

Annual Review 2003



FORTIS

Solid partners, flexible solutions

“Listening,
understanding
and responding
to our customers.
Now and
in the future.”



Together, the Annual Review 2003 and the Annual Accounts 2003 constitute the Annual Report of Fortis. The Annual Accounts contain the financial statements of Fortis, the statutory accounts of Fortis SA/NV and the company accounts of Fortis N.V. The Annual Report is published in the English, Dutch and French languages. In case of any discrepancy between these versions, the French and Dutch versions shall prevail. Fortis has ensured that, as far as possible, there are no discrepancies between the French and the Dutch versions. The Annual Report is also available on the Internet: www.fortis.com.

Op uw verzoek zenden wij u graag het Jaaroverzicht 2003 in het Nederlands. Het Jaaroverzicht 2003 en de Jaarrekeningen 2003 vormen tezamen het jaarverslag van Fortis. Het deel 'Jaarrekeningen' bevat de jaarrekening van Fortis, de statutaire jaarrekening van Fortis SA/NV en de vennootschappelijke jaarrekening van Fortis N.V. Het jaarverslag is verkrijgbaar in het Nederlands, Frans en Engels. In geval van verschillen tussen deze versies hebben de Franse en de Nederlandse versie de voorrang. Fortis heeft verzekerd dat, voor zover mogelijk, er geen verschillen zijn tussen de Franse en Nederlandse versie. Het jaarverslag is ook te vinden op internet: www.fortis.com.

Sur simple demande, nous vous enverrons volontiers le Synopsis de l'année 2003 en français. Les Comptes annuels 2003 et le Synopsis de l'année 2003 constituent ensemble le Rapport annuel de Fortis. La partie « Comptes annuels » présente les états financiers de Fortis, les comptes statutaires de Fortis SA/NV et les comptes sociaux de Fortis N.V. Le rapport annuel est publié en français, en néerlandais et en anglais. En cas de divergence entre ces versions, les versions française et néerlandaise feront foi. Fortis a veillé à assurer, dans la mesure du possible, la concordance entre les versions française et néerlandaise. Vous pouvez également consulter le rapport annuel sur Internet : www.fortis.com.

Annual Review 2003

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For the cautionary statement with respect to forward-looking statements mentioned in this Annual Review we refer to the Annual Accounts.

Fortis at a glance

Profile

Fortis is an integrated financial services provider active in the fields of banking and insurance. The company offers its private, business and institutional customers a comprehensive package of products and services through its own distribution channels and in cooperation with intermediaries. Its multi-channel distribution strategy gives Fortis the flexibility to meet its customers' need to be reachable at all times and their demand for user-friendliness.

In its home market, the Benelux countries, Fortis occupies a leading position which it aims to develop and bolster. Fortis is drawing on the expertise it has acquired in its home market to realize its European ambitions via growth platforms. Fortis also operates successfully worldwide in selected activities. In specific countries in Europe and Asia it effectively exploits its know-how and experience in bancassurance.

With total assets of EUR 523 billion and shareholders' equity of EUR 11.9 billion, Fortis ranks among the twenty largest financial institutions in Europe. With its sound solvency position, broad risk spread and the extensive expertise of its 54,000 employees, Fortis combines global strength with local flexibility to provide optimum support to its customers.

Sustainable economic growth and social responsibility are important considerations for the way in which Fortis operates. Fortis's commitment to the welfare of its millions of customers means the company is deeply rooted in the local community.

Mission

Fortis aims to be a leading, efficient, customer-oriented financial services provider.

- To produce a return on equity of at least 15%
- To maintain strict cost control

Objectives

- To accumulate, manage and preserve customers' financial assets
- To provide customers with top-quality, fast and effective service
- To conduct business in a socially responsible manner
- To be an attractive employer
- To create sustainable economic value for its shareholders
- To optimize its capital invested
- To achieve growth of net operating profit per share of at least 12%

Strategy

To strengthen its position as a leading, Benelux-based financial services provider with European ambitions, Fortis has set itself the following priorities:

- To provide excellent services at attractive margins
- To improve efficiency
- To achieve economies of scale
- To fully optimize its portfolio of activities
- To strengthen its performance and risk management systems

Key figures

(in EUR million)

	2003	Difference in %	2002	Difference in %	2001
Profit and loss account					
Net operating profit					
before value differences	1,611	10	1,462	(36)	2,267
• Banking	1,390	11	1,253	1	1,238
• Insurance	405	(3)	419	(65)	1,209
Net operating profit	2,247	423	430	(81)	2,267
• Banking	1,446	25	1,154	(7)	1,238
• Insurance	996	*	(616)	(151)	1,209
Net profit	2,197	313	532	(80)	2,598
• Banking	1,495	16	1,293	7	1,204
• Insurance	898	*	(687)	(144)	1,577
Employees					
Average FTEs	64,454	(2)	65,989	(0)	66,210
• Banking	38,496	(6)	40,768	(5)	42,791
• Insurance	25,785	3	25,031	8	23,237
Balance sheet					
Net equity	11,894	9	10,871	(21)	13,844
Total assets	523,250	8	485,765	1	482,970
Assets under management	305,960	6	289,817	(8)	313,846
Ratios					
<i>Fortis</i>					
Return on equity	19.3%		4.3%		17.9%
<i>Banking</i>					
Tier-1 ratio	7.9%		8.2%		8.5%
Total capital ratio	12.4%		13.0%		13.5%
Cost/income ratio	62.7%		63.0%		65.4%
Key figures per share					
Net operating profit	1.74	422	0.33	(81)	1.75
Net profit	1.70	313	0.41	(80)	2.01
Net profit after full conversion	1.67	306	0.41	(79)	1.97
Dividend	0.92	5	0.88	0	0.88
Net equity	9.16	9	8.39	(22)	10.70

Ratings

Fortis SA/NV and Fortis N.V.

Long term	Short term
Moody's	A1
Standard & Poor's	A+
Fitch Ratings	A+
	A-1
	F1

Fortis Bank SA/NV

Long term	Short term
Aa3	P-1
AA-	A-1+
AA-	F1+

The Fortis share

The Fortis share represents one unified share in the Belgian and Dutch parent companies Fortis SA/NV and Fortis N.V. respectively. The share replaces the former Fortis (B) and Fortis (NL) shares. The new Fortis share was listed on 17 December 2001. At the end of 2003 the number of Fortis shares outstanding carrying voting rights and entitled to dividend was 1,298,200,094.

Stock exchange listings

Fortis has a primary listing on both Euronext Brussels and Euronext Amsterdam, and has a secondary listing in Luxembourg. In the United States, Fortis has a sponsored ADR programme.

Ticker symbols	Bloomberg	Reuters
Euronext Brussels	FORB BB	FOR.BR
Euronext Amsterdam	FORA NA	FOR.AS

ISIN code BE0003801181

Index weighting (on 11 March 2004)

AEX Index	9.00%	MSCI World	0.13%
BEL20 Index	26.01%	MSCI Europe	0.43%
Euronext 100	1.72%	MSCI EAFE	0.30%

Major shareholders (at 31 December 2003)

Suez	6.07 %
Stichting VSB Fonds	5.53 %

Dividend per share

In principle, Fortis's dividend policy is to pay out 40% to 45% of net profit.

	2003	2002	2001
Dividend (in EUR)	0.92	0.88	0.88

Stock exchange data (in EUR) ¹⁾

	2003	2002	2001
Highest quotation	17.80	29.10	36.19
Lowest quotation	9.26	12.51	20.26
Year-end quoted market price	15.96	16.73	29.13

Price/earnings ratio ²⁾	9.4	40.8	14.5
Price/equity ratio ²⁾	1.7	2.0	2.7

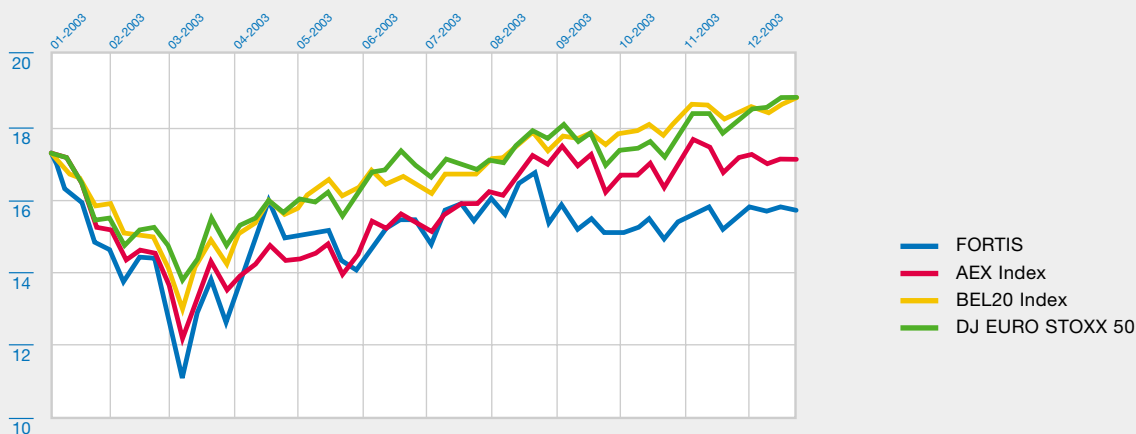
¹⁾ After unification of the shares on 17 December 2001.

Pre-unification data are based on the figures for both Fortis (B) and Fortis (NL).

²⁾ Year-end data.

Share price performance Fortis, Euronext (in EUR)

Compared with AEX Index, BEL20 Index and DJ EURO STOXX 50



Contacts

For additional shareholders' information, we refer to our website, www.fortis.com/ir. Information for credit analysts is available at www.fortis.com/debtinvestors. The Investor Relations department ensures continuous newsflow by maintaining contact with the investment community. The Investor Relations department can be contacted via ir@fortis.com or at +32 (0)2 510 53 38 or +31 (0)30 257 65 71.

Message from the Board of Directors

Following on the heels of a turbulent 2002, this past year started out with a weak economy and low share prices, but took a turn for the better in the second half of the year.

Against this background, Fortis performed well in 2003. Our net profit advanced to EUR 2.2 billion, which is over five times as much as it was in 2002, when tumbling stock markets severely impacted results. Effective customer focus, improved interest margins and strict cost control drove up profits sharply, in both the banking and insurance businesses. Fortis was thus able to further strengthen its solvency position.

The Board of Directors will propose to the Annual General Meeting of Shareholders a cash dividend of EUR 0.92 per share, an increase of 4.5%

Fortis is clearly on an increasingly successful course. Last year we took some major decisions and refocused our corporate strategy. We are strengthening our position as a leading, Benelux-based financial services provider with European ambitions. In addition to profitable customer-centricity and cost control, our priorities remain risk management and a sound solvency position.

Based on these priorities, our goals in the Benelux region are to further develop our banking and insurance operations, strengthen the ties with our customers and develop those activities in which we have a competitive edge. Outside the Benelux countries we will continue to expand growth platforms, building on the quality and expertise we have developed in our home market. We will focus on markets where we have a competitive advantage and where growth can clearly be achieved, for example in leasing, in Spain and in private banking and trust. Fortis will also continue to invest in selected activities in which it has specific expertise globally.

Active management of our portfolio of activities is an essential ingredient of our corporate strategy. Fortis decided in 2003 to sell off its American insurance business, as it had no strategic link with Fortis's core activities in the Benelux region. The IPO of 65% of the common stock of Assurant, Inc. (formerly Fortis, Inc.) in February 2004 was very successful. We may decide to sell off the remaining interest of 35% sometime in the future, depending on how the market develops.

The year 2003 also witnessed significant developments in the area of corporate governance, both internationally and throughout Europe, including the Netherlands and Belgium. Being a cross-border firm, Fortis keeps abreast of these developments and their effects on the Board of Directors. This is required to ensure the company's further growth, its efficient risk management and its innovative power. With this in mind, and as announced in 2003, the structure and composition of the Board of Directors will change in 2004. The current dual chairmanship of the Board of Directors will be replaced with a single chairmanship, and the appointment of new non-executive directors – to be submitted to the shareholders for approval – should give the Board a more international flavour.

The Board of Directors will also propose to the shareholders the reappointment of Jaap Glasz, Jan-Michiel Hessels and Piet Van Waeyenberge. Philippe Speeckaert, whose term of office also expires this year, has declined to stand for reappointment. The Board will recommend the appointment of Philippe Bodson as non-executive director. Valère Croes and Etienne Davignon, having reached the age limit set by the Board of Directors, will not be available for re-election. The Board of Directors wishes to express its deep gratitude for the major contributions made by Philippe Speeckaert, Valère Croes and Etienne Davignon to the development of Fortis and to the Board's work.

Fortis continued to evolve from a socially committed company into a socially responsible one in 2003. We are striving to establish an unambiguous, company-wide policy in this area. This Annual Report should make it clear that Fortis has made CSR a driving force behind many of its operations.

Fortis's desire to respond rapidly to the many changes in its environment places great demands on its employees' flexibility. We would like to take this opportunity to express our thanks for their unflagging commitment. The choices Fortis makes enable us to remain a powerful force in the Benelux countries, in Europe and on the global markets where we are active, and to provide superior service to our customers. Achieving these goals requires constant commitment to an ongoing process.

Barring unforeseen circumstances, we expect that this, together with the already improved markets, will result in a higher net operating profit for the current year.



A blue ink signature of Jaap Glasz.

Jaap Glasz
Chairman of the
Board of Directors



A blue ink signature of Maurice Lippens.

Maurice Lippens
Chairman of the
Board of Directors



A blue ink signature of Anton van Rossum.

Anton van Rossum
CEO

Fortis's strategy:

Benelux-based financial services provider with European ambitions

In 2000 Fortis mapped out its strategy, with profitable organic growth as the starting point. The opportunities for expansion were carefully weighed for each activity and geographical market, with the key considerations being growth prospects, capital tie-up and contribution to profits.

Fortis has since made important strides. The banking activities have been integrated, and the resultant synergy benefits have had a favourable impact on the cost base. The activities portfolio has been streamlined through strategic acquisitions and the sale of unprofitable or non-core activities. Finally, Fortis has stepped up its efforts to increase trans-

parency, introduced a single Fortis share and improved its approach to corporate governance.

Changes in the economic and financial market conditions prompted Fortis to sharpen its strategic focus in 2003. Fortis's ambition is to be a European financial enterprise that is the customer's first choice due to the excellent quality of its service. To help achieve this, Fortis intends to focus even more on its core activities.

In the Benelux countries, this means in practice the development of the banking and insurance activities, characterized by a variety of distribution channels and intensive development of relations. More specifically, it involves a wide range of financial services focused more emphatically on advice, service and customer satisfaction.

Based on the expertise it has built up in the Benelux region, Fortis is developing growth platforms elsewhere in Europe. Its ambition is to develop leading positions in selected European market segments. In addition, Fortis continues to develop activities with a global scope, exploiting expertise built up in its home markets. Finally, Fortis focuses attention on markets offering opportunities to profit from the existing presence, for example in specific countries in Europe and Asia. The experience gained in the Benelux countries in bancassurance is being applied in these countries with a view to exploiting the growth potential and securing attractive margins.

Strengths

- Unique position in an attractive Benelux market, the fifth largest market for financial services in Europe
- Largest financial institution in the Benelux region for banking and insurance, partly thanks to cross-border cooperation
- Market leader in Belgium in Network Banking, Merchant Banking, Investment Services and insurance; second-largest insurer in the Netherlands and market leader in banking activities such as Private Banking and Information Banking; market leader in Luxembourg in banking activities
- Highly diversified banking and insurance activities portfolio
- Proven capacity to create value by pooling banking activities and integrating insurance companies
- Inspired and committed bankers and insurers who combine know-how and experience
- Quality ratings and solid solvency

Weaknesses

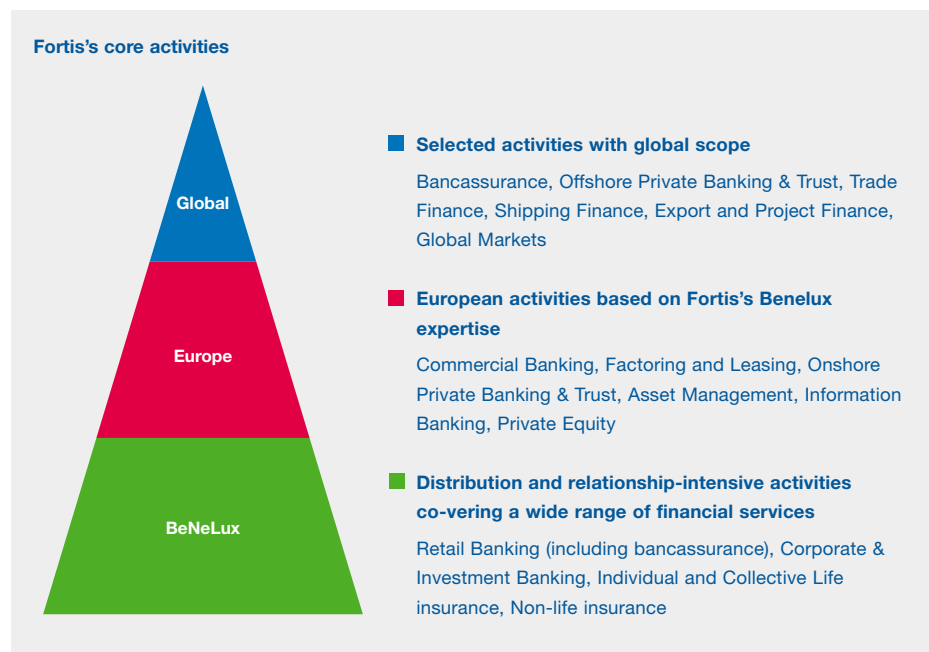
- Position outside the home market relatively underdeveloped
- Limited market position in some banking activities in the Netherlands

Since the American insurance operations do not form part of these core activities, Fortis decided to float Fortis, Inc. on the stock market under its new name, Assurant, Inc. The flotation took place on 5 February 2004, when Fortis offered 80 million shares at an issue price of USD 22 per share. In view of the great success of the operation, the over-allotment option of 12 million shares was also exercised. As a result, Fortis now holds approximately 35% of the shares in Assurant.

In order to develop into a first-rate European service provider, Fortis focuses on its key strengths and know-how. Based on five priorities, it continues to invest in organic growth opportunities, valuable acquisitions and strategic alliances, with a view to generating a clear shift away from synergy benefits and cost reductions towards income growth and profitable customer-centricity. The five priorities are:

1. Excellent services with attractive margins

Fortis puts the customer first and wants to be the customer's first choice for financial services. It seeks to set itself apart from the competition by offering services and advice with added value. It wishes to offer these services at a fair price. However, Fortis not only wishes to develop into a true 'customers' bank', but also wants to offer insurance intermediaries all the advantages of integrated online processing (chain integration). All Fortis businesses are investing in



innovative products, integrated solutions and cross-border specialist services.

Trust, Asset Management, Information Banking and Merchant Banking.

2. Efficiency improvements

Several basic processes within Fortis could be carried out more efficiently and thus more cheaply. These processes, in areas such as mortgage back-office services, payment and securities transactions and insurance processes, have been analyzed and will be improved in the coming years.

At the same time, Fortis continues to optimize its activity mix by evaluating activities that do not bear a strategic relationship to the core activities in the Benelux region and beyond. In addition, Fortis aims to continue acquiring selected companies and forging strategic alliances with strong partners in order to grow more quickly than is possible through organic growth alone.

3. Economies of scale

Building a strong and effective system infrastructure throughout the Fortis group will bring economies of scale within reach and enable Fortis to serve customers even better.

5. Strengthening the performance and risk management systems

In recent years Fortis has vastly improved its performance and risk management systems. Nevertheless, it wishes to continue investing in effective systems for things such as measuring performance (for example customer and employee satisfaction), the introduction of new standards for valuation and financial reporting (such as Basel II and IFRS) and optimizing management of the various types of risk.

