shareholders of 6 August 2007.

## **2. *Authorization requested from the Extraordinary General Meeting of Shareholders on 6 August 2007***

### **2.1. Rationale**

The main reasons for having recourse to the authorized capital procedure are the flexibility and rapidity that this procedure offers to enable the Company to seize any opportunities that may arise.

In accordance with the provisions regulating the twinning of the shares of the Company with those of Fortis N.V., the Board of Directors aims to be able to use this technique in the most flexible way, in the interest of the Company and with the option each time the law permits, of waiving the preferential subscription right of the existing shareholders, including 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 by means of contributions in kind to be made by one or more shareholders within the limits set by law.

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

## 2.2. Objectives

### (a) Use for general purposes

While the circumstances and objectives set out below may not be restrictively interpreted, or considered exhaustive, insofar as it would not be possible to provide a limitative list, a priori, of all circumstances with which it may be confronted, the Board of Directors plans to use the authorized capital with a view to achieving 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 managers and staff of the Company or the Fortis group;
- to cover commitments to be made by the Board of Directors in the context of any issue of financial instruments.

*In terms of number of shares, the Board of Directors considers it advisable to be authorized to issue 134,000,000 shares. Based on the par value of the Fortis SA/NV share (EUR 4.284), this corresponds to an authorized capital of EUR 574,056,000.*

### (b) Use for existing commitments

Moreover, the authorized capital must enable the Board of Directors to respect the commitments taken in the context of the issue of the following instruments and any other instruments that could be issued in the future:

- HYBRIDS

The Board of Directors of Fortis (B) had made a commitment to hold adequate authorized 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 further described in the relevant prospectus, the payment in shares of one year coupons or 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:

- o Issue in June 1999 of non-cumulative, non voting perpetual shares for an amount of EUR 450,000,000 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”; and

- 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 made also a commitment to enable in certain circumstances further described in the relevant prospectus the payment in shares of one year coupons in the context of the following issues:

- 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; and
- Issue by Fortis Hybrid Financing in 2006 of perpetual securities with a nominal value of EUR 500,000,000 at an interest rate of 5.125% until 20 June 2016 and 3 months EURIBOR + 2.00% 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 authorized capital at all times to cover the payment in shares of one year coupons.

*In terms of number of shares, the supplementary authorized capital required to fulfil the commitments made in the context of the issue of the aforementioned financial instruments should be set at 134,000,000 shares, which corresponds to an authorized capital of EUR 574,056,000.*

### **2.3. Amount requested**

Therefore, the proposal is made to the Extraordinary General Meeting of Shareholders to grant to the Board of Directors the authorization to increase the share capital of Fortis SA/NV, in one or more transactions, with a maximum of EUR 1,148,112,000.

The Board of Directors proposes that this authorization will be granted for three years, with effect as from the date of publication in the Belgian State Gazette of the resolutions of the Extraordinary General Meeting of Shareholders approving this proposal.

It is further proposed that any capital increase pursuant to the requested authorization 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.

## II. **ADDITIONAL AUTHORIZATION TO INCREASE THE SHARE CAPITAL OF FORTIS SA/NV IN THE CONTEXT OF A PUBLIC OFFER ON, AND THE ACQUISITION OF CERTAIN BUSINESSES OF, ABN AMRO – RIGHTS ISSUE**

### 1. ***Rationale***

In order not to jeopardise the possibility for the Board of Directors to seize the opportunity to finance the acquisition of certain businesses of ABN AMRO, the Extraordinary General Meeting of Shareholders is requested to grant the Board of Directors an additional authorization to increase the share capital of the Company with a maximum amount of EUR 4,609,584,000, in the context of the public offer on, and the acquisition of certain businesses of, ABN AMRO.

### 2. ***The public offer on ABN AMRO – Special purpose of the additional authorized capital***

The consortium of banks composed of Fortis, Royal Bank of Scotland (RBS) and Santander, intends to offer, through its acquisition vehicle RFS Holdings B.V. and subject to certain pre-conditions, EUR 38.40 per ABN AMRO Share, comprising EUR 30.40 in cash plus 0.844 new RBS shares. Of the proposed offer amount, EUR 1.00 in cash will be deferred pending resolution of the LaSalle situation. The total offer consideration amounts to EUR 71.1 billion<sup>1</sup>.

