

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

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, 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 256,200,000, enabling the issue of 610,000,000 shares, and to cancel the balance of the authorized capital, as mentioned in Article 9 a) of the articles of association of the Company, which, on the date of publication in the Belgian State Gazette of the amendment of the articles of association approved by the Extraordinary General Meeting of Shareholders, remains unused. 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 resolutions of the Extraordinary General Meeting of Shareholders approving this proposal.

I. AUTHORIZATION TO INCREASE THE SHARE CAPITAL OF FORTIS SA/NV WITH A MAXIMUM AMOUNT OF EUR 256,200,000

1. *Authorized capital granted on 29 April 2008*

On 29 April 2008, the Extraordinary General Meeting of Shareholders granted to the Board of Directors of the Company the authorization to increase the share capital with a maximum amount of EUR 2,022,048,000 enabling the issue of 472,000,000 shares (at an accounting par value of EUR 4.284), out of which:

- § 236,000,000 shares to cover commitments entered into in the context of the issue of certain financial instruments; and
- § 236,000,000 shares for general purposes as described in the special report of the Board of Directors dated 25 January 2008.

The Board of Directors made use of this authorized capital to carry out the issue:

- on 2 July 2008 of 150,000,000 shares in the context of a capital increase as part of an accelerated book building offering, without any public offering; and
- on 16 October 2008 of 61,751 shares in the context of an exercise of stock options issued in 2003.

2. Authorization requested from the Extraordinary General Meeting of Shareholders

2.1. Rationale

The main reasons for having recourse to the authorized capital procedure relate to the flexibility and rapidity that this procedure offers to enable the Company to meet its obligations entered into in the context of the issue of the financial instruments listed in section 2.2.

In accordance with the provisions regulating Fortis SA/NV and Fortis N.V. and which, among other things, result from the twinning of the shares of both companies, 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 deviating from the preferential subscription right of the existing shareholders or to carry out the capital increase by means of a contribution in kind.

2.2. Objectives

The authorized capital must enable the Board of Directors to cover the commitments taken in the context of the issue of the hybrid financial instruments described hereafter.

Under the terms of these outstanding instruments, Fortis SA/NV and Fortis N.V. have committed themselves to use all reasonable efforts to have sufficient authorized capital at all times to meet their potential obligations to issue shares in the context of these instruments.

These potential obligations to issue shares can be divided into two categories. The Board of Directors proposes to the Extraordinary General Meeting of Shareholders to approve a specific authorized capital for each of both categories separately, as set out below.

2.2.1. Obligations to issue shares concerning the payment of coupons

In certain circumstances, as further specified in the relevant contractual terms of the financial instruments, Fortis may be compelled to pay coupons which are due in new shares of Fortis SA/NV and Fortis N.V., or, only in the specific case of the Mandatory Convertible Securities, the remaining coupons until maturity ("Alternative Coupon Satisfaction Method" or "ACSM").

Each time the contractual terms require that Fortis SA/NV and Fortis N.V. jointly and severally use all reasonable efforts to have sufficient authorized capital at all times to meet these potential obligations. For this reason Fortis SA/NV annually requests its shareholders to approve an authorized capital which can be used solely for this specific purpose.

This request notably concerns the following instruments:

- The issue in September 2001 by Fortis Bank nv-sa of so-called Redeemable Perpetual Cumulative Coupon Debt Securities with a total nominal value of EUR 1,000,000,000, with an annual coupon of 6.50% until 26 September 2011 and a variable quarterly coupon of 3-month Euribor plus 2.37% thereafter. The ACSM obligation is triggered in the event of, among other things, certain solvency events affecting Fortis Bank. More specifically, Fortis SA/NV and Fortis N.V. have undertaken to (use all reasonable efforts to) have sufficient authorized capital at all times to cover the payment in shares of one year of coupons (i.e. one annual coupon or four quarterly coupons);
- The issue in October 2004 by Fortis Bank nv-sa of so-called Directly Issued Perpetual Securities with a total nominal value of EUR 1,000,000,000, with an annual coupon of 4.625% until 27 October 2014 and a variable quarterly coupon of 3-month Euribor plus 1.70% thereafter. The ACSM obligation is triggered in the event of, among other things,

certain solvency events affecting Fortis Bank. More specifically, Fortis SA/NV and Fortis N.V. have undertaken to (use all reasonable efforts to) have sufficient authorized capital at all times to cover the payment in shares of one year of coupons (i.e. one annual coupon or four quarterly coupons);