4. Optimization of the activities portfolio

Fortis has a diversified mix of activities with good growth prospects. In growth markets the most promising opportunities lie in areas of Commercial Banking, including leasing and factoring, and the bancassurance concept. Other growth activities include Private Banking &

Description of activities	Network Banking	Pages 16-21	Merchant Banking	Pages 22-25																							
Profile	Fortis Bank provides financial services to retail customers, the independent professions and to small and medium-sized enterprises. In its home market, the Benelux countries, Fortis offers advice on all forms of daily banking, saving, investment, credit and insurance through a variety of distribution channels. Fortis also provides retail banking services in France and Poland. Medium-sized enterprises can choose from a uniform product and service offering, with the same range of cross-border products, services and specialisms, at the unique, integrated network of business centres throughout Europe.			Merchant Banking provides financial markets, corporate and investment banking, onshore fund and private equity services to institutional customers, financial institutions and large enterprises.																							
Strategy	<ul style="list-style-type: none">• Differentiation in customer approach.• Integration of distribution channels• Streamlining of back-office processes• Cross-selling between different product domains• Balance between customer satisfaction and profitability• ‘Act as One’ strategy for international European businesses			<ul style="list-style-type: none">• Integrated sales with a wide-ranging product mix under competitive conditions and geared towards the customer profile• Optimization of operational structure with a view to efficiency• Efficient pricing																							
Market position	<ul style="list-style-type: none">• Leadership position for retail and commercial banking in the Benelux region• Market leader in bancassurance in Belgium• Network of 1,560 bank branches in the Benelux countries• European network of 100 business centres for medium-sized enterprises• Strong pan-European position in leasing and factoring			<ul style="list-style-type: none">• Leadership position in the home market• Strong European position in cash management• Presence in major financial centres• Leader in a number of specialized market segments, such as commodities finance, shipping and project financing• Presence in Asia and the United States																							
Key developments in 2003	<ul style="list-style-type: none">• Range of products and online distribution channels expanded• Personal banking concept launched in Belgium• Successful advertising campaign in France• Proposed sale of retail and commercial activities in Hong Kong to the Chinese ICBC• Factoring and leasing activities expanded• Implementation of cross-border sales management system• Introduction of online ‘Click ‘n Trade’ application			<ul style="list-style-type: none">• Innovative products in derivatives market• Securitization position strengthened• Major private equity deals made• Introduction of unique IT platform for processing transactions with professional counterparties• Investments in risk management• Fortis Groenbank finances environmentally friendly projects																							
Key figures ¹⁾	<div><div>(in EUR million)</div><table><tr><td></td><td>2003</td><td>2002</td><td>2001</td></tr><tr><td>- net operating profit</td><td>945</td><td>513</td><td>868</td></tr><tr><td>- number of employees (FTEs, end of period)</td><td>18,377</td><td>21,130</td><td>22,604</td></tr></table></div> <div><div>(in EUR million)</div><table><tr><td></td><td>2003</td><td>2002</td><td>2001</td></tr><tr><td>- net operating profit</td><td>328</td><td>92</td><td>416</td></tr><tr><td>- number of employees (FTEs, end of period)</td><td>2,689</td><td>2,656</td><td>2,735</td></tr></table></div>				2003	2002	2001	- net operating profit	945	513	868	- number of employees (FTEs, end of period)	18,377	21,130	22,604		2003	2002	2001	- net operating profit	328	92	416	- number of employees (FTEs, end of period)	2,689	2,656	2,735
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¹⁾ The key figures for 2002 and 2001 refer to Fortis's former organizational structure, i.e. Corporate Banking was part of Network Banking and Information Banking was part of Merchant Banking.																											

MeesPierson offers high-net-worth individuals, their families and businesses a complete range of tailor-made services in the areas of asset structuring, finance, trust and corporate, investment, insurance and real estate.

Fortis Investments is Fortis's asset manager. Its activities range from institutional portfolio management to the development, distribution and management of investment funds.

Information Banking offers professional investors an integrated approach to asset-related services.

Fortis ASR comprises all of Fortis's insurers in the Netherlands and cultivates the market exclusively via independent insurance brokers. Fortis ASR offers individuals and businesses a wide range of life, pension, non-life, healthcare and disability insurances, and mortgage and savings products.

In Belgium Fortis AG works through intermediaries to offer a comprehensive range of life and non-life insurances to individuals and small and medium-sized enterprises (SME) and, through Fortis Employee Benefits, group policies to large enterprises.

Fortis Real Estate is Fortis's asset manager for real estate in Belgium. Non-life insurance for medium-sized and large enterprises is provided by Fortis Corporate Insurance.

Insurance activities are developed internationally in Luxembourg, France and the United Kingdom and with joint ventures in Spain, China and Malaysia

- Total service offering geared towards all aspects of the customer's needs
- Profitable relationship between private banking and trust
- Economies of scale and acquisitions
- Network of specialized investment centres and sales offices for asset management
- Common investment philosophy
- Consolidate external distribution networks
- Comprehensive package of integrated investment services
- Strengthen international position
- Supply chain integration in administrative processing

- Distribution exclusively through intermediaries
- Increase commercial clout by enhancing synergy and cooperation within Fortis ASR
- Integration of AMEV, Stad Rotterdam and Woudsend into one strong intermediary insurer
- Specialist insurers focus more sharply on their core business

- Distribution to individuals and SMEs via intermediaries
- Innovative offer of products and services
- Use of Internet technology in processing procedures
- Diversified distribution strategy for large enterprises
- Acquisitions in selected markets with a view to leadership in asset accumulation
- Use of expertise in bancassurance
- Collaboration with strong local partners in Asia

- MeesPierson ranks among the top 10 private banks in Europe and boasts a strong position in international trust
- Fortis Investments occupies a leading market position in the Benelux region
- Information Banking is European market leader in derivatives clearing for third parties and is generally recognized as a centre of expertise in specialist fund administration

- Second-ranking insurer in the Netherlands
- Generally recognized as high-quality insurer, e.g. thanks to its strong relationship with intermediaries
- Market leader in mortgage products and disability insurances

- Fortis AG is a leading insurer in the Belgian market
- Fortis Employee Benefits is market leader in pension and healthcare insurance
- Fortis Real Estate is the biggest private owner of real estate in Belgium
- Fortis Corporate Insurance is market leader in the Benelux region for non-life insurance to companies
- International partners have a strong local market position

- MeesPierson service offering developed
- Innovative product mix expanded
- Successful integration of Intertrust
- Fortis Investments receives excellent 'AA' rating from Fitch
- Advanced information system for customer relationship management
- Successful introduction of investment fund in China
- Global Custody Management awarded international quality label
- Information Banking customer base expanded

- Policy adjusted to new regulations
- Revised strategy
- Corporate support services centralized
- Back offices currently being integrated
- Brand strategy defined

- Competitive edge provided by Familis, a tailor-made insurance package for individuals
- Innovative concepts launched, e.g. Medi-Assistance and Fortis Ascento
- Creation of modern, efficient systems for follow up and management of insurance contracts
- Capital increase at Fortis Corporate Insurance
- Market position in Spain strengthened by acquisition of Swiss Life (España) and group and business insurances from Grupo Santander
- Seguros Bilbao in Spain sold
- Joint ventures in China and Malaysia deliver solid performance

(in EUR million)	2003	2002	2001
- net operating profit	287	256	130
- number of employees (FTEs, end of period)	3,939	3,205	3,034
- funds under management	128,019	131,328	144,863

(in EUR million)	2003	2002	2001
- gross written premiums:			
Life	2,982	3,109	3,457
Non-life	1,951	1,850	1,702
- net operating profit	369	-609	472
- costs/gross written premiums	16%	15%	14%
- number of employees (FTEs, end of period)	4,973	5,187	5,269

(in EUR million)	2003	2002	2001
- gross written premiums:			
Life	3,666	3,948	3,203
Non-life	2,544	2,411	2,157
- net operating profit	212	-36	352
- costs/gross written premiums	12%	10%	10%
- number of employees (FTEs, end of period)	7,864	7,984	6,658

Summary of financial results

Fortis's net profit for 2003 clocked in at EUR 2,197 million, increasing fourfold compared with 2002 and bringing return on equity for the year to 19% (4% in 2002). Net operating profit increased fivefold in the same period, to EUR 2,247 million. Excluding value adjustments to the equity portfolio, net operating profit increased by 19% to EUR 2,558 million.

Fortis delivered this good performance in a year that started poorly with a weak economy and low stock markets, but that gradually improved. Operating performance continued to improve thanks to better interest margins, excellent results at Non-life insurance and further cost reductions.

On the back of improving stock markets and Fortis's operating performance, Fortis's solvency strengthened further in 2003. As at 31 December, net core capital was EUR 18.5 billion, which was 83% above the legally required minimum and 15% above Fortis's own floor.

A cash dividend of EUR 0.92 per share, an increase of 4.5%, will be proposed to the Annual General Meeting of Shareholders.

Banking activities

Net operating profit increased by 25% to EUR 1,446 million in 2003.

Excluding value adjustments to the equity portfolio, net operating profit increased by 6% to EUR 1,438 million.

Net interest income for 2003 was 1% lower at EUR 4,380 million, mainly as a result of a flatter yield curve and a decrease in the average duration of equity. Net commission and results on financial transactions (excluding realized capital gains) suffered from lower markets and less activity than in 2002.

Operating costs fell by 1%. These savings were on top of the 9% cost reduction already realized in 2002. The cost/income ratio decreased from 63.0% to 62.7%. Staff costs decreased by 1% compared with 2002. FTEs decreased by 2,217 to 37,444 on 31 December 2003; this was on top of the 2,448 reduction in 2002, bringing the total reduction over the last two years to 11%.

Insurance activities

Net operating profit improved by EUR 1,612 million to EUR 996 million. Excluding value adjustments to the equity portfolio, net operating profit increased by 29% to EUR 1,304 million. The increase in net operating profit was largely due to the European insurance

Key figures banking (in EUR million)

	2003	2002	Difference
Total revenues, net of interest expenses	7,784	7,809	0%
Operating expenses	(5,128)	(5,168)	-1%
Net operating profit value adjustments to equity portfolio	1,438	1,357	+6%
Value adjustments to equity portfolio	8	(203)	
Net operating profit	1,446	1,154	+25%
Cost/income ratio ¹⁾	62.7%	63.0%	
FTEs (end of reporting period)	37,444	39,661	-6%

¹⁾ Incl. FB Insurance, net of leasing and excluding equity portfolio

business. Assurant, Inc.'s net operating profit for 2003 decreased by 7% to EUR 301 million. In US dollars, Assurant, Inc.'s net operating profit increased by 12%.

Life premiums in Europe decreased by 1% to EUR 8,802 million. Value added by new business grew by 54% due to a more favourable business mix, lower costs, lower guarantees and the net impact of changes in actuarial assumptions, ultimately increasing embedded value by 6.6% to EUR 8.5 billion before dividend payout. The embedded value of life insurance activities provides additional information on the value of the contracts in force and on the value of new business. More information on embedded value is available at www.fortis.com/ir.

Non-life premiums in Europe increased by 6% to EUR 4,665 million as all product lines and all entities benefited from rate increases and new business.

Technical result Non-life improved by 16% to EUR 617 million compared with 2002. The technical results of Accident and Health, Motor and Fire improved due to lower claims and higher premiums, particularly in Europe. The net combined ratio (excluding Assurant, Inc.) was 99% compared with 103% for 2002, thanks to favourable developments at all lines in Belgium and the Netherlands.

Key figures insurance (in EUR million) (including FB Insurance)			
	2003	2002	Difference
Net insurance premiums	18,142	18,495	-2%
Operating expenses	(5,141)	(5,113)	+1%
Net operating profit			
before value adjustments to equity portfolio	1,304	1,010	+29%
Value adjustments to equity portfolio	(308)	(1,626)	-81%
Net operating profit	996	(616)	
Combined ratio Non-life (excluding Assurant, Inc.)	99%	103%	
Costs/Gross written premiums	13.3%	13.0%	
FTEs (end of reporting period)	25,806	25,713	0%

FTEs in the Benelux countries (Fortis ASR, Fortis AG and FB Insurance) decreased by 332 to 10,192 at the end of December 2003 compared with year-end 2002. Fortis Insurance International (including Fortis Corporate Insurance) saw its FTEs decrease by 36 to 3,330. FTEs at Assurant, Inc. rose by 461 to 12,284 at the end of December 2003.

International Financial Reporting Standards (IFRS)

From 1 January 2005 the new system of standards for financial reporting will apply to all listed companies in the European Union that publish consolidated annual accounts. In 2001 Fortis launched a large-scale project to ensure its compliance with the new standards. The project reached its final stage in early 2004, meaning Fortis will be able to introduce IFRS efficiently and on time. As a number of IFRS standards

are yet to be finalized, including those relating to financial instruments (IAS 32/39) and insurance contracts, Fortis is unable at this time to discuss the impact of IFRS on its financial reporting.

Consolidated balance sheet (before profit appropriation)

(in EUR million)

	31-12-2003	31-12-2002	31-12-2001
Assets			
Cash	8,286	4,485	5,094
Trading securities	23,458	14,518	19,447
Investments	157,995	140,099	147,676
Loans and advances to credit institutions	79,446	83,859	63,762
Loans and advances to customers	182,039	172,144	176,834
Reinsurers' share of technical provisions	5,487	6,132	6,891
Deferred acquisition costs	2,788	2,810	2,964
Prepayments and accrued income	28,053	27,856	19,845
Investments on behalf of policy holders	19,946	18,391	23,567
Other assets	15,752	15,471	16,890
TOTAL ASSETS	523,250	485,765	482,970
Liabilities			
Amounts owed to credit institutions	109,368	96,548	96,337
Amounts owed to customers	187,423	177,635	179,687
Debt certificates	52,279	49,964	50,896
Technical provisions	64,410	61,736	59,533
Liability related to investments on behalf of policy holders	20,380	18,563	23,085
Accruals and deferred income	27,421	26,615	19,773
Other liabilities	34,572	27,158	23,999
Convertible notes	0	1,256	1,257
Subordinated convertible note (FRESH)	1,250	1,250	
Subordinated liabilities	9,923	9,723	10,209
	507,026	470,448	464,776
Fund for General Banking Risks	2,209	2,215	2,217
Minority interest in group equity	2,121	2,231	2,133
Net equity			
Capital	6,293	6,280	6,085
Share premium reserve	11,937	11,916	11,043
Revaluation reserve			549
Goodwill	(17,109)	(17,025)	(16,607)
Other reserves	8,576	9,168	10,176
Net profit current financial year	2,197	532	2,598
Total net equity	11,894	10,871	13,844
Group equity	14,015	13,102	15,977
TOTAL LIABILITIES	523,250	485,765	482,970

Consolidated profit and loss account

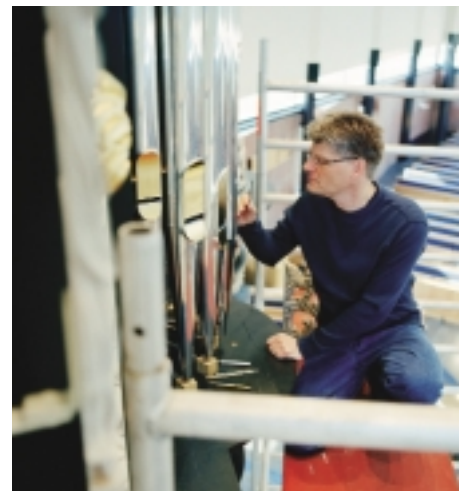
(in EUR million)

	2003	2002	2001
Revenues			
Insurance premiums	18,142	18,495	18,162
Interest income	26,692	26,353	23,765
Commissions and fees	1,799	1,858	1,978
Results from financial transactions			
- on behalf of policy holders	1,022	(3,419)	(2,500)
- other ¹⁾	(138)	87	1,193
Other revenues			
- on behalf of policy holders	323	461	410
- other	2,255	2,279	2,250
Total revenues	50,095	46,114	45,258
Interest expense	(19,733)	(19,478)	(16,914)
Total revenues, net of interest expense	30,362	26,636	28,344
Technical charges insurance	(16,952)	(12,896)	(13,440)
Value adjustments	(784)	(791)	(626)
Net revenues	12,626	12,949	14,278
Operating expenses	(10,372)	(10,403)	(10,785)
Operating result before taxation	2,254	2,546	3,493
Taxation	(499)	(911)	(1,049)
Operating group profit	1,755	1,635	2,444
Minority interests	144	173	177
Net operating profit before unrealized value differences	1,611	1,462	2,267
Unrealized value differences ²⁾	636	(1,032)	
Net operating profit after unrealized value differences	2,247	430	2,267
Results from financial transactions		111	434
Other revenues	92	73	108
Interest expenses	(118)		
Operating expenses	(92)	(111)	(342)
Taxation	68	29	131
Non-operating items after taxation	(50)	102	331
Net profit	2,197	532	2,598

¹⁾ Including results on hedging transactions and total realized capital gains

²⁾ Including results on hedging transactions and unrealized capital gains on equity portfolio

All the bits should fit



Network Banking

Retail Banking

Strategy

In pursuit of its goal of becoming bank of preference for retail customers in the Benelux countries, Fortis Bank closely aligns its services, commercial organization and information provision with the needs and expectations of its customers. They determine how the bank is to serve them. Customers make intensive use of the different electronic distribution channels for their daily financial transactions. When it comes to financial advice – demand for which is growing steadily – customers want access to the bank whenever it suits them. Fortis's commercial advisers provide tailored advice, also outside office hours, and enjoy ample decision-making authority. At the end of the day, customers want to receive optimum service, irrespective of the channel they choose.

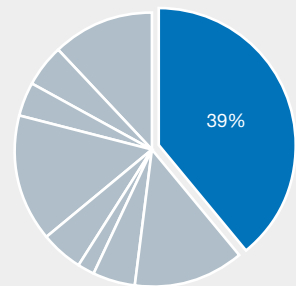
Although the centre of gravity of the retail operations is in the Benelux region, Fortis is also active in France and Poland. Its market position in the latter countries varies widely, and so its strategy there is adapted to local conditions and opportunities.

Key developments in 2003

Fortis Bank worked hard in 2003 to improve its customer-friendliness. It wants to make a difference by offering its customers added value in the shape of quality, transparency and flexibility. Fortis Bank aims to meet its customers' wishes and needs by enabling them to combine different types of product in an effective manner and at a competitive price.

Sharing best practices means that Fortis Bank can offer its Benelux customers the best of the services

Share of Network Banking
in net operating profit (2003)



developed in each of the three countries. Interesting Internet banking and investment applications are shared, investment funds are accessible cross-border and specialists collaborate on the best financial solutions. Fortis Bank's specialists have jointly produced an information brochure for their Benelux customers focusing on the new European Directive on savings accounts abroad, making these customers the first to receive an explanation of the relevant issues.

All branch network and back-office staff in Belgium completed a training course to help them enhance their availability to customers. Branch opening times have been relaxed and new branch concepts designed. Customers responded approvingly to these initial steps: a customer satisfaction survey among 500,000 customers showed that seven out of ten are satisfied with the service provided by their branch, compared to six out of ten in 2002.



Accolades

- **Fortis Bank:** 'Best Bank in Belgium' (Euromoney, July 2003; The Banker, September 2003; Global Finance, October 2003)
- **Banque Générale du Luxembourg:** 'Best Bank in Luxembourg' (Euromoney, July 2003; The Banker, September 2003; Global Finance, October 2003)

Fortis Bank has invested in distribution channels that respond to customers' wishes in terms of proximity and availability. Additional options have been successfully developed for banking and investment via the Internet: More than 578,000 customers have signed Internet banking contracts, with the number of users doubling in the space of a year. The number of automatic counters ('Selfbanks') has been extended, and there were almost 15 million phone-banking sessions.

In 2003, Fortis Bank expanded its existing offer of socially responsible investment funds. In addition to Fortis L Fund Equity Socially Responsible Europe and Altervision Balance Europe, Altervision Red Cross was introduced. Altervision Red Cross not only invests in socially responsible equities and bonds, but also partly donates the entry and management fees to the Belgian Red Cross. Investors may also donate their dividend to this organization.

High-net-worth retail customers want financial advice based on a total approach to their assets. Fortis Bank has launched the 'personal banking' concept on their behalf, enabling them to draw on the competences of a team of specialists. Self-employed people, members of the professions and small business people all appreciate the proactive approach adopted by their advisors. Credit-processing for these customers has also been simplified and optimized. All of which has enabled Fortis Bank to further bolster its market leadership.

Fortis Bank is the fourth largest player in the Dutch market. Its aim to be a 'partner in banking' means pursuing a balance between optimum customer satisfaction and profitability, which is why it is continuing to invest in an integrated multi-access approach and why the functionality and availability of its distribution channels are being further developed. Fortis Bank has responded to changed economic conditions and shifting customer behaviour by structuring its organization more transparently and tightening up its strategy. Development of financial packages and strengthening customer loyalty are new key objectives.

Banque Générale du Luxembourg is one of the Grand Duchy's leading banks, with a network of 37 branches. It has extended its product offering to take in innovative packages for retail customers and for members of the professions, the self-employed and small businesspeople. BGL has also invested in its distribution channels and has further modernized its branch network. Collaboration with Fortis Luxembourg Vie to sell insurance products through the branch network has proceeded very well.

Outside the Benelux countries, particularly in France and Poland, Fortis has chiefly focused as a niche bank on services to small and medium-sized enterprises and on advice to business leaders and shareholders. A prominent and carefully targeted media campaign enabled Fortis Bank to raise its general name recognition among entrepreneurs in the Paris region to 80%.

Key points

- Modifying customer approach to expectations
- Pursuing balance between customer satisfaction and profitability
- Achieving integrated distribution channels for customers' convenience
- Raising performance by optimizing processes
- Pursuing economies of scale through cross-border collaboration and rationalization

Objective

Network Banking's key focus is on the needs and expectations of its customers – an approach that has enabled it to develop into a genuinely customer-focused bank for the retail market and the market for medium-sized enterprises in Europe. It aims to become the bank of preference for customers in both markets.

On 1 January 2004 Fortis signed a contract to sell its retail and business activities in Hong Kong to China's largest banking consortium, Industrial and Commercial Bank of China (ICBC). Once the deal is finalized at the end of April 2004, Fortis will receive over EUR 220 million and a 9% stake in ICBC's Hong Kong division.

Financial performance in 2003

Network Banking achieved net operating profit of EUR 945 million for 2003, an 84% increase compared with 2002. Net interest income rose by 2% (including ALM) to EUR 3,367 million in 2003, mainly thanks to Retail Banking Belgium. Provisions for credit risks remained stable, notwithstanding the weak economic conditions. Costs remained under control and FTEs fell from 19,868 to 18,377 (-8%).

