

Press release

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Fortis accelerates the execution of its solvency plan

Equity raising of EUR 1.5 billion launched today; proposal for full-year dividend paid in shares based on full-year profit and no interim dividend

Fortis announces today its intention to accelerate its solvency plan. Fortis confirms that its current solvency is strong and that the commercial momentum of its businesses remains resilient. The decision to accelerate the plan is based on the expected outcome in the coming weeks of the imposed sale of some of the Dutch commercial banking activities under the European Commission (EC) remedies ruling, the planned acquisition of the remaining 51% stake in the Dutch insurance joint venture with Delta Lloyd, and anticipates a continued challenging market environment as well as taking a prudent stance on required capital in the current environment.

To achieve this acceleration, the Fortis Board of Directors has decided to take additional measures, some of which will have an immediate impact. These measures include:

- an equity raising of approximately EUR 1.5 billion by means of an accelerated bookbuilding offering, starting today. This increase is well within the mandate given by shareholders to the Board to issue new shares
- the decision not to pay an interim 2008 dividend. This will preserve solvency as the interim dividend was expected to impact second quarter solvency by EUR 1.3 billion. A proposal to pay the full-year 2008 dividend in shares will be made to the Annual General Meetings of Shareholders in March 2009.

Current exceptional circumstances necessitate these exceptional measures. The Board of Directors of Fortis has decided that under the current circumstances it is more prudent to strengthen the capital base and not pay an interim dividend. Fortis intends to resume its practice of paying dividend in cash, probably as early as the interim 2009 dividend.

In addition, the updated solvency plan now includes:

- a capital relief programme and a sale and lease-back transaction of real estate, for around EUR 1.5 billion
- the issuance of non-dilutive capital instruments up to EUR 2 billion
- additional disposals of mature non-core assets, which are expected to lead to a total solvency uplift of around EUR 2 billion

The updated solvency plan is expected to result in more than EUR 8 billion of additional solvency in total in the short to medium term. The capital raising of approximately EUR 1.5 billion will broadly offset the future impact on solvency of the EC remedies and the intended acquisition of the Dutch insurance joint venture. These measures will increase the core Tier 1 ratio of Fortis Bank, which at the end of the first quarter stood at 8.5%, and will – considering full consolidation of the acquired ABN AMRO assets – enable Fortis to keep the core Tier 1 ratio well above 6% by year-end 2009 (under Basel I).

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“While our solvency today is strong, the announced measures prepare us for the road ahead, which we believe is a prudent approach to take in the current environment,” explains Fortis CEO Jean-Paul Votron. “The acquisition of the ABN AMRO activities reinforces Fortis’s long-term growth potential and the stability of its earnings profile. Fortis and ABN AMRO continue to demonstrate resilient commercial momentum. As previously stated, we believe that 2008 will be a difficult year for our industry and we do not expect an improvement in the economic environment soon. The measures announced today will help Fortis navigate through the current challenging market circumstances and enable us to fully focus on the promising future.”

Terms and conditions of the accelerated bookbuilding offering

Fortis launches today an accelerated bookbuilding offering of approximately EUR 1.5 billion. The new shares will be placed with institutional investors in various jurisdictions. This increase in capital is well within the mandate to increase the share capital through the authorised capital, given by shareholders to the Board. In connection with the offering, Fortis has agreed a 180 day lock-up period with the joint bookrunners. Merrill Lynch International, JP Morgan, Fortis Bank and Morgan Stanley will act as joint bookrunners. The pricing of the accelerated bookbuilding offering will be announced in a separate press release as soon as this has been determined. The new shares issued will be entitled to the full year 2008 dividend.

Dividend

Under normal circumstances, Fortis would have paid an interim cash dividend of EUR 1.3 billion. The Board of Directors of Fortis has decided that under the current circumstances it is more prudent to strengthen the capital base and not pay an interim dividend. At the time of the full-year 2008 results disclosure in March 2009, a dividend proposal for full-year 2008, payable in shares, will be considered. The dividend proposal will take into account the net profit achieved in 2008, the solvency position of Fortis at that time and the medium term outlook of the company. Current exceptional circumstances necessitate this exceptional, yet temporary, measure. Fortis intends to resume paying dividend in cash, probably as early as the interim 2009 dividend.