- The issue in June 2006 by Fortis Hybrid Financing S.A. of so-called Perpetual Securities with a total nominal value of EUR 500,000,000, with an annual coupon of 5.125% until 20 June 2016 and a variable quarterly coupon of 3-month Euribor plus 2% thereafter (“HYBRONE”). The ACSM obligation is triggered in the event of, among other things, certain solvency events affecting the Fortis group. More specifically, Fortis SA/NV and Fortis N.V. have undertaken to (use all reasonable efforts to) have sufficient authorized capital at all times to cover the payment in shares of one year of coupons (i.e. one annual coupon or four quarterly coupons);
- The issue in February 2008 by Fortis Hybrid Financing S.A. of so-called Perpetual Securities with a total nominal value of US\$ 750,000,000, with a semi-annual coupon of 8.25% (“NITSH I”). The ACSM obligation is triggered in the event of, among other things, certain solvency events affecting the Fortis group. More specifically, Fortis SA/NV and Fortis N.V. have undertaken to (use all reasonable efforts to) have sufficient authorized capital at all times to cover the payment in shares of one year of coupons (i.e. two semi-annual coupons);
- The issue in June 2008 by Fortis Hybrid Financing S.A. of so-called Euro Denominated Perpetual Securities with a total nominal value of EUR 625,000,000, with an annual coupon of 8% (“NITSH II”). The ACSM obligation is triggered in the event of, among other things, certain solvency events affecting the Fortis group. More specifically, Fortis SA/NV and Fortis N.V. have undertaken to (use all reasonable efforts to) have sufficient authorized capital at all times to cover the payment in shares of one year of coupons (i.e. one annual coupon);
- The issue in May 2002 by Fortifinlux S.A. of so-called Undated Floating Rate Equity-linked Subordinated Hybrid (“FRESH”) Capital Securities with a total nominal value of EUR 1,250,000,000, with a variable quarterly coupon of 3-month Euribor plus 1.35%. The ACSM obligation is triggered, among other things, in the event that Fortis SA/NV and Fortis N.V. do not pay a dividend (i.e. interim and final dividend taken together) in relation to any financial year with a yield of at least 0.5%. More specifically, Fortis SA/NV and Fortis N.V. have undertaken to (use all reasonable efforts to) have sufficient authorized capital at all times to cover the payment in shares of one year of coupons (i.e. four quarterly coupons);
- The issue in December 2007 by Fortis Bank nv-sa of so-called Convertible And Subordinated Hybrid Equity-linked Securities (“CASHES”) with a total nominal value of EUR 3,000,000,000, with a variable quarterly coupon of 3-month Euribor plus 2%. The ACSM obligation is triggered, among other things, in the event that Fortis SA/NV and Fortis N.V. do not pay a dividend (i.e. interim and final dividend taken together) in relation to any financial year with a yield of at least 0.5%, as well as in the event of certain solvency events affecting Fortis Bank or the Fortis group. More specifically, Fortis SA/NV and Fortis N.V. have undertaken to (use all reasonable efforts to) have sufficient authorized capital at all times to cover the payment in shares of one year of coupons (i.e. four quarterly coupons);

- The issue in December 2007 by Fortis Bank Nederland N.V. of so-called Mandatory Convertible Securities (“MCS”) with a total nominal value of EUR 2,000,000,000, with an annual coupon of 8.75%. The ACSM obligation is triggered in the event of an accelerated conversion of the securities before the maturity date pursuant to article 10 of the terms and conditions of the securities. More specifically, Fortis SA/NV and Fortis N.V. have undertaken to (use all reasonable efforts to) have sufficient authorized capital at all times to cover the payment of the remaining coupons until maturity (foreseen in December 2010).

For each of these financial instruments, other than the Mandatory Convertible Securities, the Board of Directors proposes to the Extraordinary General Meeting of Shareholders to approve sufficient authorized capital to cover the payment of one year of coupons.

For the Mandatory Convertible Securities the Board of Directors proposes to the Extraordinary General Meeting of Shareholders to, in accordance with the specific terms and conditions of the instrument, approve sufficient authorized capital to cover the payment of the maximum remaining coupons until maturity in the event of a potential Accelerated Conversion after the date of the Extraordinary General Meeting of Shareholders.

It should be noted that in respect of part of these instruments, the issuing entity (and the evolution of its solvency) is no longer under the control of Fortis SA/NV and Fortis N.V., which has an impact on the risk of the ACSM being triggered.

At a Fortis share price of EUR 2.5 and assuming a Euribor rate of 0.70%, the maximum number of shares to be issued by Fortis SA/NV and Fortis N.V. if the ACSM were triggered simultaneously on all aforementioned financial instruments is approximately 210,000,000 per annum.

In terms of number of shares, the authorized capital required to fulfil the ACSM commitments made in the context of the issue of the aforementioned financial instruments is estimated at 210,000,000 shares, which corresponds to a first tranche of authorized capital of EUR 88,200,000 (taking into account an accounting par value of EUR 0.42).

2.2.2. Obligation to issue shares concerning the payment of the principal amount

The contractual terms of the Redeemable Perpetual Cumulative Coupon Debt Securities issued by Fortis Bank in September 2001 contain a special provision according to which, in the event that Fortis Bank does not make use of its right to redeem on the first call date (26 September 2011), the investors will have the right to request the exchange of their debt instruments, which in total represent a principal amount of EUR 1,000 million, in ordinary shares issued by Fortis SA/NV and Fortis N.V. (the so-called “Stock Settlement”). Based on the contractual terms Fortis SA/NV and Fortis N.V. will in such case acquire the ownership of the debt instruments and the therein incorporated claim on Fortis Bank.