At Retail Banking Belgium, net revenues increased by 7% due to growth in both net interest income and other income. The market share in savings deposits went up. Retail Banking Netherlands also had a very successful year. In spite of the weak market and a reduction in branches (-16) and FTEs (-245), net interest income went up by 5% and market share increased in both mortgage loans and consumer loans. Retail Banking Luxembourg managed both to enhance net revenues and to decrease costs, achieving its best results ever.

FB Insurance, which sells Fortis insurance products via the Fortis Bank branch network, realized good results.

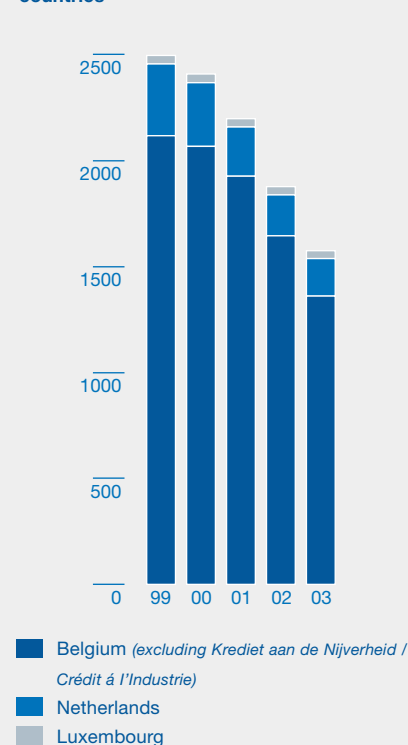
Life premium income rose from EUR 1,796 million to EUR 2,154 million (+20%). This increase was mainly due to traditional life products, whereas premium income from unit-linked products declined. Non-life premiums went up 6% to EUR 171 million.

Prospects

Fortis Bank will build on 2003's commercial dynamism with a particular emphasis on customer satisfaction. It will focus on solutions, present a product offering based on customers' needs and coordinate and integrate its distribution channels. It will also streamline back-office processes at its Payments, Securities and Credits departments and, where applicable, will organize them in a cross-border manner. At the same time, Fortis Bank intends to scrutinize the effectiveness of its organization, to which end it will operate tracking systems at all levels for areas such as the number of contacts with customers and the results of commercial activities. What's more, customers in Belgium will be given a guarantee of effective implementation. The target is for eight out of ten customers to be highly satisfied with the service they receive at their branch within two years.

Fortis Bank can raise its growth potential by investing in customer retention and by working in a solution-oriented way; barely half of all customers are involved with two or more of the Bank's four product areas: day-to-day banking, saving/investment, borrowing and insurance.

Number of branches in the Benelux countries



Commercial Banking

Strategy

Fortis Bank will continue growing in the medium-sized enterprises market in the segments for internationally active companies and for businesses with complex financial needs. This relates in particular to businesses wishing to use several banking services, such as leasing, factoring, acquisition financing, trade finance, international credit facilities and international cash management. Fortis has developed its 'Act as One' strategy for these businesses, enabling them to arrange all their financial services internationally via a single contact – the Global Relationship Manager – who provides specialist, tailored solutions based on a uniform and integrated European network of Business Centres. That network is already strongly developed in the Benelux countries and is being expanded in other regions with strong growth potential.

Key developments in 2003

Fortis Bank has further optimized its commercial process by implementing an internal, cross-border sales management system that allows efficient and detailed reporting geared to the business strategy. Risk management, too, is an integral part of business operations, implying amongst other things that price setting for customers takes account of their risk profile and profitability.

In addition to services provided via the Business Centres, the website for businesses – www.fortisbusiness.com – is steadily evolving into a commercial tool in its own right. It functions as both an information platform for prospects and a transaction platform for customers. Having already developed on-line forex and money market transactions in 2002, Fortis Bank has now added the proces-

sing of trade finance operations. Belgium, Singapore and Shanghai have already been connected; importers and exporters in those countries can now manage their documentary credits on-line using the new 'Click'n Trade' application, which saves time and paper. In addition to entering and sending requests, importers can track their status in real time. The application will be extended to other European countries beginning in 2004. At the same time, Fortis Bank is continuing to invest in expanding its network of trade officers and their training. A total of 1,500 training days were organized in 2003.

Use of cross-border credit facilities is becoming increasingly commonplace: a variety of agreements were signed in 2003. These enable businesses to sign credit agreements with a credit limit at

group level through a single contact at Fortis: the Global Relationship Manager.

The successful completion of the integration of the IT platforms in the Dutch Business Centres means that the uniformity of business processes and IT systems will now give the organization greater cross-border clout.

Fortis is investing heavily in factoring and leasing in order to offer European companies that operate across borders a complete package of financial services. Fortis Commercial Finance has further extended its operational radius. As one of Europe's few integrated factoring firms, it is active in a substantial part of western Europe. Fortis Commercial Finance plans to create a 'factoring factory' to help it open up new markets and ensure its competitive advantage. The first thing the company will do is to combine Fortis Commercial Finance's back-office activities. It will also carry out credit management on behalf of large enterprises and will offer its services to factoring companies that want to outsource their back-office operations.

Fortis also continued its policy of European expansion in the leasing field. Fortis Lease, whose portfolio totals EUR 5 billion, aims to belong to the absolute cream of European leasing companies. It extended its product offering in the UK by taking over BA/CA Asset Finance. Meanwhile, an alliance with one of the leading

Iberian leasing companies, Lico Lease, means that Fortis Bank can now provide leasing services to its Portuguese customers, too. Fortis Lease is also active in a substantial part of western Europe and it offers leasing in China in collaboration with Fortis Bank. Fortis Lease's product knowledge, experience and international network have enabled it to meet growing demand for these services on the part of European customers.

Financial performance in 2003

Commercial Banking achieved strong results. Gross revenues increased by 4% compared with 2002. A decrease in operating costs partly compensated for the increase in value adjustments.

Prospects

Fortis Bank aims to respond more efficiently to the expectations of its customers in 2004. It will better align the specialist know-how of its account managers and sales organization with the needs of its customers and will be more accessible to them, wherever they happen to operate. That is one reason why it will continue to develop its European network of Business Centres.

The financial solutions Commercial Banking offers its customers are highly rated. Regular customer research will also be performed internationally from 2004 onwards, so that customer focus and satisfaction can be measured and evaluated more effectively.

Fortis Commercial Finance has set itself the goal of developing through both organic growth and acquisitions into one of Europe's leading factoring companies.

To meet the expectations of its European customers, Fortis Lease plans to establish a presence by 2008 in all the countries where Fortis Bank offers its services to businesses. The development of leasing operations on a European scale for vendors – importers and producers of capital goods within a single, large European market – provides Fortis Lease with a competitive advantage in this market segment.

Accolades

- Fortis Bank: 'Best Trade Financier in Belgium' (Global Finance, October 2003)

Key points

- Strong growth among European businesses with international operations and a favourable risk profile
- Increased and more effective use of the sales management system
- Optimization of market coverage
- Tracking of external growth opportunities
- Further development of performance indicators for the Business Centres

Sustainable energy: a key driving force



Merchant Banking

Strategy

Merchant Banking offers its customers tailored investment and financing solutions, while advising them in their risk management operations. Fortis has reviewed the portfolios of its Merchant Banking customers as part of its pursuit of optimum and economically rewarding relationships. This has enabled it to offer those customers an integrated service package on competitive terms, with a broad product mix geared precisely to their needs. The solutions Fortis offers its customers are based on a variety of activities, including forex trading, money and capital markets, cash management, equity and fixed-income investments, business and asset financing, private equity, project finance and structuring. Meanwhile, Merchant Banking proactively develops high value-added financial solutions and specialties (financial engineering) capable of meeting its customers' most complex financial needs.

Outside the Benelux region, Merchant Banking is investing in the expansion of its operations in several European countries, including the UK, France, Italy, Germany and Spain. It is also developing its global capital market operations and selected niche markets, such as shipping, export and project finance, and commodity finance. New operations such as structured products and more intensive collaboration with other Fortis businesses are also serving as levers for growth.

Merchant Banking ensures an optimum operational structure and effectively streamlined processes with a view to enhancing overall efficiency. All transactions performed by the Benelux dealing rooms, for instance, are channelled via a central registration and processing platform. The general IT infrastructure has been further adapted and improved, to allow new market trends to be responded to even more effectively. Fortis generates additional cost savings by closely tracking its different merchant banking activities and customer portfolios, enabling it to focus more strongly on the desired growth activities and to be more selective in establishing customer relationships.

Merchant Banking is also working hard, finally, to further expand and improve its excellent and highly rated risk management instruments.

Key developments in 2003

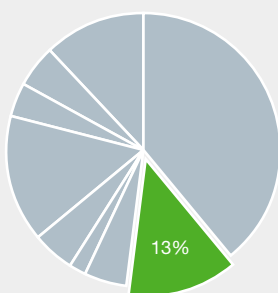
Corporate Banking operations were transferred to Merchant Banking on 1 January 2003, providing Fortis's corporate customers with optimum access to a much wider range of products and services. Information Banking has become part of the Investment Services business.

Large businesses are agreeing increasingly important deals with Fortis, as the know-how of the different specialties and sectors within Merchant Banking has been pooled. The cross-selling of products and services is also being stimulated. Fortis has also continued to invest in the development of innovative products. In addition to currency, equity and interest rate derivatives, with which it has ample experience, Fortis has successfully established a strong and innovative profile in credit derivatives and energy and weather derivatives. The latter enable companies to cover themselves against the risk of adverse weather conditions, thereby reducing the volatility of their results. In addition to currently trading in and providing advice on commodities, Fortis has also become a broker on the London Metal Exchange, trading in metal derivatives. The securitization market continues to

Objective

Merchant Banking offers a comprehensive package of products and services to its institutional customers and large companies in its home market. Its Benelux base is the platform for European development with a full regional product offering and for selected niche activities worldwide, thereby providing its customers with the services they need.

Share of Merchant Banking in net operating profit (2003)



Accolades

- 'Best Bank in Europe for Risk Management' (Global Finance, April 2003)
- 'Best Bank for International Commodities Trading' (Trade Finance Magazine, Euromoney, April 2003)
- 'Transaction of the Year in Export and Project Finance' (Project Finance Magazine and Project Finance International, January 2004)
- 'Best Private Equity Transaction' (Marine Money International, March 2003)
- 'Bank Transaction of the Year 2003' (Marine Money International, January 2004)

grow vigorously. Fortis Bank has used its strong European position and reputation to structure and sell a variety of transactions on both its own account and for European customers. By raising its stake in TBE of Belgium to 50%, Fortis intends to extend its securitization services elsewhere in Europe. TBE manages the financial structure of the transactions on behalf of the issuers, using the latest developments in the field of risk management.

As far as Private Equity is concerned, Fortis has placed all its risk capital operations with Merchant Banking. It provides venture capital and private equity to small and medium-sized enterprises for management buy-outs and corporate restructuring. Capital is contributed both directly, through shareholdings in companies, and indirectly through investments in private equity funds or umbrella funds. A number of transactions proved highly successful in 2003, including the deals with Mitiska in Belgium and Unipost and Cosecheros Abastecederos in Spain.

Creating a virtual dealing room has enabled Fortis to optimize its customer services, with a more coordinated product offering, unique management of customer relationships and preservation of customer contact with local sales teams and dealing rooms. To this end, it registers and processes all Benelux customer transactions relating to forex trading and fixed-income investments via a single IT platform. Back offices, risk management and financial control

management are managed centrally. This project will contribute to a significant diminution in Fortis's operating costs. The platform will be gradually implemented in 2004 outside the Benelux countries.

In the past few years, Merchant Banking has also developed a new platform for share order processing that links up seamlessly with the platform of Information Banking for real-time multi-currency transactions. The new platform enables real-time trading and settlement on Euronext and other international stock exchanges worldwide. MeesPierson already uses this platform in the Netherlands, while Fortis Bank in Belgium and Banque Générale du Luxembourg will process their order flows in the same way in the course of 2004. This will yield Fortis significant savings in operating and transaction costs. By offering this service to external parties, such as banks and institutional investors, Fortis now has the entire value chain of security services in its own hands.

Merchant Banking is continuing to invest in risk management; real-time management of credit limits on market transactions allows it to minimize risks and to limit operating costs. Credit processes will be automated in 2004. This relates to around 100,000 transactions every month.

Merchant Banking is active in the sustainable enterprise market through Fortis Groenbank in the Netherlands



among other companies. Fortis Groenbank was founded in 2001 and offers 'green bonds' with fiscal incentives to Fortis Bank private investors. These are used to finance projects by large companies in the fields of wind, solar and biomass energy, for energy constitutes an important market for Merchant Banking's energy specialists.

Financial performance in 2003

Merchant Banking had an excellent 2003, especially the first half. Net operating profit went up from EUR 92 million in 2002 to EUR 328 million in 2003, driven mainly by Global Markets. Net revenues went up by some 21% and costs came down by 4.5% owing to a 2% FTE reduction to 2,689.

Income rose sharply in the Global Markets division, mainly due to the excellent performance of fixed income and credit spread activities. The lower dollar and higher-than-anticipated provisioning for bad loans led to lower results at Corporate and Investment Banking. The write-downs of old portfolios led to a small loss at Global Private Equity. Global Private Equity's total investments and commitments stood at EUR 554 million at the end of the year.

Prospects

Merchant Banking will continue to develop its profile as the reference merchant bank in its home markets and will continue to pursue international growth in marketplace activities and in a large number of niche markets. To this end, it

will considerably increase its commercial strength by investing in the training and professionalism of its employees and by stimulating cross-selling.

Merchant Banking launched its transaction website at the beginning of 2004. This will sharply increase efficiency and transparency for customers, who can now execute forex transactions online and consult their entire portfolio in real time. Confirmation, payment and settlement are all fully automated and new options and services will be added in the course of 2004.

In the wake of the Kyoto convention on climate change, Fortis Bank offers specialist advice to the business sector and it intends to enter the European market for trading of carbon dioxide emission rights. To this purpose it has set up a team of financial and environmental specialists.

Innovative in energy and weather derivatives

Key points

- Reinforcing customer relationships in the home market
- Combining product innovation and cross-selling
- Growth in surrounding countries and worldwide in selected niches
- Improving operational efficiency through economies of scale and cross-border organization

First-hand knowledge of local markets –
that's what counts

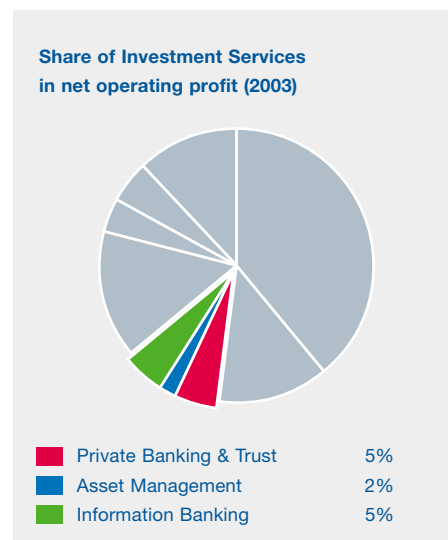


Investment Services

Private Banking & Trust

Strategy

Fortis's international private banking activities are branded as 'MeesPierson, the Private Bankers of Fortis', while its trust and corporate services operations are pursued worldwide under the name 'MeesPierson Intertrust'. The relationship between the two activities and cooperation with Network Banking, Asset Management and Merchant Banking further bolster the potential for integrated services. All this has enabled MeesPierson to go on expanding its service offering and to provide an even better service to more clients. Other operational priorities capable of boosting performance and efficiency include quality management, cost control, upscaling, restructuring of operations and continuous training.



Key developments in 2003

MeesPierson has the ambition to service its high-net-worth clients worldwide throughout the different stages of their lives and in whatever economic environment. In its ongoing pursuit of excellence, in 2003 MeesPierson carefully reviewed its approach to servicing its clients. Basic features of the new MeesPierson service offering include a consultancy-driven approach based on listening and responding to clients' needs in every field. An integrated international delivery model ensures that all clients receive the same high level of service wherever they are. It also comprises expertise and advice in six core competencies: Structuring, Investments, Trust & Corporate Services, Finance, Real Estate and Insurance. Finally, it contains a greater availability of highly trained profes-

sionals and integrated tools and systems, allowing better reporting and portfolio analysis.

As a result, in 2003 a great deal of effort was invested in developing new products and services, training staff and reviewing systems to prepare for launching the new MeesPierson service offering in 2004. A key element of the MeesPierson service offering is portfolio diversification. Alternative investments, structured products and hedge funds, such as the fourth multi-manager Trading Capital Holdings Fund, the Market Neutral Fund or the opening to a larger public of the MeesPierson Strategy Fund, were highly appreciated by MeesPierson clients. As a result, these products now comprise a larger share of the portfolios of most MeesPierson entities.



Superior customer advice backed by international expertise

Accolades

- MeesPierson rated among the top 10 global private bankers (Euromoney, January 2004)
- Globally ranked as number 1 in succession planning, servicing of customers with inherited wealth and philanthropy (Euromoney, January 2004)

In 2003 MeesPierson was also active in private equity, an industry normally confined to institutional investors, and in real estate. To name a few initiatives, in the Netherlands it set up the MeesPierson-LaSalle Vastgoedfonds I CV - a closed-end fund based on a well-diversified portfolio of shopping malls - in cooperation with Fortis Real Estate. In Spain it co-managed one of the biggest real estate deals for the UGC Ciné Cité group. At the end of 2003, MeesPierson invested for the first time in office buildings in Belgium, allowing a cross-border placement with clients through a Private Partnership structure to take place in the first half of 2004. The introduction of a dedicated cross-border team of specialists in real estate will allow MeesPierson to further expand this area of competency.

MeesPierson's services are unique not only in terms of their wide range of competencies, but also because MeesPierson believes that asset man-

agement should be based on ethics, values and responsibility. This is the 'art of wealth', offering customers a number of opportunities to invest their assets in socially responsible companies and sustainable investment funds. The investment strategy takes account of the policy on human rights, the environment and social justice in the countries and companies considered to be potential investments. The aim is to bring the customer's financial goals in line with their ideas on sustainability and social responsibility. MeesPierson draws on sustainability data to ensure that the advice it gives its customers is firmly and thoroughly underpinned. The information in question is collected by Dutch Sustainability Research. Founded in 2002 by MeesPierson, Triodos Bank and the PGGM pension fund, this agency is part of SiRi (Sustainable Investment Research International), a worldwide network of research institutes specializing in sustainable investment. In 2003 MeesPierson doubled its assets under management invested in socially responsible companies.

MeesPierson also manages charitable activities, advising high-net-worth individuals, fund-raising institutions and asset funds. MeesPierson sponsored a variety of events in the Netherlands, including a conference for Civil Society, a platform bringing together the four main umbrella organizations in the country's charity sector. It also organized the distribution of bursaries to students from United World Colleges, which help young people to explore

Objective

MeesPierson aims to further build on its position as an international services provider offering integrated, competency-based services and customized solutions to high-net-worth clients, their families and businesses.

cultural differences. A three-year agreement was signed with the World Wildlife Fund, under which the partners' respective expertise and contact networks will be put to work to benefit nature and make the fullest possible use of the diverse assets available.

MeesPierson has responded to challenging economic conditions by fully committing its organization to a dynamic cross-selling process between private banking and trust operations. Only one year after the acquisition of Intertrust, all trust activities were fully integrated within one global trust and corporate services network managing some 25,000 customers worldwide. Besides the full integration of group activities in Guernsey, 2003 witnessed a new development with the acquisition of KPMG Financial Engineering in Luxembourg. In August 2003 a new holding company, MeesPierson Intertrust Group Holding SA, was created. Based in Geneva, Switzerland, the company will ultimately hold share ownership of all trust entities.

Besides trust and corporate services, specialists offer advice in new and innovative sectors of activity such as intellectual property rights, yacht leasing and management, and matrimonial and relocation services. Revenues generated from trust operations have diversified the overall revenue structure of Private Banking & Trust, thus making this business line less susceptible to cyclical fluctuations.

Financial performance in 2003

Net operating profit amounted to EUR 123 million in 2003, a 26% increase compared with 2002. This improvement was driven mainly by further cost savings. FTEs decreased further in 2003 from 2,485 (end of 2002) to 2,228.

Costs in 2003 were reduced by 7% compared with 2002 and greater diversification of income sources was achieved. Assets under management remained stable at EUR 50 billion, including the sale of the office in the Bahamas and a number of divestments within the group, such as Theodoor Gilissen Bankiers.

As the first half of 2003 was still dominated by negative market trends, MeesPierson kept a close eye not only on client focus but also on cost control and improved the efficiency of its operations.

Prospects

As the market's needs shift, Private Banking & Trust will continue to develop and expand specialist investment and financial products and services offering high added value to customers. Examples include alternative investment products, real estate, trust services (licences, yachts), insurance and financing. To boost cost efficiency, MeesPierson aims to develop its competency centres and streamline its back-office systems and processes. After it integrates some major players in the area of trust and corporate services, MeesPierson will focus on expanding its activities in Asia and eastern Europe.