The pre-conditions to the consortium's offer include that the Dutch Supreme Court upholds the preliminary ruling of the Dutch Enterprise Chamber that the consummation of the Bank of America Agreement must be approved by ABN AMRO shareholders by the requisite vote at the ABN AMRO Extraordinary Shareholders' Meeting. In these circumstances, the consortium's offer will then be conditional upon ABN AMRO's shareholders having failed to approve the Bank of America Agreement at that meeting.

However, if the Dutch Supreme Court fails to uphold, or otherwise reaches the same conclusion as, the preliminary ruling of the Dutch Enterprise Chamber or if ABN AMRO shareholders approve the Bank of America Agreement at the ABN AMRO Extraordinary Shareholders' Meeting, the consortium reserves the right to make a new offer for ABN AMRO excluding LaSalle. In principle, such a new offer would affect neither the businesses to be acquired by Fortis, nor the price to be paid by Fortis referred to hereafter.

33.8% of the consideration for the consortium's offer, i.e. EUR 24billion<sup>2</sup>, will be borne by Fortis SA/NV and Fortis N.V. In order to finance their participation to the consortium's offer, Fortis SA/NV and Fortis N.V. intend to collectively raise up to EUR 15,000,000,000 of new equity via a rights issue.

The remaining part of the consideration to be borne by Fortis SA/NV and Fortis N.V. will be financed through a combination of:

- the issuance of various securities;

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<sup>1</sup> Based on undiluted number of shares. On a fully diluted basis, the offer consideration will amount to EUR 73 billion.

<sup>2</sup> Based on undiluted number of shares. On a fully diluted basis, the part borne by Fortis will amount to EUR 24.7 billion.

- the sale of specific non-core assets of Fortis that Fortis may complete prior to the completion of the offer; and
- other internal financial resources, including but not limited to cash on balance sheet and proceeds from the sale of securities held in its trading portfolio.

In addition, as indicated in section I above, the EUR 15,000,000,000 amount referred to in relation to the rights issue may be reduced to the extent that Fortis issues the financial instrument referred to in that section.

In accordance with the Twinned Share Principle, the number of ordinary Fortis SA/NV shares has always to be equal to the number of ordinary Fortis N.V. shares; hence, when new ordinary shares are issued, exactly the same number of ordinary shares are issued by Fortis SA/NV and Fortis N.V. This report only relates to the requested additional authorization to the Board of Directors to increase the share capital of Fortis SA/NV in the framework of the public offer on, and the acquisition of certain businesses of, ABN AMRO, it being understood that an authorization will also be requested from the Extraordinary General Meeting of Shareholders of Fortis N.V. in order to increase the share capital of Fortis N.V. The proceeds of a capital increase pursuant to the requested additional authorization will exclusively be used by Fortis SA/NV to partly finance its participation to the consortium's offer. The requested additional authorization will also be limited in time.

In the event that the consortium's offer turns out to be unsuccessful following the completion of a capital increase of Fortis SA/NV pursuant to the requested authorization, the Board of Directors will examine how the proceeds can be redistributed to the shareholders.

### **3. *Terms and conditions of the requested authorized capital***

The Extraordinary General Meeting of Shareholders is requested to authorize the Board of Directors to increase the share capital, in one or several transactions, with a maximum amount of EUR 4,609,584,000 enabling the issue of 1,076,000,000 shares, with effect as from the date of publication in the Belgian State Gazette of the resolutions of the Extraordinary General Meeting of Shareholders approving this proposal. The Board of Directors further proposes that this authorization will be valid until 31 March 2008 and will expire on that date if the Board of Directors has not used it in the context of the consortium's offer.

The aforementioned maximum amount of the capital increase is based on the maximum amount allowed under the Belgian Companies Code. The exact amount of the capital increase and the exact number of newly issued shares will not be identical to the aforementioned maximum amount and number under the requested authorization. The exact amount and number as well as the issue premium will be determined by the Board of Directors at the time of its decision to increase the capital.

As indicated, the requested additional authorization will exclusively be used by Fortis SA/NV to partly finance its participation to the consortium's offer.