Solvency plan

At the end of the first quarter, Fortis Bank's core Tier 1 ratio amounted to 8.5% (based on Basel I), well above its target of 6%. As previously communicated, this surplus will gradually decrease in 2008 and 2009 as the acquired ABN AMRO activities are transferred to Fortis and consolidated. Assuming full consolidation of the acquired activities of ABN AMRO and execution of the announced transactions as well as the additional measures announced today, the year-end 2009 look-through Bank core Tier 1 ratio will be well above 6% (based on Basel I). Organic solvency generation is expected to accelerate as from 2010, when most of the integration costs will have been absorbed and the announced EUR 1.3 billion synergy benefits will emerge in full.

The capital structure at the end of the first quarter*, in line with regulatory guidelines, was:

Core Tier 1		EUR 26.0 billion
Equity**		EUR 19.8 billion
Non-innovative Tier 1 instruments	FRESH	EUR 1.2 billion
	MCS	EUR 2.0 billion
	CASHES	EUR 2.5 billion
	NITSH I	EUR 0.5 billion
Innovative Tier 1 instruments		EUR 3.5 billion
	Hybrone	EUR 0.5 billion
	Fortis Bank Tier 1	EUR 2.4 billion
	TOPRS	EUR 0.6 billion
Total Tier 1		EUR 29.5 billion

* Please refer to the first quarter 2008 results presentation

** Includes prudential filters: revaluation of insurance real estate, bonds, equities (excluding at bank level), deduction of goodwill, participating interest and final 2007 dividend

The measures announced today are shown below.

	Amount	When
Accelerated bookbuilding offering	~EUR 1.5 billion	June 2008
No interim dividend	EUR 1.3 billion	June 2008
Capital relief/sale and lease back	EUR 1.5 billion	2008 and 2009
Non-dilutive Tier 1 instruments	EUR 2.0 billion	2008 and 2009
Disposals	EUR 2.0 billion	2008 and 2009

Capital relief and sale and lease back transactions

Fortis intends to securitise some of its assets in the second half of 2008 and in 2009 as the securitisation market is showing signs of improvement in certain products.

Moreover, Fortis has a significant real estate portfolio. The unrealised gain on the portfolio of Fortis Bank is currently not recognised in any core equity calculations. A sale and lease back transaction of part of the real estate portfolio, envisaged to take place in the second half of 2008 and in 2009, will result in the realisation of such a gain, thereby strengthening solvency.

These transactions are expected to result in a capital relief of approximately EUR 1.5 billion.

Issuance of non-dilutive capital instruments

Fortis previously announced it is considering issuing non-dilutive capital instruments in addition to NITSH I and NITSH II. In particular, it is considering issuing preferred shares at group level, which would need to be approved by an Extraordinary General Meeting of Shareholders. The issuance of these non-dilutive core Tier 1 instruments is expected to raise up to EUR 2 billion of core capital.

Disposals

Fortis has reviewed its portfolio of activities and identified a number of additional non-core assets which could be divested. The disposals relate to activities that are mature and non-core to the growth strategy of Fortis. The disposals are planned to occur in 2008 and 2009 and are expected to result in a total solvency uplift of around EUR 2 billion.

Further developments

EC remedies

ABN AMRO intends to sign a sale and purchase agreement soon relating to parts of ABN AMRO in the Netherlands, subject to the approval of several regulators. The Dutch factoring company IFN Finance will be part of this sale. The expected sale price could be approximately EUR 300 million below the net asset value. The terms and conditions of the expected transaction could be such that ABN AMRO would provide credit risk coverage of initially around EUR 10 billion of RWCs of the assets sold. The capital required for this credit risk coverage will be released over time.

The expected future impact of this transaction on income and solvency is subject to the final structuring and completion of the transaction, as from the third quarter.

With the removal of this hurdle, the transfer of various international private banking activities and selected monoline activities from ABN AMRO to Fortis can start. Completion of the transaction will allow Fortis to fully focus on the progression of the integration of the acquired activities.

Operational performance in the second quarter of 2008

Despite difficult market circumstances, the underlying commercial performance of the banking and insurance activities continues to be resilient and is expected to be in line with or slightly up on the previous quarter. Lower capital gains are anticipated to be offset by lower impairments on the structured credit portfolio. The first quarter benefited from a large revaluation gain on the credit portfolio hedge, which will not recur in the second quarter. The impact of equity markets on solvency is estimated to amount to EUR 400 million. Mitigating measures are being deployed, leading to a reduction in sensitivity to a change in equity markets. The second quarter 2008 results will be published on 4 August 2008.

Analyst and Investor Call at 10.00 CET (09.00 UK time)

Participants have to enter the following passcode : 601 531

Dial-in numbers :

0208 974 79 00 (United Kingdom)
0800 809 94 (Belgium)
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