Key points

- Market newly structured MeesPierson Service Offering
- Develop innovative services, mainly in real estate, trust and corporate services
- Integrate trust structure and administration
- Streamline IT and operations
- Expand activities in Asia and eastern Europe

Objective

Fortis Investments is consolidating its position as a leading asset manager of European stature, offering innovative and high-quality investment solutions to retail and institutional customers.

Asset Management

Strategy

Fortis Investments – Fortis's autonomous asset manager – offers international expertise in the field of asset management. The company is consolidating its position as a leading European asset manager with niche markets in Asia and the United States.

Fortis Investments is structured around fourteen specialist investment centres, each focused on one asset class and based in eight locations worldwide: Paris – European equities, emerging markets equities and bonds, euro-bonds and European convertibles; Boston – US and global equities, US fixed income; Utrecht – real estate; Luxembourg – funds of funds; Brussels – asset allocation; London – global fixed income; Tokyo – Japanese equities; and Shanghai, through a joint venture with Haitong – Chinese balanced funds. These centres, supported by a highly experienced team of some 170 investment professionals, share their information but are autonomous and fully accountable for their investment performance.

Fortis Investments aims to maintain a diversified customer base and fund mix. Through its Distribution Partners division, the company focuses on third-party customers such as funds of funds, private banks and other financial institutions that buy funds in order to sell them on to their own clients. The Institutional Division concentrates on customers that buy on their own account, such as pension funds, banks and insurers, companies and not-for-profit organizations. Sales and client services to both segments are provided through local client relationship teams based in the eight locations mentioned above as well as Frankfurt, Madrid, Milan, Vienna, Austin (Texas), New York State and Jakarta (Indonesia). This setup provides Fortis Investments with first-hand knowledge of local markets and client needs.

Key developments in 2003

The organizational structure of Fortis Investments facilitates the anticipation of shifting client needs and the creation of innovative solutions from its broad range of core investment capabilities. Innovations during 2003 include smart benchmarking, hedge funds, CDOs and sustainability initiatives. Following three CDO launches, Fortis Investments is now one of the premier European CDO managers.

With regard to SRI, the company's investment processes have since the end of 2003 taken account not only of financial aspects, but also of corporate governance, the environment, and employment and social criteria. In consultation with Deminor, a research organization specializing in corporate governance, it also exercises its voting rights at the shareholders' meetings of the companies in which it invests.

Fortis Investments has responded to the volatile market circumstances not only by introducing innovative solutions, but also by further streamlining and reinforcing its organization. A new Customer Relationship Management system centralizes customer and operational information, harmonizing the sales process and allowing the business to respond faster still to new market trends. An extranet has been linked to this information system, providing clients with up-to-date tailored reports on their investments.

The rating agency Fitch Ratings awarded Fortis Investments an excellent 'AA' rating, confirming the clarity and consistency of its strategy, the quality of its risk management and the transparency of its investment processes.

Fortis Investments also continued to expand its presence on the domestic Chinese market. Its joint venture, Fortis Haitong Investment Management, successfully launched its first fund for local investors in September 2003, with a second fund launch following early 2004 in which EUR 1.3 billion has been invested. Equally importantly, Fortis Haitong Investment Management has established a strong reputation, positioning it well to benefit from the expected high growth of investment funds in the coming years.

Financial performance in 2003

Assets under management increased by EUR 5 billion to EUR 78 billion (+7%), while Fortis Investments' net operating profit rose to EUR 53 million (+7%) in 2003. At the same time, costs remained firmly under control. In the improving economic climate, particularly in the second half of the year,

Fortis Investments attracted net capital inflow of EUR 4.1 billion, including assets from Banque Générale du Luxembourg. At the end of 2003, Fortis Investments had a workforce of 661, compared with 633 at year-end 2002 (+4%).

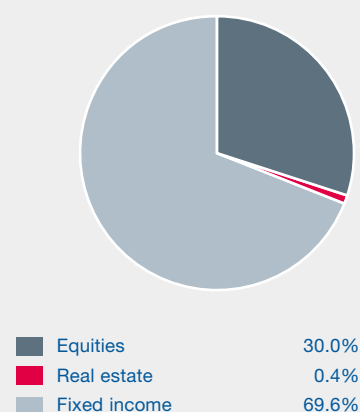
Prospects

Fortis Investments will further develop its leading position in Europe and in niche markets in Asia and the US, primarily through organic growth. Expanding its distribution capacity, developing innovative products, stimulating cross-selling and pursuing economies of scale with Fortis will all benefit operating results.

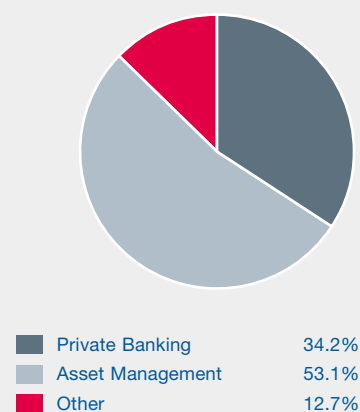
Accolades

- Winner in 'Euroland Equities' category (1 year) (Standard & Poor's Fund Awards 2004)
- Winner in 'Bonds in EUR' category (2 years and 5 years) (Standard & Poor's Fund Awards 2004)

Funds under management by type of investment (2003)



Composition of funds under management (2003)



Key points

- Consolidate its leading position in Europe
- Leverage its extensive product and distribution opportunities
- Pursue innovation in its product offering
- Exploit growth potential in Asia

Information Banking

Strategy

Information Banking has built up a unique position in fully-integrated investment services, specifically in portfolio financing, transaction processing, financial logistics, risk management, performance measurement and asset optimization. These services are offered in the areas of global cash and derivatives clearing, securities borrowing and lending as well as financing and administrative services for offshore investment funds. Information Banking intends to capitalize on its strong international position by supporting its customers in optimizing their investment administration and by constantly refining the services it provides.

Accolades

- Best subcustodian in the Netherlands and a second place in Belgium (Global Investor Services, November 2003)
- Best offshore fund administrator for the fifth year in a row (GSCS Benchmarks, November 2003)
- Second place as global custodian for the quality of the network of subcustodians (GSCS Benchmarks, November 2003)

Key developments in 2003

The leading professional players in the money and capital markets depend heavily on accurate information when it comes to responding to rapid changes in the financial world. That's why Information Banking offers investors like this a combination of asset-related services that reduce costs and raise efficiency, while also permitting more effective risk management. Since clients are central to the product offering, Information Banking has established client teams that service the needs of specific client groups, such as institutional investors and banks, (alternative) fund managers and other professional traders.

Information Banking is highly respected as a centre of expertise in the field of specialist fund administration. Prime Fund Solutions has successfully implemented a new fund administration system and now manages over 1,400

funds with total net assets in excess of EUR 110 billion. These operations are carried out in jurisdictions like Ireland - where the Dublin office has been granted bank status - the Cayman Islands, the Isle of Man, Curaçao and Hong Kong, with the latter developing particularly strongly. In addition, Prime Fund Solutions has sales offices in Amsterdam, London, New York and Tokyo. Information Banking is also working on a new IT platform, which will enable the various data processes to be further automated and centralized, thereby creating potential growth and a raft of new cost savings.

Information Banking provides global investor services to third parties and to Fortis. It currently holds global custody assets worth over EUR 450 billion. Lloyd's Registered Quality Assurance awarded Information Banking the international quality certificate ISO 9001: 2000 in 2003, reflecting the

Objective

Information Banking's ambition is to deliver integrated services to investors worldwide capable of strengthening the value chain comprising the raising and allocation of assets.

excellence of its quality management. Global Investor Services had already qualified earlier for quality certificate ISO 9002:1994 for monitoring control procedures.

Information Banking also continued to expand its customer base. Following an extensive selection process, Euronext has designated Fortis Bank as its Global Paying Agent. That means that the Bank, together with other partners, will perform a number of operations for Euronext relating to the latter's shareholders, such as facilitating its AGM and administering and distributing dividend payments. Fortis Bank is the first bank to act as Global Paying Agent for three markets, namely Amsterdam, Brussels and Paris.

Fortis Bank has developed a modular electronic system for straight-through processing of orders in securities and related cash flows. The system works in real time and can offer services including brokerage and clearing. It also means that Fortis Bank can now operate in the market as a single player, rather than through different units as in the past. Fortis Bank is one of the few banks linked to Euronext to offer such a capability.

Information Banking has set up a new legal entity, Fortis Bank Global Clearing N.V., which has been granted bank status, in order to group together all global operations, thus facilitating the increasing number of international transactions in stocks and derivatives. This brings a number of benefits, including better and more integrated services to customers, greater transparency in terms of supervision and more efficient capital allocation. The new entity is the principal worldwide supplier of integrated clearing and settlement services.

Finally, Fortis has also built up a solid position in securities borrowing, lending, arbitrage and financing, earning it a place in the European top three and the worldwide top ten.

Financial performance in 2003

Net operating profit for 2003 was up 2% to EUR 112 million. The increase was mainly due to the good performance of securities lending and arbitrage activities, which outweighed the adverse effects of falling equity markets, low interest rates and the weak US dollar. FTEs remained stable at 1,050.

Prospects

Information Banking is investing heavily to expand its customer base and to develop new markets. At the same time, it is further widening its package of integrated global investor services, including areas like enhanced on-line reporting. Supply straight-through processing will also be perfected.

Key points

- Further refine integrated investor services
- Expand and diversify customer base
- Perfect supply chain integration in administrative processing

A major decision. Your intermediary provides appropriate insurance and mortgage advice



Insurance Netherlands

Strategy

Fortis ASR encompasses all of Fortis's insurance activities in the Netherlands as well as a number of banking activities offered via intermediaries. With a market share of 12.5%, Fortis ASR is the second largest insurer in the Netherlands. It addresses the market through different brands. Its financial products are distributed exclusively via independent intermediaries; to that end, Fortis ASR works together with more than 8,000 independent intermediaries which vary greatly in terms of profile, size and marketing strategy.

In response to radically different economic and market trends, Fortis ASR revised its strategic focus in 2003. The three general insurers AMEV, Stad Rotterdam and Woudsend are to be merged to form a single new company. The other insurers within Fortis ASR, namely De Amersfoortse (income replacement insurance), Europeesche Verzekeringen (travel and leisure insurance), Falcon Leven (unit-linked insurance) and AMEV Ardanta (preneed funeral insurance) will concentrate completely on their specialisms. The single-channel distribution policy (sale of products exclusively via intermediaries) will remain unchanged. As part of the commitment to synergy, the support staff activities will be further centralized. Fortis ASR has now been transformed into a functional organization in which all activities are under the direct operational control of the newly formed Management Committee. Greater synergy through closer cooperation between the different group companies should increase the commercial striking power, improve efficiency and make it easier to control costs.

Key developments in 2003

The economic climate in combination with national and international government measures continued to impinge strongly on the financial sector in 2003. The stock market climate, low interest rates and flattening economic growth combined to exert a negative influence on insurers' profits. In addition further changes in fiscal legislation not only necessitated administrative adjustments, but also affected turnover.

In Life insurance, the market for immediate annuities grew strongly as annuity policies taken out in response to fiscal changes in the 1990s came to maturity. The fierce competition in the insurance

market was reflected among other things in the prices offered for this category of life insurance products. The non-life market was hit hard by the generic exclusion of the terrorist risk. This led to cancellations and the taking out of new policies. The same thing happened in the medical insurance market in response to premium increases. New plans by the Dutch government for changes to the social insurance system, such as the obligation for employers to continue paying the wages of sick employees during the second year of illness, which came into force at the start of 2004, cast a long shadow.

The growing complexity of regulations, combined with the privatization of social provisions, is leading to a further increase in the need for advice. This offers new opportunities for intermediaries and the insurers that work with them. At the same time, it is becoming ever clearer that consumers are adopting a more critical stance towards their intermediaries in terms of quality of service and prices, and in response to this intermediaries are placing heavier demands on the products and performance of insurers. The general expectation is that this trend will be reinforced by the new Financial Services Act in the Netherlands and the new supervisory

Independent and personal advice: your adviser's key strength



regime based on it, which is likely to be implemented from 1 January 2005. Insurers will have to prepare for this in 2004. It is gratifying in this connection to note that several surveys have shown that, like last year, Fortis ASR brands are greatly appreciated for their operating performance. Fortis ASR also achieves a high score for product innovation, as is evidenced in the nomination of various products for marketing awards.

Enhancing efficiency in cooperation is a key focus of attention for intermediaries and insurers alike. Chain integration is an important tool for achieving this. Fortis ASR plays a prominent role in this area, not only within its own business activities, but also across the market.

As part of its social responsibility, Fortis ASR is directly involved in the discussions and developments taking place in the insurance industry. Its input helps to steer the course of policymaking regard-

ing the privatization of social security and touches on topics such as insurability, solidarity, re-integration and prevention. Fortis ASR is also a driving force in the debate on the use of transparency as an instrument to shore up consumer protection. It consequently adheres to initiatives such as the provision of a financial information leaflet and the code of conduct governing information on intermediary services. Fortis ASR has also endorsed the new Insurers' Code of Conduct which came into force in 2004. The Code lays down the basic standards of a socially responsible business policy which respects the identity of individual insurers. The heart of the Code is built around five basic values: reliability, professionalism, solidarity, social responsibility and transparency. Fortis ASR will report once every two years on the initiatives taken in this context.

To reflect the ties between Fortis and the consumer more effectively, the 'Fortis endorsement' has been introduced for all parts of the business. The media campaign introduced by Fortis at the end of 2003 to increase its name recognition makes clear that Fortis companies, operating under various labels, are partners in insurance and banking in the Netherlands. This fits in with the drive to raise the recognizability of Fortis ASR as part of Fortis.

In April 2003 Fortis ASR began implementing its revised strategy. A new administrative structure was introduced and a start was made on drawing a clearer

Objective

Fortis ASR aims to further develop its strong market position in the Netherlands in life, health and non-life insurance products and mortgage loans. To boost quality and efficiency and reduce costs, the synergy within Fortis ASR in particular and with the other Fortis businesses will be intensified.

distinction between the general and specialist insurers. As part of this exercise, a number of divisions were centralized further, and in some cases relocated.

Major synergy will be achieved through further centralization of staff support services and the integration of the three general insurers AMEV, Stad Rotterdam and Woudsend to create a single new company. Partly as a result of this amalgamation, 750 jobs will be lost over a period of three years. Where possible this will be achieved through natural wastage.

The amalgamation of the three general insurers, each of which has its own well-established position within the intermediary market, will result in the second half of 2005 in a single new company with a new brand name, which will build on the strengths of the three insurers. The integration of their back offices is already in full swing. The decision to use a single common ICT platform has now been taken, and the product range and processing activities are being gradually integrated. A start will be made in 2004 on integrating the marketing and sales departments. During the integration process extra attention will be devoted to customer relations, which for Fortis ASR means the relations with intermediaries.

The centralization of support activities will foster harmonization within the group, make the pooling of expertise

possible and generate economies of scale. A number of support activities in the fields of Human Resources, Facility Management and CFO Office (risk management, investments and reporting) have now been placed under single operational control, and a start has been made on the further integration of ICT activities.

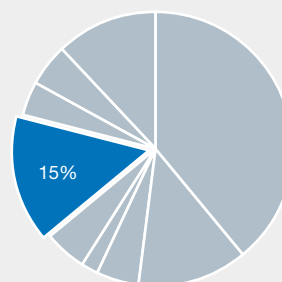
Implementing these changes requires the full commitment of the workforce. Heavy demands are placed on their willingness and capacity for change. The new Social Plan, which came into effect at the start of 2004, serves among other things to cushion the effects of the restructuring programmes and offers employees new opportunities on the internal and external job markets.

Financial performance in 2003

Fortis ASR's premium income for 2003 remained more or less stable at EUR 4,933 million (-1%). Costs for 2003 fell by 2% to EUR 589 million. Net operating profit for the year came in at EUR 369 million, up EUR 978 million from 2002. This sizeable jump in net profit was due entirely to the improvement in the stock markets since March 2003. Net operating profit, excluding value adjustments to the equity portfolio, rose 29% to EUR 399 million, compared with EUR 310 million for 2002.

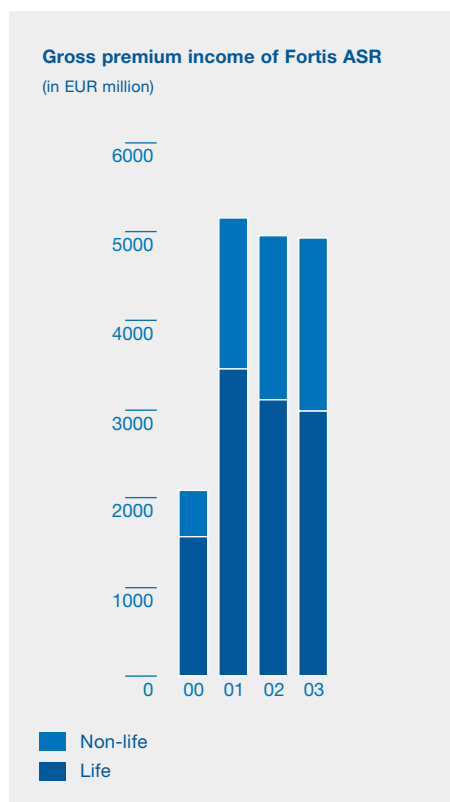
Net operating profit, excluding value adjustments to the equity portfolio, at Life was 30% higher than the previous

Share of Insurance Netherlands in net operating profit (2003)



Accolades

- Fortis ASR brands awarded high scores by intermediaries in various satisfaction surveys
- Europeesche Verzekeringen named 'Best travel insurer in the Netherlands' (Reisrevue, 15 January 2004)
- Various nominations for Marketing Award



year. Net operating profit, excluding value adjustments to the equity portfolio, at Non-life advanced 24% over 2002.

Gross premium income at Life fell to EUR 2,982 million (-4%) in 2003, partly because a single large life contract was terminated at Group Life. Gross premium income at Non-life rose by 5% to EUR 1,951 million, with all lines showing sound growth. Gross premium income from Motor increased 8%, from Fire 5% and from Accident & Health 5%.

The insurance business ended 2003 with 4,973 FTEs, compared with 5,187 at the end of 2002. This 4% reduction is an initial effect of the reorganization that is underway.

Prospects

In addition to improved profitability, successful implementation of the integration plans and maintaining a sufficiently customer-centric approach will be key priorities for 2004. At the same time, Fortis ASR will have to respond adequately to changes in regulations. New legislation will necessitate adaptation

of internal procedures and the approach to the market. The Financial Services Act is a prime example of such legislation. Privatization of social security in particular will offer new opportunities, while the demand for advisory services in the financial services market grows.

The reorganization of Fortis ASR will be completed by the end of 2006. The complete programme, consisting of more than a hundred constituent projects, should ultimately result in a new company that excels in terms of efficiency, customer-driven business, personal approach and expertise. The integration will generate sizeable cost benefits and strengthen the competitive position. The creation of a single, large general intermediary insurer will make it easier to respond in an even more focused and effective way to market developments and changing needs of intermediaries and consumers. Specialists will concentrate more than ever on their core activities. In doing so Fortis ASR will be realizing its ambition of being a leading intermediary insurer in the Netherlands and a recognizable part of the Fortis operation.

Key points

- The intermediary as sole distribution channel
- Focus on profitable growth, in particular in disability insurance, pensions and mortgages
- Integration of three general brands to form a single strong brand
- Further focus of specialists on their core activities

Insurance Belgium and International

Insurance Belgium

Strategy

Fortis AG markets its complete range of insurance products to both the private market and small and medium-sized enterprises exclusively via a network of independent intermediaries. Its strategy is directed towards strengthening its market position through product innovation, providing optimum support for intermediaries and controlling costs. The growing use of information and communication technology and careful matching of the services to the intermediaries enhance the level of service and efficiency.

In the corporate market, Fortis AG chooses a more diversified distribution strategy and high quality of service over price competition. By targeting clients individually, Fortis Employee Benefits can fulfil the specific requirements of each type of company more effectively.

Key developments in 2003

Fortis AG strengthened its market position in 2003 by growing in all activities. The investments in innovative products and high-grade service undoubtedly played a role in this success. The 'Familis' concept sets Fortis AG apart from the competition. Familis is a modular multi-product concept for the private market which enables the client to place several non-life insurance policies efficiently in a single portfolio. In addition the application process, management and processing by the intermediary take place rapidly and efficiently via a secure online transaction system.

More than 100,000 clients have already opted to combine their policies in the Familis portfolio. Each Familis portfolio contains an average of 2.4 fire, car or accident insurance policies.

In an independent survey carried out by the research bureau ICMA Belgium in March 2003, 250 independent insurance brokers awarded Fortis AG the highest scores by a considerable margin of all Belgian multi-product insurance companies for image, satisfaction and operational performance.

In order to improve communication with intermediaries, including with respect to



A carefree start with a customized insurance package



the transaction processes, Fortis AG invests heavily in chain integration. On an average day more than 1,400 insurance brokers use their online transaction system. These systems are helping Fortis AG to improve the efficiency and quality of the administrative processing, thus leading to greater satisfaction among intermediaries and consumers.

In 2003 Fortis AG joined forces with the Belgian Federation of Insurance Brokers and Financial Intermediaries to develop a detailed code of conduct for its insurance intermediaries. This code of conduct describes the responsibilities of the intermediary with regard to the management of their clients' finances, the provision of advice and information, legal and fiscal guidelines and administration of transactions. Fortis AG monitors compliance with this code by all insurance intermediaries with which it deals in financial products.