In the event that investors request Stock Settlement, Fortis SA/NV and Fortis N.V. may choose to acquire the securities of the investors against payment of the corresponding principal amount in cash, provided that the BFIC agrees to this.

In the event that Fortis SA/NV and Fortis N.V. would choose or would be compelled to issue shares, the contractual terms require that both companies use all reasonable efforts to have sufficient authorized capital for this purpose.

In terms of number of shares, the additional authorized capital required to fulfil the commitments made in the context of a potential “Stock Settlement” as described above, is estimated at 400,000,000 shares, which corresponds to a second tranche of authorized capital of EUR 168,000,000 (taking into account an accounting par value of EUR 0.42).

2.3. Amount requested

Therefore, the Board of Directors proposes to the Extraordinary General Meeting of Shareholders to grant a double authorization which, if approved, authorizes the Board of Directors to increase the share capital of Fortis SA/NV, in one or more transactions, with a maximum amount of EUR 256,200,000. This double authorization consists of the following two tranches:

- a first authorization granting an authorized capital of EUR 88,200,000 for a potential issue of shares to cover coupon obligations existing under the outstanding financial instruments (“First Authorization”); and
- a second authorization granting an additional authorized capital of EUR 168,000,000 for a potential issue of shares to cover the obligation to pay the principal amount of the Redeemable Perpetual Cumulative Coupon Debt Securities issued by Fortis Bank in September 2001 (“Second Authorization”).

In the event that the Extraordinary General Meeting of Shareholders approves only one of both requested authorizations, the text of the articles of association will only be adapted up to the amount of the corresponding authorized capital.

If a new authorized capital is granted, the Board of Directors proposes to the Extraordinary General Meeting of Shareholders, as a consequence thereof, to cancel the balance of the authorized capital, as mentioned in Article 9 a) of the articles of association of Fortis SA/NV, which, on the date of publication in the Belgian State Gazette of the amendment of the articles of association approved by the Extraordinary General Meeting of Shareholders, remains unused.

The Board of Directors further proposes that this double 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 resolutions approved by the Extraordinary General Meeting of Shareholders.

This capital increase may be achieved, amongst other means, by contributions in cash (with or without cancellation or limitation of the preferential subscription right of the existing shareholders) or in kind, by 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, as well as by subscription rights which may or may not be attached to another security.

II. CORRESPONDING AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The amendment to the articles of association proposed below assumes that, as past experience suggests, the First Extraordinary General Meeting of Shareholders of 12 April 2010 will not be able to validly deliberate and decide because the quorum of 50% of the capital is not attained and that only the second Extraordinary General Meeting of 28 April 2010 will be able to deliberate and decide.

1. In the event that the Extraordinary General Meeting of Shareholders votes in favour of the requested double authorization as set out above in section I. (2.3.) and the balance of the existing authorized capital is consequently cancelled, Article 9 will be amended as follows:

- Paragraph a) would be amended as follows:

“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 two hundred fifty-six million two hundred thousand euro (EUR 256,200,000). This authorization is granted to the board of directors for a period of three years starting on the date of the publication in the Belgian State Gazette of the amendment to the articles of association of the Company resolved by the extraordinary general meeting of shareholders of 28 April 2010.”

2. In the event that the Extraordinary General Meeting of Shareholders only votes in favour of the requested First Authorization as set out above in section I. (2.3.) and the balance of the existing authorized capital is consequently cancelled, Article 9 will be amended as follows:

- Paragraph a) would be amended as follows:

“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 eighty-eight million two hundred thousand euro (EUR 88,200,000). This authorization is granted to the board of directors for a period of three years starting on the date of the publication in the Belgian State Gazette of the amendment to the articles of association of the Company resolved by the extraordinary general meeting of shareholders of 28 April 2010.”

3. In the event that the Extraordinary General Meeting of Shareholders only votes in favour of the requested Second Authorization as set out above in section I. (2.3.) and the balance of the existing authorized capital is consequently cancelled, Article 9 will be amended as follows:

- Paragraph a) would be amended as follows:

“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 hundred and sixty-eight million euro (EUR 168,000,000). This authorization is granted to the board of directors for a period of three years starting on the date of the publication in the Belgian State Gazette of the amendment to the articles of association of the Company resolved by the extraordinary general meeting of shareholders of 28 April 2010.”

4. As a result of these amendments, Article 9 of the articles of association would read as follows:

“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 [two hundred fifty-six million two hundred thousand euro (EUR 256,200,000)] [or] [eighty-eight million two hundred thousand euro (EUR 88,200,000)] [or] [one hundred and sixty-eight million euro (EUR 168,000,000)]. This authorization is granted to the board of directors for a period of three years starting on the date of the publication in the Belgian State Gazette of the amendment to the articles of association of the Company resolved by the extraordinary general meeting of shareholders of 28 April 2010.*

b) *Any capital increase decided by the board of directors within the limits of the above mentioned authorization 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.*

c) *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 or part of this issue premium into capital.”*

Brussels, 9 April 2010

For the Board of Directors of Fortis SA/NV



Bart De Smet
Chief Executive Officer



Jozef De Mey
Chairman