

FORTIS

Solid partners, flexible solutions

Annual
Review
2004

Profile

Fortis is an international 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, in cooperation with intermediaries and through other distribution partners. Its multi-channel distribution strategy gives Fortis the flexibility to meet its customers' needs for optimum availability and user-friendliness.

Fortis occupies a leading position in all market segments in the Benelux countries. It offers internationally operating companies throughout Europe an integrated network and provides wealthy individuals and businesspeople with advanced services based on a unique set of competences. Fortis's expertise in niche markets such as shipping, commodity, export and project finance and fund administration has made the company a regional or world leader in these areas. Fortis also successfully combines its banking and insurance expertise in growth markets in Europe and Asia and leads the markets in Spain and Portugal.

Boasting a market capitalisation of EUR 26.5 billion and total assets of EUR 571 billion, Fortis ranks among the twenty largest financial institutions in Europe. Its sound solvency position, broad risk spread and ambitious, professional workforce of 51,000 enable Fortis to combine global strength with local flexibility to provide optimum support to its customers.

Objectives

Fortis has two core competences – banking and insurance – which will enable it to expand in its new home market, the enlarged European Union. It will pursue selective expansion in Asia and North America. Fortis aims to rank among the top European financial institutions and intends to achieve this goal through organic growth, supplemented with selective acquisitions and strategic partnerships.

Against this background, Fortis has decided to strive for accelerated growth while adhering to strict cost control. It aims to achieve average organic growth of net operating profit before realised capital gains of 10% per annum for the period 2005-2009 and to double to 30% the contribution to profits generated outside the Benelux countries in 2009.

Fortis will report its results under the new IFRS accounting principles as from financial year 2005. These principles are expected to lead to greater volatility in results. With this in mind, Fortis will in the course of 2005 re-evaluate two of its long-term objectives defined in 2000, i.e. to achieve growth of net operating profit per share of at least 12% and to produce return on equity of at least 15%. Fortis has already amended its third objective – to aim for a dividend payout ratio of 40-45% of net profit. As from financial year 2005, Fortis will aim to pay a stable, growing dividend, taking into account its solvency, profitability and growth objectives.

Accelerated growth, within and outside the Benelux region

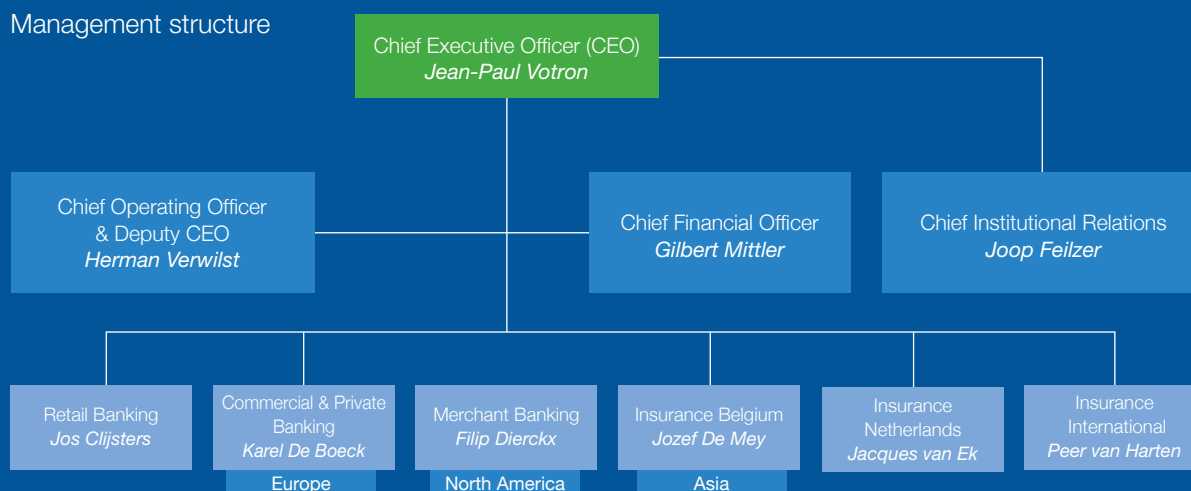
The European financial landscape is undergoing fundamental changes. Major cross-border obstacles are gradually being removed from the retail market, which could influence local markets. Changing customer behaviour and new distribution channels could create growth opportunities in Western Europe, as could new markets in an enlarged European Union. Both business and institutional customers are continuing to grow. This trend should result in an integrated European or global market with several cross-border opportunities in areas such as corporate banking, leasing, factoring and employee benefits.