As a socially responsible enterprise, Fortis AG has taken the initiative of improving the clarity of its general terms and conditions and other technical documents. In addition, together with Assuralia, the Belgian association of insurance companies, Fortis AG is active in a number of areas of social importance, such as natural disasters and the efforts to combat uninsurable car drivers.

In the corporate market, Fortis AG is the biggest provider of company employee benefits in terms of assets under management. It provides pension plans, disability insurance products and health insurance. The solutions offered to clients have the benefit of complete customization and flexibility. Together with two other Belgian insurers, Fortis AG has developed a new service concept in the medical insurance market, 'Medi-Assistance'. This concept offers

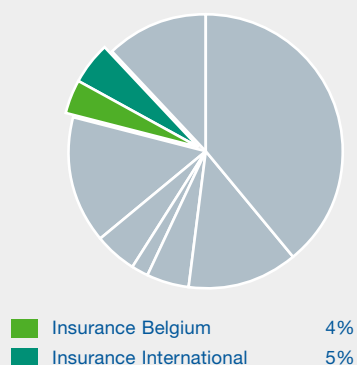
Accolades

- Innovation prize for the hospital insurance product Medi-Assistance (Non-life Awards, October 2003)

Objective

Fortis AG aims to be the leading intermediary insurer in Belgium for life and non-life insurance, serving both the private market and small and medium-sized enterprises. It also aims to build on its leadership in the field of employee benefits insurance for large companies. Fortis Corporate Insurance, which serves large and medium-sized companies in the Benelux region with non-life insurance solutions, wishes to maintain its strong position. On an international level, Fortis wishes to build on its know-how in insurance to develop a strong local position in selected markets.

Share of Insurance Belgium and International in net operating profit (2003)



the insured party a 'third-payer' system and a wide range of services on hospital admission, with a minimum of red tape. It is this which sets it apart from competing products. Most Belgian hospitals are happy to lend their cooperation to this concept. 'Medi-Assistance' has been awarded a Trophy for Innovation in Personal Insurance and confirms the position of Fortis AG as a key player in the medical insurance market.

At the end of 2002 Fortis AG successfully launched its 'e-Benefits' platform for the full online management of flexible defined contribution plans. At the end of 2003 more than 1,000 clients will be able to take advantage of this innovative solution. In 2003 the new 'ServiSite' offered other clients an online solution for a substantial part of the administration of their pension plans.

In launching the Fortis Ascento service concept, which offers pensionable employees personal guidance in seeking a carefree pension, Fortis AG anticipated the Supplementary Pensions Act which comes into force in 2004.

Fortis AG has placed its property activities, along with those of Fortis Bank and FB Insurance, in a new legal structure, Fortis Real Estate NV/SA. This will enable it to continue developing its property activities for the account of third parties. Fortis Real Estate is the leading property management company in Belgium.

A working group from Fortis AG and FB Insurance also studied the opportunities for synergy and collaboration. By collaborating in areas such as mortgage administration and technical inspections, the two companies will aim to achieve economies of scale while continuing to pursue their own policy and strategy.

Financial performance in 2003

Net operating profit for 2003 declined 24% to EUR 97 million. Excluding value adjustments to the equity portfolio, net operating profit increased 29% to EUR 293 million. This was mainly due to the very strong technical result at Non-life. Excluding the effects of the acquisition of Bernheim Comofi, operating costs declined 3%. Including those effects, operating costs increased 11%. At 4,534, FTEs were 84 (2%) less than at year-end 2002.

Gross premiums rose by 14% to EUR 2,779 million. Life premiums went up 18% and Non-life premiums rose 6%. At Individual Life, gross premiums increased by 21%. At Employee Benefits, however, the operating result improved as a result of increased volume of assets under management and a check on administrative expenses. At Non-life, the remarkable improvement in the operating result was driven by all lines in both the retail and the business market (SMEs), especially Fire and Workmen's Compensation Insurance. This solid operating performance went hand in hand with an ever-increasing market share.

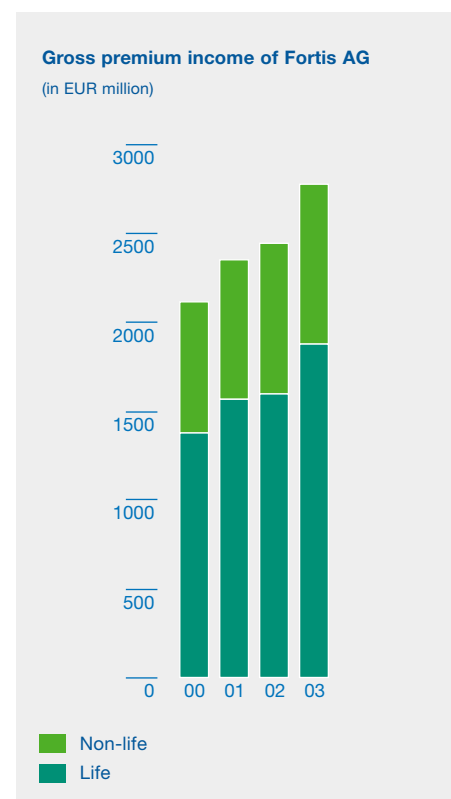
Prospects

Fortis AG wishes to exploit its growth potential in the life insurance market further through intensive collaboration with intermediaries and the development of new activities in the area of funds management. In the area of employee benefits, too, Fortis AG continues to invest in new market segments and innovative products. In Non-life, both the enlargement of the portfolio and selective fee adjustments will contribute to increase growth. Encouraging intermediaries or corporate clients to make greater use of automated processing functionality via the Internet will enable the client portfolio to be handled in a more efficient and cost-conscious way.

Fortis Corporate Insurance

The corporate market is addressed by Fortis Corporate Insurance, the leading provider of non-life insurance in the Benelux region. In a market which has seen several insurers withdraw, Fortis Corporate Insurance sets itself apart by offering its clients creative insurance solutions for optimum risk management. To achieve this it invests permanently in the development and maintenance of knowledge of the insured risks and risk determinants. From early 2005, this approach will be fully supported by a common ICT platform in Belgium and the Netherlands; realization of this platform is proceeding on schedule.

Capacity in the market for corporate non-life insurance remained tight in 2003. Owing to its expertise and proactive policy, Fortis Corporate Insurance managed to achieve significant premium growth of over 13% in that market, partly due to higher premiums but also to the acquisition of new contracts on attractive terms. Net operating profit improved by EUR 27 million to EUR 21 million. The robust premium growth since 2002 was realized with a stable number of FTEs. Combined with the capital increase of EUR 65 million in October 2003, this has provided Fortis Corporate Insurance with a solid basis for further growth.



Key points

- The intermediary as an important distribution channel
- Sustainable profitability in Life and Non-life
- Further cost savings through intensive use of chain integration
- Product innovation leading to competitive advantage

Insurance International

Strategy

Internationally, acquisitions will be considered in selected markets, but only if they fit in with the business strategy. The main focus will therefore be on acquiring or maintaining market leadership in asset gathering or in exploiting specific expertise in bancassurance. Fortis wishes to develop its existing insurance activities further in Europe. In Asia Fortis is looking for partnerships with strong local partners with a wide distribution network and above-average growth and earnings prospects.

Key developments in 2003

Fortis Insurance International brings together all the insurance activities outside Belgium, the Netherlands and the United States. Fortis sells its insurance products in selected markets in Luxembourg (Fortis Luxembourg Assurances), the United Kingdom (Fortis Insurance Ltd.) and France (Fortis Assurances), while in Spain (CaiFor), China (Taiping Life) and Malaysia (Mayban-Fortis) Fortis exploits its know-how in insurance by entering into joint ventures with strong local partners.

Fortis Luxembourg Assurances is the second biggest life assurance company in Luxembourg and has ambitions to develop into a pan-European player. The company is already active in Belgium, France, Italy and Germany. It uses a variety of channels for the distribution of its products, in particular the branch network of Banque Générale du Luxembourg and financial intermediaries. Fortis Luxembourg

Assurances also offers non-life insurance products (with the exception of motor insurance) within the Grand Duchy, primarily via intermediaries.

In the United Kingdom, Fortis Insurance Ltd. is active in the non-life insurance market, operating via intermediaries. The company stands out from the crowd by pursuing a highly focused business-to-business strategy. It also combines exceptional efficiency with competitive prices and a high level of service. With 1.3 million motor insurance policies, Fortis Insurance Ltd. is the third largest insurer in this segment. The company wishes to exploit its reputation and know-how in motor insurance to increase its market share in other areas of insurance for individuals and small and medium-sized enterprises, including buildings and contents insurance and travel insurance.

In France, Fortis Assurances has re-defined its strategy. Via a network of insurance agents and independent inter-

mediaries, it will target mainly dealers, tradesmen, members of the independent professions and managers, offering insurance and supplementary pension solutions. The company is also working to optimize the back offices, and 200 employees have taken advantage of a social plan to leave the company.

Fortis has been active in Spain since 1992 via CaiFor, a 50% joint venture with "la Caixa", the biggest savings bank in Spain. CaiFor provides an umbrella for the life insurance company VidaCaixa and the non-life insurer SegurCaixa, both of which market their products via the 4,500+ branch network of "la Caixa". Fortis wishes to continue investing in bancassurance in this key growth market. VidaCaixa acquired Swiss Life (España) in 2003, adding a further distribution channel of insurance intermediaries. At the end of 2003 VidaCaixa also signed an agreement with Santander Central Hispano for the takeover of the collective life insurance portfolio with assets under management of EUR 3.1 billion, originating from the pension contributions of more than 320 businesses and 100,000 policy holders. In this way VidaCaixa is consolidating its market leadership in Spain as a provider of group and corporate insurance products and pension plans. With total assets under management of EUR 22 billion, it is market leader in the Spanish individual and group pension market. SegurCaixa, which mainly offers combination home insurance packages, continued its strong growth thanks to the integrated distribution of its products via the banking channel

and the dynamic development of the Spanish housing market. As Seguros Bilbao no longer fitted in with Fortis's strategic focus, it was sold to a Spanish insurer early 2004.

In Asia, finally, Fortis is developing the bancassurance concept with a view to the long-term development of this region. In China, the life insurance company Taiping Life, which has a national operating licence, enjoyed a very dynamic year. The company has 14 operational offices, more than 1,600 employees and over 5,500 agents. In the second year of its operation, Taiping Life saw its premium income double to EUR 350 million. Over 70% of this income was generated by distribution agreements with banks, ICBC being the biggest. Taiping Life's market share has climbed to upwards of 1% in a fast-growing market. The Chinese government has chosen Taiping Life for a pilot project on company pension plans in the Liaoning province. In Malaysia, Mayban-Fortis, the joint venture with Maybank, the biggest financial service-provider in the country with 500 bank branches, also enjoyed excellent results in sales of Life and Non-life products. Premium income in Life swelled 50% and in Non-life remained stable due to restructuring of the portfolio.

Financial performance in 2003

Net operating profit at Fortis Insurance International improved by EUR 251 million to EUR 94 million. Net operating profit, excluding value adjustments to the equity portfolio, amounted to

EUR 103 million in 2003, an EUR 89 million increase compared with 2002. FTEs numbered 3,128 at the end of 2003, a decrease of 34 (1%) since the end of 2002.

Non-life results in Spain and UK continued the strong trend throughout the year. Life results were still influenced by the reorganization of Fortis Assurances in France, but the second-half performance was on target.

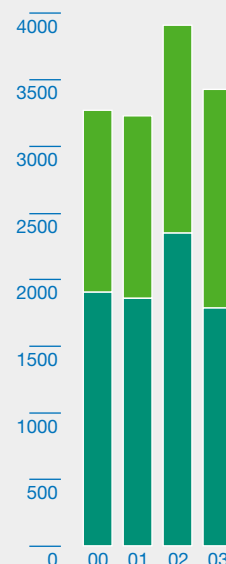
Premium income at both Life and Non-life was in line with expectations but lower than in 2002, which was boosted by an exceptional contract in Spain (Group Life contract with "la Caixa" employees).

Prospects

Fortis's strategic choices are clear and unambiguous. Existing companies will develop further in their respective markets, both through organic growth and through selective acquisitions that dovetail with their business strategy. In Europe and Asia Fortis is pursuing opportunities for making acquisitions and/or entering into joint ventures with significant local partners. With a view to capturing a leadership position in the local insurance markets, Fortis entered into a strategic partnership with Muang Thai in Thailand.

Gross premium income of Fortis Insurance International

(in EUR million)



■ Non-life
■ Life

Accolades

- Fortis Insurance Ltd. (UK), Motor Insurer of the Year (Insurance Times Awards, December 2003)

Key points

- Develop bancassurance activities in Spain
- Exploit expertise in insurance in selected countries in Asia

Insurance United States

Fortis sharpened the focus of its strategy in September 2003 to concentrate primarily on further developing the company's core activities. As a result, Fortis announced its intention to effect an initial public offering of shares in its US insurance operations in 2004. At the same time, the move enables Fortis, Inc. to expand its activities by raising funds on the local capital market. In October 2003, Fortis, Inc., under its planned name Assurant, Inc., filed a registration statement with the U.S. Securities & Exchange Commission in connection with the proposed initial public offering. In February 2004, Assurant, Inc. began trading under the stock symbol AIZ on the New York Stock Exchange.

Assurant in the United States encompasses four activities which occupy a prominent position in their respective markets and whose specific expertise gives them a key competitive edge in their industries.

Assurant Solutions (formerly Assurant Group) develops and markets specialty insurance, membership and extended service programmes through partnerships with, amongst others, large financial institutions, mortgage lenders and servicers, credit card issuers, finance companies, automobile retailers, consumer electronics retailers, and manufactured housing lenders, dealers and vertically integrated builders. The company sets itself apart from the competition through its extensive capacity to provide leading clients with support in the areas of marketing, technology and administrative processing. Assurant Solutions continued building its presence beyond the United States in Canada, Argentina and Brazil.

Assurant Health (formerly Fortis Health) writes individual and short-term health insurance and small employer group health insurance to employer groups primarily of two to 40 employees. The company also offers health insurance plans to full-time students. Assurant Health sells its products via more than 200,000 independent brokers, and increasingly via strategic partnerships with major distributors such as State Farm, the United Services Automobile Association (USAA) and, under a new contract signed in 2003, Mutual of Omaha, a national provider of insurance and financial products. Assurant Health also diversified geographically in 2003 by expanding its product range to Alaska, New Hampshire and Kentucky.

Assurant Preneed (formerly Fortis Family and American Memorial Life) offers pre-funded funeral insurance used to fund costs incurred in connection with pre-arranged funerals. Assurant

Preneed sells funeral insurance through separate distribution channels.

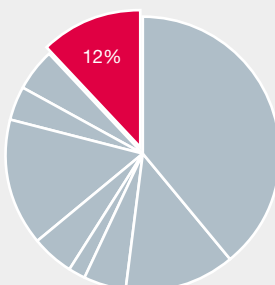
Assurant Preneed distributes its products through a network of independent brokers and funeral directors as well as an exclusive contract with Service Corporation International, the largest chain of funeral directors in the United States.

Assurant Employee Benefits (formerly Fortis Benefits) provides employer-sponsored benefits programmes, including short-term disability, dental, term life and accidental death and dismemberment insurance. The company also offers voluntary (employee-paid) dental, disability and term life product solutions. In 2003, Assurant Employee Benefits improved access to its websites by adapting them to the needs of disabled users. The company's user-friendly online management systems also enabled employers and employees to track the administration of their employee benefits more efficiently.

Financial performance in 2003

Assurant, Inc.'s net operating profit for 2003 decreased by 7% to EUR 301 million. In US dollars, it increased by 12%. The main contributors to this growth were Assurant Solutions and Assurant Health, which saw their results increased substantially. In 2003, Assurant, Inc. added 461 FTEs to its workforce, bringing it to a total of 12,284, owing to the expansion of its activities.

Share of Insurance United States in net operating profit (2003)



Fortis trainees share knowledge and experience in coaching Cityteam youngsters



Corporate social responsibility

As part of society, Fortis both draws on and gives back to society. In recognition of its corporate responsibility, Fortis has made sustainable growth an important consideration for the way in which the company operates.

Shareholders

In the past few years, Fortis has evolved from a socially committed company, caring for society, into a socially responsible one, caring for all those involved in its business, namely customers, employees, shareholders and society. The company is placing greater emphasis on carrying out its operations in a sustainable manner and increasingly embraces social and ecological considerations. Fortis has set itself the goal of uniting its efforts towards sustainability - which are now often fragmented - under a cohesive policy of corporate social responsibility for the entire organization. Fortis will spend the next few years finalizing the details of this policy.

Code of Conduct

Fortis's Code of Conduct, launched in 2002, describes standards governing the relationship between Fortis's employees and shareholders, customers, colleagues and society. Developed, among other reasons, to protect its reputation as a solid partner acting in accordance with its corporate values – stable, caring, innovative and straightforward – the Code of Conduct is a set of guidelines for how employees are expected to act and make decisions and describes the mindset and attitude Fortis expects of its staff.

In 2003 Fortis evaluated and, where necessary, stepped up attention to implementation of the Code of Conduct. Employees can put forward questions to their business's Compliance Officer or to the central email address. The businesses report periodically on observance of the Code of Conduct. In 2004 a dialogue with employees will be carried out as part of an investigation into whether the Code of Conduct needs to be updated.

Fortis is committed to applying the principles of good corporate governance, aiming for an effective and transparent management structure with the right division of responsibilities between executive and regulatory functions. All shareholders have equal rights and entitlements, e.g. voting, dividends. The section on corporate governance provides a comprehensive review of these and many other aspects of Fortis's relationship with its shareholders.

A good valuation and a favourable perception of the company and its CSR policy are of prime importance to Fortis and its shareholders. Its performance is reflected by its inclusion in a number of sustainability indices and funds. Fortis is part of the FTSE4Good sustainability index and was added to the Dow Jones Sustainability STOXX index and the Dow Jones Sustainability World index in 2003.

Fortis regards corporate social responsibility as an integral part of its operations, a way of doing business. Consequently, comprehensive information on sustainability is contained in the sections devoted to the businesses: customer satisfaction surveys (pp.17, 21, 36 and 39), sustainable investment funds (p.18), sustainable asset management (p.28), green financing (p.25), specialist advice and trading of carbon dioxide emission rights (p. 25), charity management (p.28) and the code of conduct for insurers in the Netherlands (p.36) and Belgium (p.41).

More detailed information is also available at www.fortis.com/community.

Customers

Fortis is always looking for distinctive solutions that will better meet its customers' financial needs. Customer satisfaction surveys provide an important source of information for Fortis to help optimize its services. As is reported in the separate sections of this report, the different businesses within Fortis each conduct their own surveys.

Straightforward, explicit information is a precondition for a good relationship with the customer. To this end, Fortis's general banking and policy conditions are written clearly and presented in an easy-to-read layout. Fortis communicates with and provides services to customers by means of personal advice and via the Internet, telephone and self-service desks.

Fortis aims to keep its corporate reputation as a reliable financial services provider beyond reproach at all times, taking great pains not to enter into any relationship with people or organizations involved in or suspected of illegal or unethical activities. Fortis Bank in the Netherlands has designed a special method aimed at familiarizing account managers with the interpretation of the code of conduct using theoretical dilemmas.

Fortis Bank's credit department works together with its various commercial divisions in establishing rules, standards, models and procedures for efficient lending practices. Lending policy is con-

tinually revised in response to economic and social changes. For example, Fortis Bank has closely examined sustainability and ethical provisions in its credit policy for all sectors. In a parallel development, a number of steps were taken to create a formal framework for socially responsible lending. In 2003 the credit department established an autonomous compliance function to test Fortis Bank's lending process against Fortis's general compliance regulations. A network of compliance correspondents was set up in all 14 countries where the credit department is active.

Late 2003 the lending policy committee approved an amended credit charter in which the ethical conditions for lending were tightened and general sustainability principles were added. This ethical framework is formed by regulations that transcend strictly legal or fiscal regulations and that reject decisions and behaviour that – although perfectly legal – are unacceptable from an ethical point of view. Sustainability is thus firmly anchored at all levels of Fortis Bank's lending operations. Environmental and social risks form part of the credit analysis and, consequently, of the decision-making process. In 2004 the ethical framework will be further crystallized with the introduction of specific regulations and criteria applying to each business sector and type of loan.

People at Fortis

The Fortis corporate values continue to apply in full to the relationship between the company and its employees and to the relationship between employees. Respect, openness and solidarity are important features of these relationships.

Fortis redefined its human resources (HR) policy in 2003, creating an integrated policy Fortis-wide. Its policy lays down a number of strategic objectives, including identifying and developing employees with management and leadership potential, preparing the 'HR Next Generation', in part by launching an HR school, and focusing on the quality and support of customer forums within all Fortis entities.

Excluding the American insurance business, Fortis employs around 54,000 people in over 50 countries, some 80% of whom in the Benelux region. The

number of employees (measured in terms of FTEs) came down by 1.7% in 2003 compared with the previous year. Fortis Bank's redundancy scheme gave staff the opportunity to take voluntary early retirement, from the age of 56 in the Netherlands and from 55 in Belgium.