In the context of the rights issue, the Board of Directors will exclude the preferential subscription right upon a capital increase in the framework of the requested additional authorization. However, it will grant to the shareholders a non-statutory preferential subscription right exercisable by all shareholders (or the transferees of the rights) as if the preferential subscription right had not been excluded, except for shareholders residing in jurisdictions where restrictions apply with respect to the offering of securities. Such a non-

statutory preferential subscription right should encourage shareholders to participate in a capital increase and limit their potential dilution.

In order to be allowed to exclude the statutory preferential subscription right and to replace it by a non statutory preferential subscription right, the Board of Directors proposes that the authorization currently granted by Article 11, b) of the Articles of Association will also apply to the requested additional authorization, it being understood that the provisions of articles 596 *et seq.* of the Belgian Companies Code relating to the restriction or exclusion of the statutory preferential subscription right will be complied with (special report of the Board of Directors, auditors' report, justification in the Annual Board Report).

### III. CORRESPONDING AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In the event that the Extraordinary General Meeting of Shareholders decides affirmatively upon the requests mentioned in sections I and II above, the following amendments would be made to Article 9 of the Articles of Association:

- Paragraph a) and b) would be merged and amended as follows (*unofficial English translation*):
  - a) *Subject to the Twinned Share Principle, the board of directors is authorized to increase the Company capital, in one or more transactions, with a maximum amount of one billion one hundred and forty-eight million one hundred and twelve thousand (1,148,112,000) euro. This authorization is granted to the board of directors for a period of 3 years starting on the date of the publication in the Belgian State Gazette of the amendment of the articles of association of the Company resolved by the extraordinary general meeting of shareholders of 6 August 2007.*
- A new paragraph b) would be included as follows (*unofficial English translation*):
  - b) *Furthermore, in the context of a public offer on, and the acquisition of certain businesses of, ABN AMRO Holding N.V., the board of directors is authorized to increase the Company capital, with a maximum amount of four billion six hundred and nine million five hundred and eighty-four thousand (4,609,584,000) euro. This additional authorization is granted to the board of directors until 31 March 2008 and will expire on that date if the board of directors has not partially or fully used it in the aforementioned context by such a date.*
- In paragraph c), the word "authorization" would be replaced with the word "authorizations".

As a result of these amendments, Article 9 of the Articles of Association would read as follows (*unofficial English translation*):

"ARTICLE 9 : Authorized capital

- a) *Subject to the Twinned Share Principle, the board of directors is authorized to increase the Company capital, in one or more transactions, with a maximum amount of one billion one hundred and forty-eight million one hundred and twelve thousand (1,148,112,000) euro. This authorization is granted to the board of directors for a period of 3 years starting on the date of the publication in the Belgian*

*State Gazette of the amendment of the articles of association of the Company resolved by the extraordinary general meeting of shareholders of 6 August 2007.*

- b) Furthermore, in the context of a public offer on, and the acquisition of certain businesses of, ABN AMRO Holding N.V., the board of directors is authorized to increase the Company capital, with a maximum amount of four billion six hundred and nine million five hundred and eighty-four thousand (4,609,584,000) euro. This additional authorization is granted to the board of directors until 31 March 2008 and will expire on that date if the board of directors has not partially or fully used it in the aforementioned context by such a date.*
- c) Any capital increase decided by the board of directors within the limits of the above mentioned authorizations may take the form, inter alia, of contributions in cash or in kind, of the incorporation, with or without issue of new Twinned Shares, of available and non-available reserves, issue premiums and claims, and of the issue of convertible bonds or bonds carrying subscription rights, as well as of subscription rights which may or may not be attached to another transferable security.*
- d) Any issue premium will be entered to a non-available account entitled "issue premium". This will constitute, on an equal footing with capital, the guarantee towards third parties and may be reduced or withdrawn only by a decision of the general meeting under the conditions regarding quorum and majority laid down by article 612 of the Company Code and subject to the power of the board of directors to incorporate all of part of this issue premium into capital."*

Brussels, 21 June 2007

For the Board of Directors of Fortis SA/NV

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Jean-Paul Votron  
Chief Executive Officer

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Maurice Lippens  
Chairman