To secure a central role for itself in this changing market, early in 2005 Fortis revised its objectives and strategy. Over the next five years, it aims to become a leading European player competing in the international financial arena. Accelerated growth is Fortis's top priority, with an expanded European Union as its home market and its sights set on selective expansion opportunities in Asia and North America. To achieve its goal of organic growth, Fortis plans to further bolster its market share in the Benelux countries, in part by offering customers an even wider choice of products and distribution channels. In an enlarged EU, the combination of Commercial Banking and Private Banking will lead the way. In addition to its leading position in the Benelux region, Merchant Banking will continue to invest in specialised worldwide customer and product segments, including shipping and commodity finance. The insurance arm, too, will concentrate on international growth, mainly in Europe and Asia.

Based on its goal to serve customers better and building on its related strategy, Fortis has defined a number of growth-oriented organisational principles:

- It has opted for a new, customer group-driven organisational structure with business-specific and geographic authorities. Activities are now organised into six businesses: Retail Banking, Commercial & Private Banking, Merchant Banking, Insurance Belgium, Insurance Netherlands and Insurance International. The Executive Committee has been enlarged with two members. Three members are charged with the coordination of Fortis's international expansion in Europe, Asia and North America. The expertise and experience gained in the Benelux countries will thus be fully exploited to guarantee cross-business synergy.
- To support growth of the businesses, the support and operational functions will be merged and managed at Executive Committee level.
- The Chief Operating Officer will manage the cross-business functions Information Services & Technology, Human Resources, Facility Management & Purchasing, Legal & Compliance, Risk Management and Operations to ensure that the businesses are performance-driven and operate coherently by exploiting cross-border and cross-business synergies and efficient technical and operational processes.
- The Chief Financial Officer monitors and advances the performance of the businesses in order to optimise profitability of existing activities and to promote integration of the new businesses. In addition, he is also responsible for Mergers & Acquisitions, Reporting and Accounting.
- The Chief Institutional Relations maintains high-level contact with European and international institutions and local authorities in countries where Fortis is active and where it wishes to invest. He also maintains contact with the regulatory authorities and is in charge of Investor Relations.

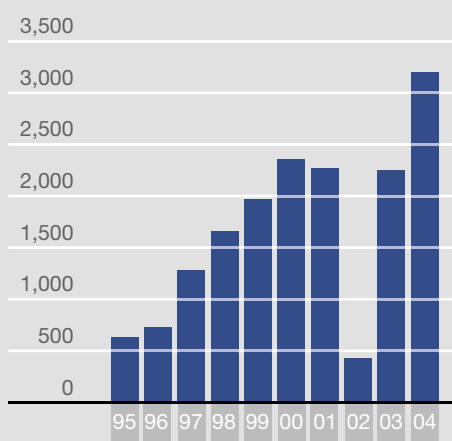
Management structure



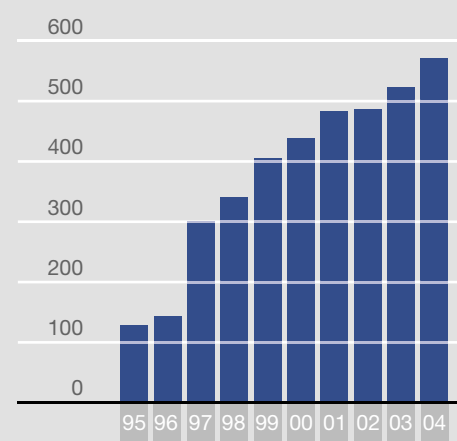
Key figures (in EUR million)

	2004	Difference in %	2003	Difference in %	2002
Profit and loss account					
Net operating profit before realised capital gains	2,469	25	1,976	3	1,918
■ Banking	1,646	49	1,102	4	1,059
■ Insurance	992	-6	1,060	1	1,047
Net operating profit	3,197	42	2,247	423	430
■ Banking	1,970	36	1,446	25	1,154
■ Insurance	1,480	49	996	*	(616)
Net profit	3,358	53	2,197	313	532
■ Banking	1,855	24	1,495	16	1,293
■ Insurance	1,600	78	898	*	(687)
Balance sheet					
Net equity	14,365	21	11,894	9	10,871
Total assets	570,648	9	523,250	8	485,765
Assets under management	321,936	5	305,960	6	289,817
Ratios					
<i>Fortis</i>					
Return on equity	25.6%		19.3%		4.3%
<i>Banking</i>					
Tier-1 ratio	8.3%		7.9%		8.2%
Total capital ratio	12.3%		12.4%		13.0%
Cost/income ratio	61.3%		62.7%		63.0%
Key figures per share (in EUR)					
Net operating profit	2.46	41	1.74	422	0.33
Net profit	2.59	52	1.70	313	0.41
Net profit after full conversion	2.53	51	1.67	306	0.41
Dividend	1.04	13	0.92	5	0.88
Net equity	11.04	21	9.16	9	8.39
Employees					
Average number of FTEs	49,468	-23	64,454	-2	65,989
■ Banking	36,372	-6	38,496	-6	40,768
■ Insurance	12,912	-50	25,785	3	25,031

Growth of net operating profit
(in EUR million)