Fortis's workforce can be broken down into 56% men and 44% women, with women filling over 6% of senior management positions in the Benelux countries. Fortis has announced a number of explicit diversity-related targets and measures for the years ahead, aiming to have women occupy 25% of senior management positions by 2012 and 50% of the positions in the 'Next Generation Leadership' programme in the near term. The appointment of a corporate diversity manager mid-2004 should help speed up the company's efforts in this area.

Fortis Venturing – innovation through employee entrepreneurship

In its effort to develop, encourage and exploit employee and management entrepreneurship, Fortis Venturing supports staff, management and customers in generating, developing and implementing new products, services, markets and/or business models. Fortis Venturing is a pioneering concept that encourages innovative Fortis employees and customers to develop creative, 'quick win' business initiatives. Fortis pursues a venture capitalist

approach to support these employees and management in putting their ideas into practice.

Fortis Venturing received 190 ideas in 2003, 22 of which were submitted to an Innovation Committee and 12 of which were implemented. Examples include Fortis Yacht Services, a service to personal banking clients, and energy-related financial instruments, such as weather derivatives and emission rights, for Merchant Banking customers.

Fortis's HR policy focuses on topics such as workload, stress and absenteeism and on the identification of risk factors. The different businesses have defined a structured approach to workload and stress. Fortis Bank in Belgium and the Netherlands has built in a high degree of employee flexibility regarding working hours. Absence through illness, already relatively low, is on the decline. Various entities have introduced a structured approach to tracking and managing absenteeism. In 2003 absenteeism came down 0.5 percentage points to 4.3%.

One of the premises of Fortis's HR policy is that its staff's knowledge, skills and ongoing development are essential ingredients of the company's long-term success. A number of important training and personal development projects have thus been launched. Examples are an integrated training catalogue for all employees in different countries, a Fortis-wide competency catalogue, a drastically revised and structured offer of management training at an international level and a pilot project on 'free learning', enabling employees to take courses on their home computers aimed at their general development. The number of training days at Fortis Bank in the Benelux region climbed nearly 6%, to 126,086 in 2003, while in Belgium this figure rose over 16%. Fortis ASR has introduced e-learning, allowing employees to participate in training courses from their own workplace, whenever and in whatever pace they want.

In 2003 Fortis introduced a uniform performance review system for senior management. Fortis also attaches a great deal of importance to social consultation and encourages its staff to exercise the right to employee participation. In 2003 it met with employee representatives to discuss, among other things, job grading at Fortis Bank, a new social plan and a new collective agreement (including employee pension contribution) in the Netherlands, and the formation of works councils and consultation committees in the Netherlands and France. At Fortis ASR, works councils were adjusted to the new organizational structure and intensive discussions were held on the reorganizations. The company also began preparations for the social elections in Belgium planned for 2004, and organized a two-day workshop on retail banking with members of the works council.

Fortis conducted an extensive employee survey late 2003 to determine what its employees feel is important in the area of corporate social responsibility, what they expect of their company and how they think they can make a contribution. More than 1,000 employees completed the survey, many of whom believe that Fortis should fulfill an important function in society and are willing to commit their time and energy. In spite of this, they are not aware of many of the company's socially responsible initiatives. Fortis will therefore intensify its information provision. In addition, mid-2004 specialist workshops will also be organized for employees who have indicated that they are eager to devote their time. The aim is to start up new CSR activities from 2004.

Society at large

Commitment to society in the form of donations and volunteer work is an essential ingredient of Fortis's social responsibility. The company encourages its employees to get actively involved in community projects. All parties benefit: the social organizations to which Fortis contributes volunteers receive knowledge,

assistance and financial support, while the volunteers enjoy a widening of horizons and personal development. At the same time, Fortis's commitment boosts employee motivation and company pride, which in turn benefits the company. Fortis contributes to a better society through the Fortis Foundations.

Fortis Foundation Netherlands

People helping people: this idea is at the heart of the activities performed by Fortis Foundation in the Netherlands. Fortis employees volunteer to help the disadvantaged, and the foundation offers them support in the form of facilities and funds.

Fortis employees teach Dutch to immigrants, organize sports days for children in asylum seekers' centres, act as mentors to high school students and help underprivileged youth in their personal development. Fortis Foundation wants to concentrate more on tapping into the rich source of talent among Fortis employees. Employees who, for instance, are willing to give workshops on personal skills or entrepreneurship or who become mentors or provide advice, under the motto: 'Where worlds come together and inspire new insight'. An example is the Cityteam project, through which Fortis trainees coach underprivileged youngsters by offering workshops on pro-active behaviour and teaching them to set goals for themselves.

The 65 members of the Stimulans Committees, the internal ambassador's network of Fortis Foundation Netherlands, organize local volunteer projects. Five hundred and seventy-two Fortis employees participated in these projects in 2003.

Employees can also receive financial support for charitable causes to which they donate their time. Two hundred and sixty-seven Fortis employees made use of this option in 2003. Over 600 employees expressed their commitment to society as part of a group and, together with their team, embarked on a social team building activity. A total of 2,335 Fortis employees devoted their time to more than 300 social organizations in the Netherlands in 2003. Fortis Foundation Netherlands has an annual budget, excluding personnel costs, of EUR 1 million.

Fortis Foundation Belgium

In Belgium, Fortis expresses its commitment to society through the Fortis Foundation Belgium, which provides direct financial assistance to organizations devoted to the underprivileged in our society. Support is mainly given to children and young people, but there is also a focus on promoting solidarity between the generations. Examples include the purchase of teaching material, setting up playgrounds and activity centres and financing holidays and sporting activities for sick and/or deprived children and youngsters. Socially committed Fortis employees suggest these projects themselves. They form a valuable pool of employee volunteers who supplement financial support.

Fortis Foundation involves Fortis's staff in Belgium in its activities through its 'Solidarity Days', when practical activities such as gardening, painting and wallpapering are performed on a one-off basis by employees in their leisure time. Fortis Foundation Belgium selects the projects and provides staff for supervision. An extension of these activities is the 'We can help YOU to help' programme. This programme gives staff and early retirees the opportunity to donate their experience, expertise and network to social organizations that organize activities such as financial management, practical jobs, homework assistance and computer network maintenance.

Fortis Foundation Belgium's activities rely on an ongoing analysis of and commitment to its social and financial support policy. Fortis Foundation wants to use the public platform 'Meeting for the future', which it organized for the first time in 2003, to engage all parties involved in the discussion on social needs, responsibilities and resources.

In 2003 159 projects were supported to an amount of EUR 1.2 million. Since the foundation was set up in 1996, 736 projects have been approved involving a total amount of EUR 8.9 million.

Sponsoring

Fortis also expresses its commitment to society through its sponsoring activities. In Belgium and the Netherlands the company is an active sponsor in a number of areas, including sports, culture, music festivals, fashion and design. Sponsored events are selected based on their ability to reach various target groups. A social aspect is integrated where possible, for instance via the

Foundations or through voluntary participation of Fortis staff, and benefits are offered to customers and personnel. One way Fortis stands out from the crowd is by sponsoring and supporting the 'Spullenhulp' textile and sporting centre fashion show. Fortis's know-how and expertise is helping this organization for the needy to achieve its goals.

Environment

Fortis recognizes the need to protect the environment. The company aims to raise its environmental performance to a socially responsible level and to keep it at that level. Its goal is to comply with the provisions prescribed by environmental legislation and regulations at the very least and to anticipate future legislation. Fortis also aims to achieve a structural, ongoing reduction in the degree of environmental impact caused by its operations.

Fortis's facilities management is decentralized. As the different entities are responsible for complying with and carrying out the regulations, programmes or initiatives can vary from country to country, Fortis strives to pursue a clearly defined policy and approach.

Under an agreement with the Dutch government, Fortis has pledged to practise economical and efficient energy consumption, with Fortis Bank committed to a 25% cut by 2005 and Fortis ASR to a 23% reduction by 2006 compared with a decade earlier. To ensure that the targets set out in the Long-range Energy Consumption Agreement are met, Fortis Bank and Fortis ASR have prepared energy plans for each building they occupy. These plans are updated every two years.

Fortis Bank in the Netherlands works with Waste Care Systems. Waste is separated by means of a recycling

collection point placed near each workstation, into which employees put their own waste materials. This allows for subsequent recycling, is less harmful to the environment and is cost-effective to boot. Fortis ASR has set up special service areas at its head office in accordance with a similar method.

In Belgium, Fortis Bank prepares an annual environmental programme, carried out by various task groups, involving paper, the environment and energy. In 2003 a great deal of attention was devoted to raising consciousness and improving behaviour among employees in order to reduce the impact on the environment. Fortis Bank has introduced a new system for waste management in all of its large premises. Paper consumption in copying machines was reduced by 7% compared with the previous year.

A multidisciplinary jury of the Brussels Institute for Management of the Environment awarded Fortis's headquarters in Belgium the 'Eco Dynamic Enterprise' label in 2003. The jury particularly appreciated the consciousness-raising campaigns, environmentally sound technological choices, excellent maintenance programme and integration of the living environment into daily policy.

Risk management

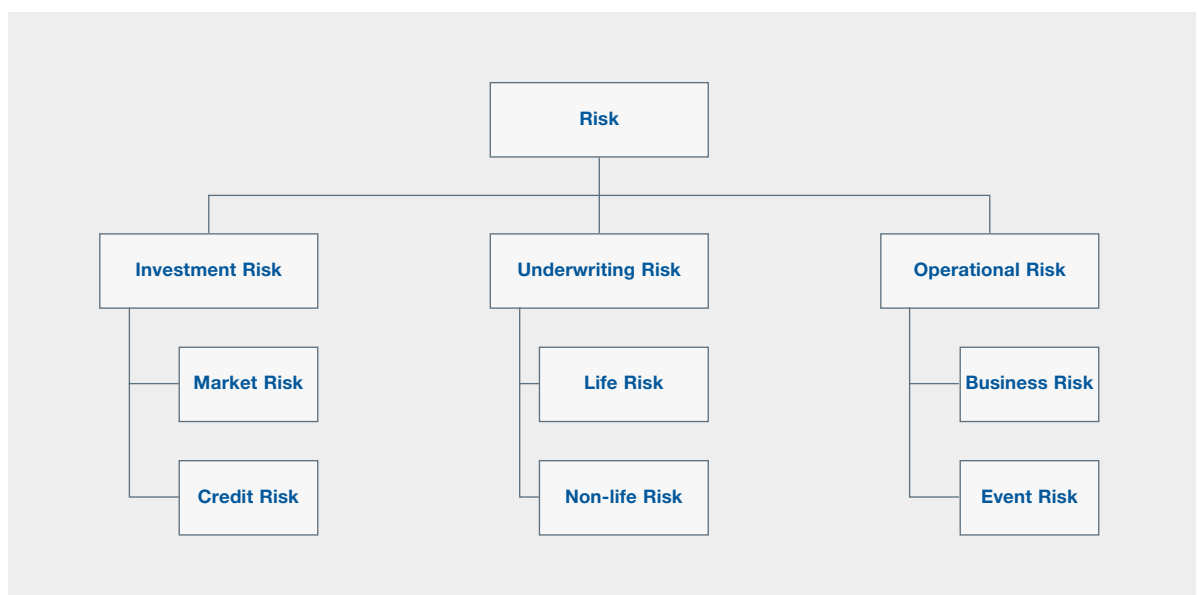
Fortis's banking and insurance activities are exposed to various types of risk. It is important that these risks are measured and monitored accurately, and with this in mind Fortis employs a consistent methodology which is applied throughout the entire organization. In addition, Fortis pursues a prudent risk policy. The specific organizational structure for the risk management activity is entirely geared towards this.

Centrally controlled organization

Fortis has a centralized organizational structure for risk management. The Board of Directors monitors group solvency and determines the general risk/return requirement. At the level of the Executive Committee, a subcommittee chaired by the CEO and CFO is responsible for setting the strategic guidelines and producing consolidated reports on risk management at group level. The subcommittee also allocates economic capital to the various Fortis entities and monitors the warning system for the solvency position. The banking and insurance activities each have their own responsibilities within this overarching monitoring of the risk management activities.

In the banking activities, these responsibilities lie with the Board of Directors and the Management Committee. They are assisted by a number of specific committees within the Bank, such as the asset and liability committee (ALM), the policy committee for operational and market risks, the credit policy committee and the credit committees.

Responsibility for risk management in the insurance activities lies with the individual companies, since these are closest to the source of the various risks. In 2003 work continued on the development of a common quarterly reporting system for global risk exposure for the insurance activities.



Market risk

The market risk is the risk of losses due to sharp fluctuations on the financial markets - in share prices, interest rates, exchange rates or property prices. These fluctuations also create risks which impact on the structural positions of the banking and insurance activities (ALM risk) and on the trading positions taken by the banking business (trading risk).

Fortis monitors and controls its ALM risk with the aid of risk indicators such as basis point sensitivity (which indicates how much the market value of all assets and liabilities changes when each individual point on the yield curve changes by one basis point), the 'duration' of the capital and reserves (a general measure of the interest-rate risk), the 'earnings at risk' (an indicator that simulates the effect of changes in interest rates on future results) and the 'Value-at-Risk' (VaR), which calculates the potential structural loss for Fortis resulting from fluctuations, based on a horizon of one year and a reliability interval of 99.97%.

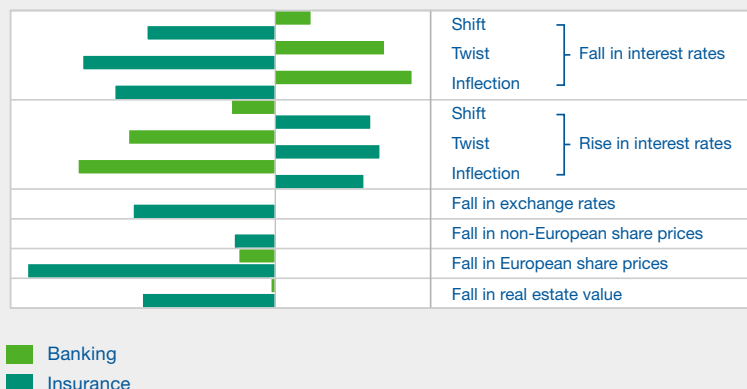
In the banking activities, the fixed-rate period of the assets is longer than that of the liabilities; this is logical, since banks traditionally receive funds in the shorter term and reinvest them for the longer term. As a result, an upward movement in the yield curve on the capital market will lead to a more pronounced fall in the assets than in the liabilities. This also has the effect of reducing the value of the bank, which is after all the difference between its assets and liabilities. A movement in the opposite direction naturally increases the bank's value.

In the insurance activities, by contrast, the liabilities have a longer term than the assets, since the commitments of the insurer, especially in Life business, have a longer fixed-rate period than the assets in which the insurer can invest. Moreover, traditional insurance products generally incorporate guaranteed interest rates. As a result, an upward movement in the yield curve has a favourable effect and boosts the value of the insurance activities. Conversely, a downward movement will of course reduce the value.

This fundamental difference in the balance sheet structure of the banking and insurance activities means that the combination of the two activities reduces the overall impact of interest rate movements on Fortis.

Sensitivity analysis : impact of risk factors on Fortis fair value

(situation on 31 December 2003)



The graph above shows that a fall in the value of equities, for example, has a one-sided negative impact on the value of Fortis. In other words, it has a negative effect on both the banking and insurance activities. The impact of a change in interest rates, by contrast, is both negative and positive and the effects on the banking and insurance activities thus partially cancel each other out.

Finally, the trading risk is closely connected with the activities of Merchant Banking. This risk is also monitored using the VaR indicator, based on a horizon of one day and a reliability interval of 99%. The different components of the market risk (interest rates, exchange rates, equities and commodities such as gold and silver) are evaluated both separately and in combination, taking into account correlations between the movements in market values of these different components.

The effectiveness of the VaR calculations is tested using 'back-testing'; this involves a review of the number of days when the losses were greater than the estimated VaR. Fortis applies a probability level of 99%, which means that the negative trading result may only be greater than the VaR on one day per 100 days. Back-testing analysis reveals that Fortis achieved this target: in 2003, on exactly two days of a total of 248 working days, the difference in market value of two successive days was greater than the estimated VaR.

Credit risk

The credit risk is the risk arising when a borrower or counterparty is no longer able to repay their debt. This may be the result of inability to pay (insolvency) or of government restrictions on capital transfers.

This risk arises both in traditional lending - mainly in the banking activities - and in the purchase of investments - mainly in the insurance activities. Both divisions of Fortis use appropriate instruments to evaluate and monitor these risks adequately.

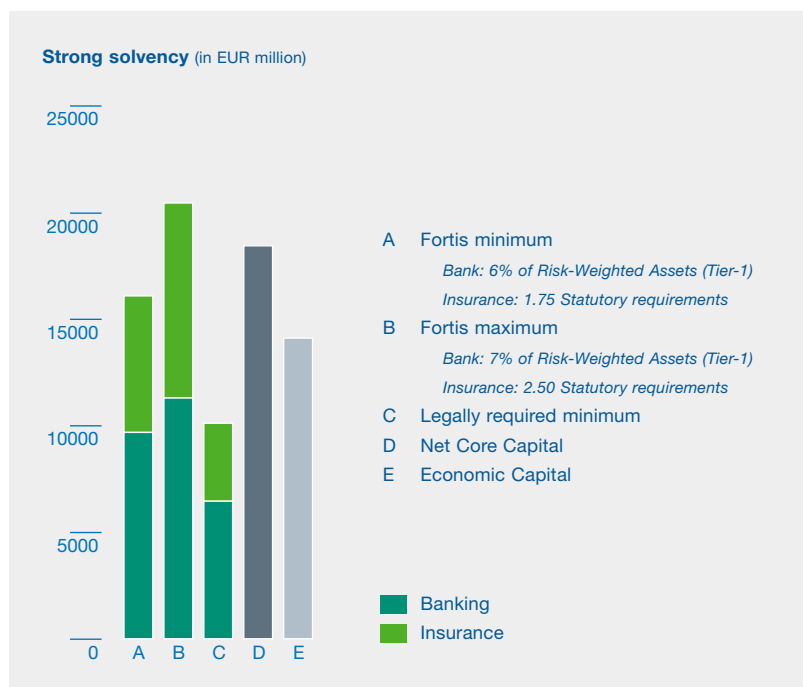
There are three main potential sources of credit risk within the banking activities: the counterparty risk, the transfer risk and the settlement risk. Fortis Bank applies strict checking procedures within a fully independent credit approval process. In essence, the credit policy aims to spread the risks across several sectors, countries and markets.

In addition, Fortis Bank uses an internal rating system for credit risk management, which is applied to its total credit portfolio based on statistical analyses and the expected default frequency. This enables individual credits to be priced on the basis of risk. It also generates the information needed to calculate the economic capital and the risk-adjusted returns.

Since 2000, Fortis Bank has been actively pursuing a policy of improving the risk/return profile of its credit activities by constantly improving its risk assessment and applying risk-weighted pricing. It is also working to reduce the outstanding credit risk by securitizing a part of the existing credit portfolio.

In the light of the New Basel Capital Accord ('Basel II'), the Bank has opted for the Internal Rating Based method for assessing its credit risk; this involves an assessment of the risk of failure of the counterparty based on its own historical data.

The credit risk in the insurance activities relates mainly to the counterparty risk in investments. Fortis limits this type of risk by setting strict credit-worthiness standards for investments and by spreading investments across sectors and regions. A substantial part of Fortis's insurance portfolio in the Benelux countries is invested in fixed-income securities which are covered by direct or indirect government guarantees.



Underwriting risk

The underwriting risk relates to the risks inherent in the insurance activities in addition to the ALM risk referred to earlier. The life assurance risk relates to discrepancies in timing and amounts in life insurance policies. The risk in the Non-life activities relates to the degree of variability of future claims and the uncertainty concerning the development of existing claims.

Fortis's actuarial departments regularly assess the adequacy of the insurance charges and technical provisions. Reinsurance is practised mainly in Non-life.

Operational risk

The operational risk encompasses all risks which are not specifically connected with the performance of banking or insurance activities. For the purposes of reporting and monitoring, this risk can be divided into two categories. The first comprises the risk of losses due to non-recurring events such as system error, fraud, crime, legal proceedings or damage to buildings or equipment. The second category incorporates the business risk, and in particular losses due to changes in the structural and/or competitive environment.

The initiatives taken by Fortis in 2002 to improve the monitoring and control of this risk through better assessment and measurement were continued and intensified in 2003. Fortis has devel-

oped a specific instrument for this, which is applied throughout its global operations. Among other things this instrument encompasses the reporting of operational losses, modelling of operational risks, the carrying out of self-assessments, observation of key risk indicators and business contingency planning. In the context of Basel II, Fortis has opted for the 'Advanced Measurement Approach' for assessing its operational risks.

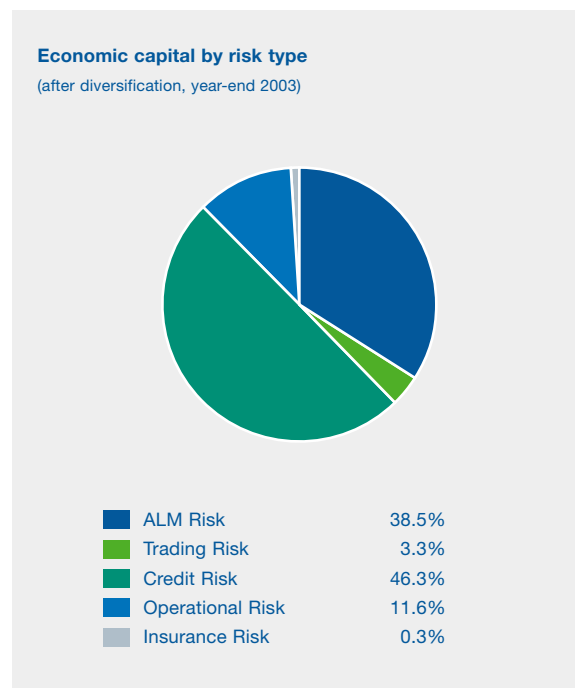
Fortis is a co-founder of the Operational Risk Data Exchange Association (ORX). This joint initiative by a number of major international banks provides for the exchange of data to enable the operational risk to be analyzed and modelled more accurately.

Economic capital

The 'economic capital' is calculated on the basis of the relative importance of each risk category. It represents the amount of capital needed to guarantee the solvency of Fortis with a reliability interval of 99.97% and a horizon of one year, given the group's risk profile. This calculation is based on a method developed within Fortis. The methodology is continually refined and adjusted. Coherence between all measurement and control instruments is guaranteed by the fact that a single central team is responsible both for modelling and for the policy lines.

Using this methodology, the capital requirements have been calculated separately for each type of risk. Since it is extremely unlikely that all risks will manifest themselves at the same time, the amount of capital and reserves required to cover the risks is lower than the sum of all individual risk components. Instead of simply adding up the capital requirements for each risk category in order to obtain a total picture for Fortis, therefore, allowance is made for the tendency of certain risks to evolve simultaneously.

The total economic capital after diversification is very low compared with both the available capital and the internally imposed maximum and minimum limits. The credit risk has remained unchanged for several quarters. The trading risk has risen slightly recently because Fortis has increased the trading activities for its own account in order to take advantage of



the growing volatility on the interest and currency markets. The ALM risk has decreased sharply due to the shrinking of the equity portfolio and the reduction in interest rate sensitivity resulting from a marked increase in the compensation of positions between the banking and insurance activities.

Return on Risk Adjusted Capital

(in EUR billion)

	Economic Capital		RoRAC ⁽¹⁾ after tax in %		RoRAC ⁽²⁾ after tax in %	
	2002	2003	2002	2003	2002	2003
Network Banking	7.5	7.5	5	13	13	13
Merchant Banking	2.5	3.0	12	17	12	18
Investment Services	0.3	0.3	84	82	84	82
Total Bank	10.3	10.8	9	16	15	17
Fortis AG	0.9	0.8	8	12	25	38
Fortis ASR	1.5	1.2	-38	33	24	35
Fortis, Inc.	0.5	0.5	62		59	
Fortis Insurance International	0.5	0.4	-25	23	13	23
Total Insurance	3.4	2.9	-9	31	28	39
General sector	0.6	0.4				
Fortis Total	14.3	14.1	5	18	17	20

⁽¹⁾ After value differences⁽²⁾ Before value differences**RoRAC**

The Return on Risk Adjusted Capital (RoRAC) is a performance yardstick which establishes a consistent relationship between the risks and returns of Fortis's various activities. RoRAC is calculated by dividing the risk-weighted return by the economic capital. The risk-weighted return is itself determined on the basis of the net operating results, with provisions for credit risks being replaced by estimated, cycle-neutral expected losses.

Prudent risk management

Fortis is convinced that its solvency remains extremely robust despite the difficult market conditions. This conviction is based on Fortis's solid and carefully thought out approach to monitoring the capital requirements. Systematic follow-up of the economic and regulatory solvency position avoids the need for drastic interventions. The successful placement of a FRESH bond ('Floating Rate Equity-linked Subordinated Hybrid Capital Securities') with investors in April 2002 to an amount of EUR 1.25 billion contributed to this. Internal control systems are also in place to check and monitor the natural risk cover against interest rate movements. The impact of movements in interest rates is analyzed bearing in mind the diversification into banking and insurance activities.

In addition, the Fortis Risk Committee has instructed each group insurance company to evaluate its equity positions and to limit the outstanding risk, in a phased process. Following the sharp falls on the equity markets, Fortis decided to rationalize its equity positions substantially at the end of 2002. Given the very negative market conditions and the uncertainties that preceded the war in Iraq in the first quarter of 2003, it was decided to take a pro-active approach and mitigate the risks on equities via a hedge operation. Although the markets stabilized somewhat thereafter, it was still decided in the second quarter of 2003 to sell off a substantial portion of the equity portfolio and at the same time to unwind some of the hedge; this process was completed by the end of 2003.

Since then, major strides have been made towards further integ-rating and coordinating the policy on the asset structure of the various Fortis operating companies. Internal limits have been established for the risk of exceeding the Fortis minimum, for the 'earnings at risk' and for the ratio between economic capital and fair value. In addition, internal stress tests have been established for the solvency of individual operating companies. These tests apply over and above the norms applied for these variables within Fortis as a whole.

Corporate governance

There was an especially strong focus on corporate governance in 2003. On 21 May, the European Commission launched an action plan designed to modernize company law and to improve corporate governance in Europe. This prompted individual EU member states to draw up their own codes in this area. The committee in Belgium chaired by Maurice Lippens is expected to publish its corporate governance code (which will apply to listed companies headquartered in Belgium) at the end of 2004. This will replace the existing guidelines dating from 1998. In the Netherlands, the committee chaired by Morris Tabaksblat presented its final corporate governance code on 9 December 2003.

Tabaksblat Code

Fortis supports the goal of the Tabaksblat Committee to use the corporate governance code to promote a sound and transparent system of checks and balances within companies. That objective is in keeping with Fortis's ongoing efforts to evaluate the conduct of its business, including the associated risk management and monitoring systems, and to amend these where necessary to ensure maximum integrity and transparency. A corporate governance code founded on existing best practices will provide companies with a standard by which to configure the conduct of their business and to support them in their risk management. A code of this kind can thus contribute positively to the confidence of investors and other interested parties in the capital market and to the valuation of individual companies.

The Tabaksblat Code came into effect at the beginning of the financial year 2004. Fortis verifies its compliance with the code by analyzing its 21 principles and 113 best practice provisions. While it supports the underlying principles of the Code, Fortis has also to achieve the optimum alignment of its corporate governance with the special features of its legal structure, which is strongly international in character. This aspiration is in keeping with European Commission initiatives aimed at integrating international capital markets and promoting cross-border operations by multinational enterprises.

Particular reference is made to three points: Fortis's 'twinned share' gives it a unique cross-border equity structure, with equal rights for shareholders in the Dutch and Belgian parent companies. That means that the Dutch and Belgian Codes are both applicable to Fortis, even though lack of convergence in the European Union means that discrepancies between the two are possible. Differences in local legislation can also have an influence. In addition, Fortis has long operated a single-tier management structure (see 'Board of Directors'). The Tabaksblat Code acknowledges that Dutch companies may, in principle, opt for structures of this kind, yet its various provisions are framed primarily for the customary management structure in the Netherlands, which comprises an Executive Board and a Supervisory Board. Given the significant differences that exist between a two-tier management structure of that kind and the single-tier model (including the composition of the Board of Directors and the powers allotted to shareholders), the functioning of the Code's different provisions with regard to single-tier management structures is not always obvious. Finally, Provisions in the Code will require changes to existing legislation. It is not clear when and in what form the proposed legislation will come into operation, which means that its implications and interpretation (including the provisions regarding proxy voting) are also uncertain.

Based on the information available and stressing the issues raised above, Fortis does not currently anticipate any substantial variation from the principles and best-practice provisions drawn up by the Tabaksblat Committee. Further details will be provided in the 2004 annual report and will be placed on the agenda of the General Meeting of Shareholders in 2005 for discussion. Where applicable, Fortis will also indicate how the individual matters to be placed on the agenda for the General Meeting of Shareholders in 2004 relate to the provisions of the Tabaksblat Code. The Tabaksblat Code itself will be included as a separate item on the agenda.

Fortis is working on a document to be published on its website, which will include information on the way in which it has organized its governance. This initiative will enable shareholders and other interested parties in the capital market to keep themselves actively up to date, thereby contributing significantly to the transparency that is Fortis's goal. Effective corporate governance has to be shaped and elaborated in practice in response to evolving regulation, market standards and the needs of the company. That is why Fortis is also considering setting up a permanent internal committee operating under the authority of the Board of Directors, which would make recommendations regarding Fortis's governance structure. In keeping with best practice, substantial amendments will be submitted for the consideration of the General Meeting of Shareholders.

Fortis's structure and share

Fortis was created in 1990 by the cross-border merger – Europe's first – between the Belgian insurer AG Groep and the Dutch bancassurance group AMEV/VSB. The merged company's legal structure subsequently evolved into its current form, comprising a group headed by Belgian and Dutch parent companies, a Board of Directors and a 'twinned' equity structure. The two parent companies – Fortis SA/NV and Fortis N.V. – administer Fortis Bank, which combines the group's banking operations, and Fortis Insurance, in which its insurance activities are brought together.

The Fortis share represents a unique 'twinned' equity holding in both Fortis SA/NV and Fortis N.V., with the associated voting, dividend and other rights. This concerns a total of 1,298,200,094 shares as at 31 December 2003. Each share carries a single vote at the shareholders' meeting of both Fortis SA/NV and Fortis N.V. The latter's authorized capital also includes A and B cumulative preference shares. Fortis N.V. has granted a call option on A cumulative preference shares to Stichting Continuïteit Fortis. Further information in this regard can be found in note 8 of the Annual Accounts.

General Meeting of Shareholders

Fortis shareholders are entitled to attend and cast their votes at the General Meetings of Shareholders of both companies. They can do so in person or by proxy. The two shareholders' meetings basically deal with the same matters, including the annual report, dividend, the appointment and reappointment of members of the Board of Directors, amendments to the Articles of Association and the issue and purchase of equities. The Articles of Association specify that agenda points have to be approved by both meetings if they are to be enacted. The agenda for the shareholders' meeting is drawn up by the Board of Directors, but Fortis shareholders are also entitled to put forward matters for discussion or voting at the shareholders' meeting.

Dividend

A unique feature of the 'twinned' Fortis share is that holders can choose whether they want to receive a dividend originating in Belgium or the Netherlands, thus ensuring the continuation of the various tax benefits open to them. Fortis's dividend policy is geared towards the distribution to shareholders of roughly 40–45% of net earnings. A dividend proposal takes account of the current and expected financial situation, the requirements of the company and the outlook for the financial markets. Further information regarding the dividend can be found in note 19 of the Annual Accounts.

Board of Directors

The Board of Directors consists of a maximum of seventeen members; a maximum of sixteen non-executive members and one executive member, the Chief Executive Officer (CEO). The responsibilities of the Board of Directors are laid down by law, in the articles of association and the internal regulations. These regulations also specify the operation and the composition of the Board of Directors and its committees, the organization of its meetings and its decision making process.

The Board of Directors operates in a complex environment requiring constant adaptation and evolution. The Board therefore discusses its corporate governance at length every year. It was decided in 2003 to extend the Board of Directors to include more international members, to replace the dual chairmanship with a single Chairman, to scrap the Chairmen's Committee and to replace it with consultation between the Chairman and CEO, and for Fortis's Chairman to cease to sit on the Audit Committee. These decisions will be enacted in 2004.

Appointment and reappointment

Members of the Board of Directors are appointed by the shareholders. Non-executive directors are appointed for a maximum term of three years. The upper age limit for non-executive directors is 70, although exceptions can be made in special circumstances. The upper age limit for the CEO is 60, which can be raised to 65.

Individual members of the Board of Directors are not automatically reappointed. The Chairmen must first evaluate the performance of members who wish to be considered for reappointment. The Compensation and Nominating Committee then makes a recommendation to the Board of Directors, which in turn submits the candidate's reappointment to the General Meeting of Shareholders. Shareholders, finally, vote on whether or not to reappoint the proposed individual to the Board of Directors.

Independence

The Board of Directors has adopted the following principles with regard to the independence of its non-executive members:

- A non-executive director may be viewed as independent if he/she does not have a business or other relationship with Fortis that could impinge on his/her independence of judgement. The Board of Directors takes account of relationships such as those of a significant customer, supplier or shareholder of the company, or affiliate with such parties, when considering the independence of its members and of candidates for a seat on the Board.
- In the Board's view, a significant shareholder is one that holds at least 10% of outstanding Fortis shares. No shareholders fell into that category on 31 December 2003.
- In order to determine whether a director has any other significant relationship with Fortis, the Board of Directors observes all statutory criteria as well as the relevant recommendations made by the various codes for best practices.
- No member of the Board of Directors has any other significant relationship with the company or is affiliated with a party that does have such a relationship with the company.

Meetings

In principle, the Board of Directors meets ten times a year, according to a fixed timetable, and on as many other occasions as Fortis's interests require or at least two members of the Board consider it desirable. The matters to be dealt with are incorporated in an overall annual agenda. The matters to be dealt with at each meeting are finalized in consultation between the two Chairmen and the CEO no less than two weeks prior to the meeting. Members of the Board of Directors receive the meeting documents in good time – i.e. at least five days before the meeting – to enable them to prepare properly. In principle, decisions of the Board

of Directors are taken by qualified majority voting. In practice, however, all decisions are taken unanimously and on a consensus basis.

The Board of Directors met on nine occasions in 2003. Recurring issues included the financial results, economic outlook and strategy to be pursued by the different elements of Fortis. Strategic discussions form part of the basis on which Fortis's overall strategy is oriented. The Board of Directors also discussed the financial market crisis, the budget, Fortis's overall strategy, the reports of the Audit Committee, the Risk

and Capital Committee and the Compensation and Nominating Committee, the employee and management stock and option plan, the proposed IPO for the group's US insurance operations and the sale of Seguros Bilbao. The composition and the remuneration of the members of the Executive Committee has also been the subject of decision making within the Board of Directors.

Remuneration

The remuneration of non-executive directors comprises a fixed annual sum plus an attendance fee for each Supervisory Board meeting. They do not receive any variable or profit-related compensation, option rights, shares or fees of any other kind. The total remuneration of non-executive directors amounted to EUR 1.9 million in 2003.

The CEO's remuneration consists of a fixed base salary, a variable annual incentive and a variable long-term incentive that was paid out in 2003 partly in the form of option rights and 'restricted shares' – shares that can only be acquired three years after allocation at the closing price on the allocation date – and partly in cash. The level of the variable remuneration depends on factors such as individual performance, the per-

formance of Fortis relative to predefined targets and the performance of Fortis relative to several businesses in the same sector. The CEO received remuneration equal to EUR 2.1 million in 2003.

One non-executive director holds option rights arising from his previous executive position. The CEO holds options, stock appreciation rights and restricted shares arising from his current post. Several members of the Board of Directors hold Fortis shares. The option and share ownership of all members of the Board of Directors was reported to the Netherlands Authority for the Financial Markets as required under Dutch law. They jointly hold 811,146 shares and 256,030 options and restricted shares. Note 18 of the Annual Accounts focuses in greater depth on remuneration policy, the actual remuneration of members of the Board of Directors and ownership of Fortis option rights and shares.

Members of the Board of Directors have not been provided with loans or credit other than those granted in the normal course of Fortis's financial operations on the same commercial terms as would apply to our customers. Details of loans and credit provided to members of the Board of Directors are set out in note 18 of the Annual Accounts.

Committees

Three committees have been set up within the Board of Directors: an Audit Committee, a Risk and Capital Committee and a Compensation and Nominating Committee. The former Chairmen's Committee was abolished in August 2003 and replaced by regular consultation between Fortis's two Chairmen and the CEO. The committees' tasks are specified in a set of rules. Committee members offer specific expertise in the relevant field, which means that each committee delivers genuine added value. The committees are tasked with a variety of preparatory and support activities on behalf of the Board of Directors and can advise management as and when requested.

Audit Committee

The members of the Audit Committee are Valère Croes and Klaas Westdijk (both are chairmen), Jaap Glasz, Maurice Lippens, Jan-Michiël Hessels and Philippe Speeckaert. They are supported by Fortis's General Auditor. The Audit Committee helps the Board of Directors and meets with the internal and external auditors and with the management responsible for financial reporting, risk management and legislation compliance. The Audit Committee is supported in turn by the corresponding committees at the main Fortis subsidiaries. The Audit Committee's remit is specified in the 'Audit Committee Charter', which the Board of Directors approved in August 2002.

The Audit Committee met on five occasions in 2003. It dealt with the following issues:

- review of quarterly and annual accounts, accounting principles and practices, their relevance and consistency, and discussions with management and auditors on significant issues;
- progress with the IFRS project;
- review of the quality of internal control systems, assisted by reporting from Fortis Audit Services and the external auditors; the Audit Committee also took a close look at projects geared towards improving management reporting on internal control;
- review of the quality of internal audit activities through analysis and discussion of the annual audit plan, regular consideration of reports from Fortis Audit Services on internal auditing and fraud cases, and of information regarding management follow-up of audit recommendations. Both Chairmen of the Audit Committee also met individually with the General Auditor;
- review of the independence of the external auditors, taking account of the applicable rules, discussing the letter of appointment and the audit budget, and review of the quality of the external audit process, based on the auditors' report to the Board of Directors;
- review of the efficacy of the compliance function, discussion of the annual compliance plan and annual report, and discussion of Fortis's code of business conduct and of important new regulations in the field of corporate governance, money laundering, and so forth;
- approval of a new organizational framework for the different Audit Committees at major subsidiary level;
- review of the operations of the Audit Committee itself and revision of the Audit Committee Charter.

Based on the reviews referred to above, the Audit Committee recommended to the Board of Directors that the audited Annual Accounts be included in the Annual Report.

Risk and Capital Committee

The members of the Risk and Capital Committee are Jaap Glasz, Maurice Lippens, Jan-Michiel Hessels, Anton van Rossum and Piet Van Waeyenberge. The Committee is assisted by Fortis's Chief Financial Officer. The Risk and Capital Committee advises the Board of Directors on Fortis's solvency and risk profile.

The Risk and Capital Committee was informed about Fortis's risk profile, solvency and specific financial transactions in relation to Fortis's solvency. The Committee met three times to discuss issues submitted for the cognizance or approval of the Board of Directors, such as:

- transactions relating to Fortis's financing;
- Fortis's risk-appetite guidelines regarding solvency, available shareholders' equity, economic capital, ratings, etc.;
- the annual assessment of Fortis's financial development;
- information about the different types of risk and the instruments Fortis uses to measure and assess those risks;
- impact of external guidelines such as Basel II and IFRS and their implementation;
- Fortis's risk management structure.

Compensation and Nominating Committee

The members of the Compensation and Nominating Committee are Jaap Glasz, Maurice Lippens, Etienne Davignon, Daniel Janssen, Annemieke Roobeek, Jan Slechte and Anton van Rossum. The CEO is not present during deliberations regarding his personal remuneration. The role of the Compensation and Nominating Committee is specified in a set of rules. The Compensation and Nominating Committee advises the Board of Directors on remuneration policy and the remuneration of members of the Board and the Executive Committee, on the appointment and reappointment of members of the Board and Executive Committee, and on Fortis's employee and management stock and option plan. Another of the committee's duties is to set the frame of reference for the remuneration policy for senior management at Fortis. The committee met on three occasions in the year under review, discussing matters including:

- remuneration of members of the Board of Directors;
- remuneration of members of the Executive Committee and a new structure for the Long-Term Incentive with the launch of a restricted share plan;
- reappointment of several members of the Board of Directors;
- the 2003 stock plan for all employees and the 2003 option plan for senior management;
- disclosure and other statutory duties regarding remuneration, and stocks and option rights held by members of the Board of Directors and the Executive Committee.

Executive Committee

Composition and appointment

The Executive Committee has eight members, of whom only the chairman – the CEO – has a seat on the Board of Directors. With the exception of the CEO, the members of the Executive Committee are appointed by the Board of Directors on the CEO's recommendation. As a member of the Board of Directors, the CEO is appointed by the General Meeting of Shareholders at the recommendation of the Board of Directors. Members of the Executive Committee, not including the CEO, hold permanent executive posts at other Fortis companies. They are responsible for the organization and development of their specific businesses.

Task

The CEO is responsible for day-to-day management, for setting the strategic priorities for Fortis's development and for implementing these plans after the Board of Directors has approved them. Amongst other things, the Executive Committee makes proposals in this regard for acquisitions, divestitures and capital allocation. The CEO then submits these plans for the discussion and approval of the Board of Directors. The Executive Committee meets twice a month according to a fixed timetable, and on as many other occasions as Fortis's interests require.

Remuneration

The remuneration of members of the Executive Committee consists of a fixed base salary, a variable annual incentive and a variable long-term incentive granted in 2003 partly in the form of option rights and partly in cash. The level of the variable remuneration depends on factors such as individual performance, the performance of the business relative to predefined targets and the performance of Fortis relative to several companies in the same sector. The total remuneration paid in 2003 to members of the Executive Committee – not including the remuneration received by the CEO – was EUR 7.4 million. Members of the Executive Committee hold option rights and restricted shares. Several members of the Executive Committee hold Fortis shares which, in line with internal principles, they view as a long-term investment. Members of the Executive Committee, not including the CEO for whom a separate report is prepared, jointly hold 793,836 option rights and 100,605 restricted shares. See note 18 of the Annual Accounts for a review of the remuneration policy and option and restricted share holdings.

International Advisory Council

The International Advisory Council is a general advisory body for the Board of Directors. It is made up of ten people with a variety of backgrounds and from the different geographical areas in which Fortis operates. It is chaired by Etienne Davignon and Jan Slechte. The International Advisory Council met once in 2004 to discuss matters such as the future of financial service providers, focusing on the economic situation, interest-rate movements, European regulation, the role of the European Central Bank and demographic developments in relation to Fortis's position.

Stock and Option Plans

Employees were once again given the opportunity in 2003 to acquire Fortis shares. The aim of the stock plan is to enable employees to express their confidence in the future of their company by investing in its shares. Each employee was given the opportunity of purchasing Fortis shares at a locally determined discount at the closing price on 3 October 2003. A total of 2,820,535 equities were issued and provided to participants under the stock plan.

Options on Fortis shares have also been granted to senior management as a token of confidence in their personal contribution to Fortis's growth and development. The strike price of these option rights is the closing price on 25 April 2003. The number of options to which each person could subscribe was determined individually according to the level and scale of the person's responsibilities. New Fortis shares will be issued or previously repurchased shares will be used on exercise of the option rights granted under this plan and as part of the stock plan. Note 13 of the Annual Accounts contains a review of the stock and option plans.

Compliance

Fortis's compliance function facilitates observance of laws, rules and standards by the company and its employees, thereby bolstering its reputation as a reliable partner – a reputation that has to be protected and strengthened through irreproachable, professional behaviour. Respecting laws, internal and external regulations, rules and ethical standards is an essential part of this. The foundations were laid in the General Code of Conduct that Fortis introduced in June 2002. These general rules are supplemented by more specific ones at individual Fortis businesses, geared towards their operations and local regulations. Each Fortis company has a Compliance Officer who promotes and monitors observance of laws, rules and ethical standards.

Specific compliance areas include customer due diligence (the 'know your customer' principle, which is primarily aimed at combating money laundering and other illegal activities, such as tax fraud); measures to prevent the financing of terrorism; fair market practices, including the application of Chinese walls and regulations to prevent the use of insider knowledge or share price manipulation in the securities markets; regulations governing consumer protection; and the prudent use of personal details (privacy issues). In addition to the rules to prevent the use of insider knowledge for securities transactions in general, specific rules apply to the members of the Board of Directors and the Executive Committee, together with numerous key executives within Fortis, to prevent the use of insider knowledge for private investment transactions in Fortis securities.

Auditing

External auditing is done jointly by KPMG and PricewaterhouseCoopers, whose report is included in the Annual Accounts. Fortis Audit Services reports to the Audit Committee and issues a twice-yearly opinion regarding Fortis's internal audit systems. In addition to the regular audits, specific topics are audited internally every year.

Supervision

As a binational, integrated financial services provider, Fortis is subject to different forms of external supervision. De Nederlandsche Bank (DNB) and the Pensions and Insurance Supervisory Authority (PVK) in the Netherlands and the Commission Bancaire, Financière et des Assurances (CBFA) in Belgium share the view that, based on European and national regulations, supplementary cross-border supervision – in addition to specific national supervision of the different sectors – needs to be conducted on a Fortis-wide basis. The supervisory bodies laid down the coordination of their respective regulatory scope in an agreement in 1996, which was renewed on 28 February 2002.

The new agreement between the regulators stipulates that each will continue to perform sector supervision of the relevant activities of Fortis entities in their jurisdiction. Supplementary supervision is exercised jointly by the bodies. The CBFA has been designated as coordinator, as it supervises the largest part of Fortis's operations, measured by total assets and solvency requirements.

Supplementary supervision and the duties for Fortis arising from it include the shareholding structure of the parent companies, the reliability of directors and management, the group's organizational structure, its investment policy, risk concentration and intra-group activities. The regulators decided in a new agreement on supplementary supervision in June 2003 to perform a joint review of the organization and functioning of the governance bodies at Fortis's key businesses. The review began in September 2003 and is scheduled for completion in April 2004.

Regulation of the parent companies' shareholdings is based on the legal duty to disclose major acquisitions or disposals of Fortis shares. Fortis is obliged to notify the regulators forthwith if it has knowledge of any such acquisitions or disposals. Coordinated supervision takes the form of regular scrutiny and periodic and interim consultation with each of the regulators, or with the CBFA in its role as coordinator.

In addition to supplementary and consolidated supervision, all Fortis companies are subject to local regulators.

Board of Directors

Jaap Glasz (1935)

Chairman
Independent*
Nationality NL
First appointed 1989
Term runs to 2004

Committees

Member of the Audit Committee, Chairman of the Risk and Capital Committee, Chairman of the Compensation and Nominating Committee

Other directorships

Professor of Corporate Governance (University of Amsterdam), Lawyer Van Doorne, Chairman Stichting VSB Fonds, Member Supervisory Board GlaxoSmithKline NL B.V., Member Supervisory Board Citroën NL B.V., Member Supervisory Board Coca-Cola Enterprises NL B.V., Deputy advisory member Enterprise Section of the Amsterdam Court of Appeal.

Count Maurice Lippens (1943)

Chairman
Independent*
Nationality B
First appointed 1981
Term runs to 2005

Committees

Member of the Audit Committee, Chairman of the Risk and Capital Committee, Chairman of the Compensation and Nominating Committee

Other directorships

Director Iscal Sugar, Director Total, Director Suez-Tractebel, Chairman Compagnie Het Zoute, Director Finasucré, Director Groupe Sucrier, Director Lambert-Brussels Group and Member of Trilateral Commission, Member Board of Directors of Associates of Harvard Business School, Member Harvard Business School European Advisory Council and Member Insead Belgium Council.

Viscount Etienne Davignon (1932)

Vice-chairman
Independent*
Nationality B
First appointed 1989
Term runs to 2004

Committees

Member Compensation and Nominating Committee

Other directorships

Minister of State, Chairman CMB, Vice-chairman Suez-Tractebel, Vice-chairman Umicore, Director Suez, Director Sofina, Vice-chairman Accor.

Jan Slechte (1937)

Vice-chairman
Independent*
Nationality NL
First appointed 1996
Term runs to 2006

Committees

Member Compensation and Nominating Committee

Other directorships

Former Chairman Shell Nederland B.V., Member Supervisory Board Samas-Groep N.V., Chairman Supervisory Board TU Delft, Director Stichting Continuïteit Fortis.

Anton van Rossum (1945)

CEO
Non-independent*
Nationality NL
First appointed 2000
Term runs to 2004

Committees

Member Risk and Capital Committee, Member Compensation and Nominating Committee

Other directorships

Director Geneva Association, Member Management Committee Federation of Belgian Companies, Member International Advisory Council of the American European Community Association, Member Advisory Council Solvay Business School, Member Advisory Council European Securities Industries, Member Board of Trustees and Global Counsellor of Conference Board.

Jan-Michiel Hessels (1942)

Independent*
Nationality NL
First appointed 2001
Term runs to 2004

Committees

Member of the Audit Committee, Member of the Risk and Capital Committee

Other directorships

Former Chief Executive Officer Royal Vendex KBB N.V., Chairman Supervisory Board Euronext N.V., Member Supervisory Board Royal Philips Electronics N.V., Member Supervisory Board Laurus N.V., Member Supervisory Board Royal Vopak N.V., Member Supervisory Board Schiphol Group N.V., Member Supervisory Board Heineken N.V.

Baron Daniel Janssen (1936)

Independent*
Nationality B
First appointed 1999
Term runs to 2005

Committees

Member Compensation and Nominating Committee

Other directorships

Chairman Solvay, Vice-chairman UCB, Chairman Advisory Board Solvay Business School, Member Steering Committee Trilateral Commission, Member Steering Committee European Round Table of Industrialists.

Annemieke Roobeek (1958)

Independent*
Nationality NL
First appointed 1994
Term runs to 2005

Committees

Member Compensation and Nominating Committee

Other directorships

Professor of Strategy and Transformation Management University of Nijenrode, Member Supervisory Board PCM Uitgevers N.V., Member Supervisory Board AEDES, Founder and director of MeetingMoreMinds, Founder of Social Adventures for Intercultural Networking, Director of Open Dialogue.

Philippe Speeckaert (1949)

Independent*
Nationality B
First appointed 1989
Term runs to 2004

Committees

Member Audit Committee

Other directorships

Director Immoran, Director Spontin, Director Chevron, Director Controle Technique Automobile, Director Royal Automobile Club de Belgique.

Baron Piet Van Waeyenberge (1938)

Independent*
Nationality B
First appointed 1988
Term runs to 2004

Committees

Member Risk and Capital Committee

Other directorships

Chairman De Eik N.V., Chairman Fortales N.V., Director Janssen Pharmaceutica N.V., Director Pietercil Delby's N.V., Chairman Maison de la Radio (Flagey) SA/Omroepgebouw Flagey N.V., Chairman Indufin N.V.

* A description of 'independent directors' is provided on page 61

Baron Valère Croes (1934)

Independent*

Nationality B

First appointed 1987

Term runs to 2004

Committees

Chairman of the Audit
Committee

Other directorships

Deputy chairman
Compagnie Immobilière de
Belgique, Director
Tessenderlo Chemie,
Director Electrabel, Director
Forelux, Chairman Royal
Institute for the Elites of
Labour, Chairman Collège
Royal des Doyens
d'Honneur du Travail,
Director Stichting
Continuïteit Fortis

Klaas Westdijk (1941)

Independent*

Nationality NL

First appointed 1996

Term runs to 2006

Committees

Chairman of the Audit
Committee

Other directorships

Former chairman Royal
Pakhoed N.V., Chairman
Supervisory Board ENeco
Energie N.V., Member
Supervisory Board Wolters
Kluwer N.V., Member
Supervisory Board VastNed
Groep N.V., Member
Supervisory Board
Connexxion Holding N.V.

International Advisory Council

Viscount Etienne Davignon (chairman), Vice-chairman Fortis

Jan Slechte (chairman), Vice-chairman Fortis

Diana Lady Dougan, Senior Advisor Center for Strategic and International Studies
(Washington, D.C.)

Hans van Ginkel, Rector United Nations University (Tokyo)

Lord Simon of Highbury, Member Advisory Boards of Morgan Stanley Dean Witter and LEK
Consulting, Director Unilever, Suez Groep and Volkswagen

Rudolf Kellenberger, Deputy Chief Executive Officer Swiss Reinsurance Company

Joseph Kinsch, Chairman Arcelor

Baron Alexandre Lamfalussy, Chairman Committee of Wise Men on the Regulation of European
Securities Markets

Luck van Leeuwen, Professor of Non-monetary Financial Conglomerates, Tilburg University,
Chairman Supervisory Board Arcadis and Member Supervisory Board Berenschot

Hans-Jürgen Schinzler, former Chairman Management Board Munich Reinsurance Company,
Member Supervisory Board

Chevalier Guy de Selliers de Moranville, Director Solvay S.A., Chairman HB Advisors, Director
Norilsk-Nickel and WimmBilDan

José Vilarasau, Chairman and former CEO "la Caixa"

Stichting Continuïteit Fortis

René Mannekens (1940), Co-chairman; first appointed 1999. Directorships: Chairman Nutricia
Belgium, Chairman Nutricia Spain

Johan Steenmeijer (1933), Co-chairman; first appointed 1994. Directorships: Former Director
KPMG Netherlands, former International Executive Partner KPMG

Herman Santens (1934), Member; first appointed 1999.

Jef Maeijer (1932), Member; first appointed 2001. Directorships: Former Professor of Commercial
Law, University of Nijmegen, Member University Directorships Van der Heijden Institute

Baron Valère Croes (1934), Member; first appointed 1999. Directorship: Non-executive Director
Fortis

Jan Slechte (1937), Member; First appointed 1999. Directorships: Non-executive Director and
Vice-chairman Fortis

Executive Committee

Anton van Rossum
(1945)
CEO
Nationality NL

Other directorships
Director Geneva Association, Member Management Committee Federation of Belgian Companies, Member International Advisory Council of the American European Community Association, Member Advisory Council Solvay Business School, Member Advisory Council European Securities Industries, Member Board of Trustees and Global Counsellor of Conference Board.

Herman Verwilt
(1947)
Deputy CEO
Nationality B

Other directorships
Professor Extraordinary University of Ghent, Censor National Bank of Belgium, Director Flemish Economic Association, Director Belgian Finance Federation (Febelfin).

Gilbert Mittler
(1949)
CFO
Nationality B

Karel De Boeck
(1949)
Nationality B

Other directorships
Member Management Committee Federation of Belgian Companies, Chairman European Financial Management and Marketing Association (EFMA).

Jozef De Mey
(1943)
Nationality B

Other directorships
Member Royal Association of Belgian Actuaries, Chairman Compagnie Belge d'Assurances Aviation (Aviabel).

Filip Dierckx
(1955)
Nationality B

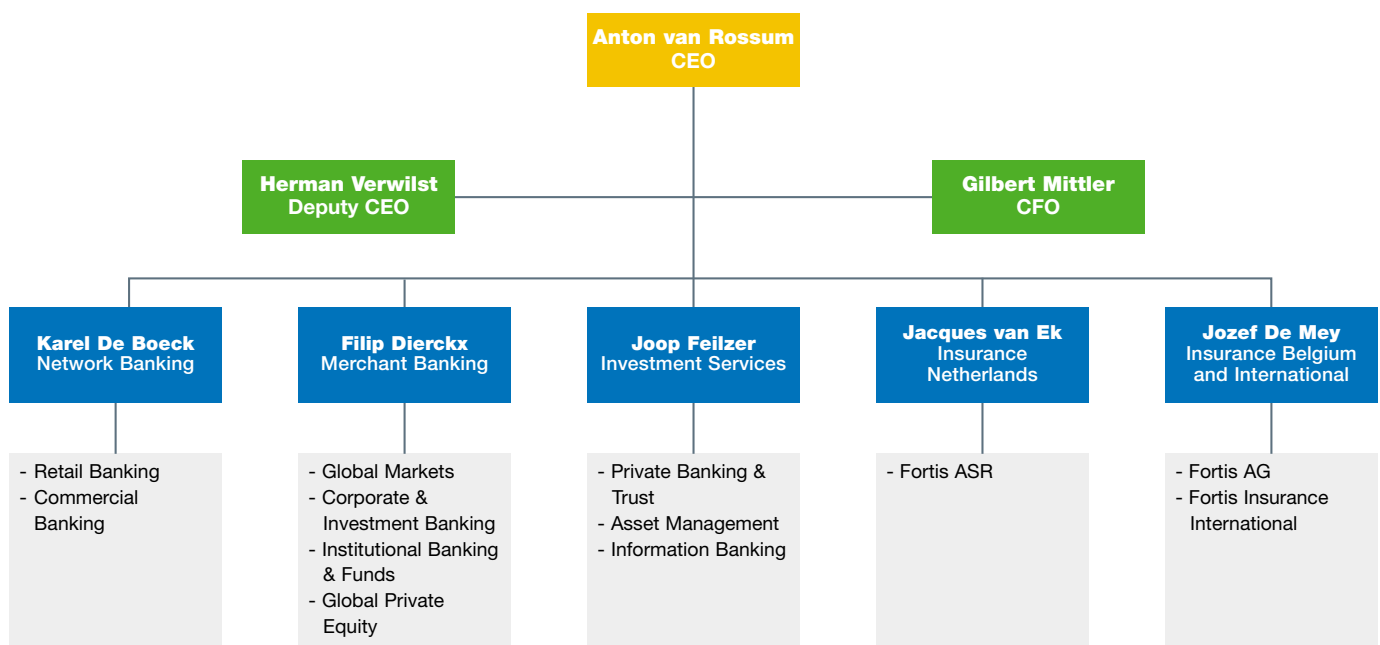
Other directorships
Member General Meeting of Flemish Employers Organization (VOKA) Flemish Economic Association.

Joop Feilzer
(1949)
Nationality NL

Other directorships
Chairman Supervisory Board Gemiva-SVG Groep, Director Stichting VSB Fonds.

Jacques van Ek
(1945)
Nationality NL

Other directorships
Director Dutch Association of Insurance Companies, Vice-chairman Supervisory Board Polynorm N.V., Member Supervisory Boards of Soweco N.V. and Dinytei B.V.



from left to right, from top to bottom:
Anton van Rossum, Herman Verwilt,
Gilbert Mittler, Filip Dierckx, Karel De Boeck,
Joop Feilzer, Jacques van Ek, Jozef De Mey



Auditors' statement

We have audited the financial information contained on pages 14 and 15 of this Annual Review, which is derived from the 2003 Annual Accounts of Fortis as audited by us. We issued an unqualified auditors' report on these Annual Accounts on 11 March 2004.

The financial information referred to above is the responsibility of the management of Fortis. Our responsibility is to express an opinion on the financial information based on our audit.

In our opinion, the financial information corresponds in all material respects with the Annual Accounts from which it is derived. For a more comprehensive view of the financial position and results of the company and the scope of our audit, the financial information should be read in conjunction with the complete Annual Accounts from which it is derived and the auditors' report we issued thereon.

Amstelveen, 11 March 2004
KPMG Accountants N.V.

Brussels, 11 March 2004
PricewaterhouseCoopers
Réviseurs d'Enterprises S.C.C.R.L.
Represented by P. Barbier and L. Discry

General information

Important dates in 2004

Publication of 2003 annual results	11 March 2004
Publication of results first quarter 2004	26 May 2004
Publication of results first half-year 2004	26 August 2004
Publication of results first three quarters 2004	24 November 2004
Ex-dividend listing of Fortis shares	28 May 2004
Day one of dividend election period	28 May 2004
End of dividend election period	11 June 2004
Payment of Fortis shares dividend	17 June 2004
Analysts' meeting*	11 March 2004
Conference call for analysts*	27 May 2004
Analysts' meeting*	26 August 2004
Conference call for analysts*	24 November 2004

* All presentations will be held in English and will be webcast (audio or video) live on www.fortis.com.

Up-to-date information about Fortis, its organization, strategy and results as well as press releases are available online on the Fortis website: www.fortis.com.

Fortis ® is a registered trademark of Fortis SA/NV and Fortis N.V.

General Meeting of Shareholders

Fortis SA/NV	Fortis N.V.
26 May 2004, 9.30 a.m.	26 May 2004, 2.30 p.m.
Fortis Bank Auditorium	Fortis Auditorium
Rue de la Chancellerie 1	Archimedeslaan 6
Brussels, Belgium	Utrecht, The Netherlands

Investor Relations

For further information about Fortis, please contact the Investor Relations department:

Rue Royale 20	Archimedeslaan 6
1000 Brussels, Belgium	3584 BA Utrecht, The Netherlands
Tel.: +32 (0)2 510 53 38	Tel.: +31 (0)30 257 65 71
Fax: +32 (0)2 510 56 30	Fax: +31 (0)30 257 79 33

E-mail:

Shareholders' information: ir@fortis.com or visit www.fortis.com/ir

Debt-related information: debtinvestorinfo@fortis.com or visit www.fortis.com/debtinvestors

Glossary

cash management

Monitoring, managing and planning of cash flows within a company or organization.

clearing

Administrative settlement of securities, futures and options transactions through a clearing institute and the financial institutions associated with it (the clearing members).

collateralized debt obligations

American term (usually abbreviated to CDO) for type of bond with a pool of high-yield bonds and bank loans as collateral. Payment of the principal and interest of the CDO is financed with the cash flows generated by the underlying financial assets.

compliance officer

Manages and monitors the risks involved in a company's compliance with legislation and regulations.

cross-selling

The strategy of using an existing customer base for one product as prospective customers for other products.

embedded value

Cash value of a life-insurance portfolio, increased by the free surplus of shareholders' equity. Embedded value is a yardstick for measuring the profitability of an existing insurance portfolio.

employee benefits

The package of insurances that employers take out for their staff (employed persons insurance schemes)

factoring

A form of corporate financing in which a company transfers outstanding debts to a factoring company that, for a fee, assumes responsibility for the debtor records, risk coverage and financing.

hedge fund

Type of investment fund aimed at professional investors and characterized by a high-risk investment strategy. The term is misleading: hedging refers to covering the price risk or exchange risk of an investment position (i.e. the opposite of high-risk investment).

leasing

Longer term leasing of capital assets in particular, in which the maintenance costs for the leased item are for the account of the lessor, whether or not with the option to buy the leased item after expiration of the lease period.

securitization

Restructuring of credits (e.g. loans and mortgages) and assets (e.g. contracts) in the form of negotiable securities, with the aim of improving the debt-equity ratio and freeing up capital.

straight-through processing

Processing of financial transactions without manual or visual interference.

trust

A legal arrangement in which an individual (the trustor) gives fiduciary control of property to a person or institution (the trustee) for the benefit of beneficiaries.

colophon

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Fortis

Rue Royale 20
1000 Brussels, Belgium
Telephone +32 (0)2 510 52 11
Fax +32 (0)2 510 56 30

Archimedeslaan 6
3584 BA Utrecht, The Netherlands
Telephone +31 (0)30 257 65 76
Fax +31 (0)30 257 78 38

Internet address: www.fortis.com
E-mail address: info@fortis.com