Growth of total assets
(in EUR billion)



Network Banking

Retail Banking

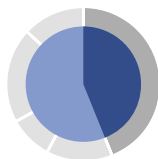
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Commercial Banking

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Share in net operating profit

44%



	2004	2003	2002
■ net operating profit	1,468	945	513
■ number of employees (FTEs, end of period)	17,357	18,377	21,130

Fortis Bank provides financial services to retail customers, the independent professions and to small and medium-sized enterprises. In 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

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Share in net operating profit

14%



	2004	2003	2002
■ net operating profit	476	328	92
■ number of employees (FTEs, end of period)	2,761	2,689	2,656

Merchant Banking offers financial solutions to corporate and institutional clients composed from a comprehensive range of wholesale products. Merchant Banking also offers expertise in niche markets with a regional or global scope.

Investment Services

Private Banking & Trust

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Asset Management

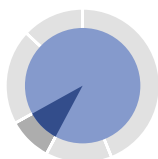
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Information Banking

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Share in net operating profit

9%



	2004	2003	2002
■ net operating profit	298	287	256
■ number of employees (FTEs, end of period)	4,205	3,939	3,205
■ funds under management	139,566	128,019	131,328

MeesPierson offers worldwide integrated services and solutions for asset and liability management to high-net-worth private clients and their businesses as well as to corporate clients and their advisers.

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

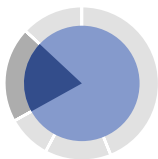
Information Banking offers integrated banking services to institutional investors, banks, funds and professional traders.

Fortis ASR

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Share in net operating profit

20%



	2004	2003	2002
■ gross written premiums Life	2,808	2,982	3,109
■ gross written premiums Non-life	2,088	1,951	1,850
■ net operating profit	682	369	(609)
■ number of employees (FTEs, end of period)	4,809	4,973	5,187

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

Fortis AG and Fortis Insurance International

Fortis AG

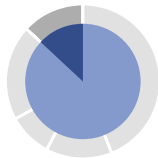
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Fortis Insurance International

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Share in net operating profit

13%



	2004	2003	2002
■ gross written premiums Life	3,739	3,666	3,948
■ gross written premiums Non-life	2,407	2,544	2,411
■ net operating profit	421	212	(36)
■ number of employees (FTEs, end of period)	7,442	7,864	7,984

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

In Benelux, Fortis Corporate Insurance offers non-life insurance to medium-sized and large enterprises. Insurance activities are developed internationally in Luxembourg, France and the United Kingdom and through joint ventures in Spain, Portugal, China, Malaysia and Thailand.

¹ Key figures for 2002 refer to Fortis's former organisational structure, i.e. Corporate Banking was part of Network Banking and Information Banking was part of Merchant Banking.

Strategy	Market position	Key developments in 2004
<ul style="list-style-type: none"> ■ Differentiation in customer approach ■ Integration of distribution channels ■ Cross-selling between different product domains ■ Balance between customer satisfaction and profitability ■ Unique 'Act as One' strategy with a single contact for international European businesses ■ Close collaboration between Commercial Banking and other Fortis businesses on a European scale 	<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 1,420 bank branches in the Benelux countries ■ Integrated European network of some 100 business centres for medium-sized enterprises ■ Strong European position in cross-border factoring and leasing 	<ul style="list-style-type: none"> ■ Use of expertise abroad in online banking, investment products and securities handling ■ Expansion of service range and service guarantees in Belgium ■ Launch of new branch concept in the Netherlands ■ Expansion of integrated European network of business centres ■ Expansion of Fortis Lease in France, Spain and Italy
<ul style="list-style-type: none"> ■ Integrated sales with a wide-ranging product mix geared towards the customer profile ■ Customer approach via senior relationship managers and customer service teams ■ Development of customer and product niches with regional or global scope ■ Product innovation ■ Optimisation of operational platform and risk management 	<ul style="list-style-type: none"> ■ Leadership position in Belgium and Luxembourg; challenger in the Netherlands ■ Strong presence in major European financial centres with a comprehensive package of merchant banking products and services; growing presence in Asia and the United States ■ World leader in specialised market segments, such as commodities finance, shipping, export and project finance; regional player in niche markets such as oil and gas (in the US) and structured credit products (in Europe) ■ International customer base: more than half of the profit from activities aimed at corporate and institutional customers is generated outside the Benelux countries 	<ul style="list-style-type: none"> ■ Innovative products in structured credits, in derivatives markets (energy, commodities) and in trade of emission and reduction rights ■ Development of niche markets on regional and international scale ■ Customer focus sharpened ■ Major deals in various merchant banking activities ■ Launch of Merchant Banking internet site and successful introduction of a customer portal with online services ■ Specialised training of professional staff
<ul style="list-style-type: none"> ■ Total service offering addressing all aspects of the customer's needs ■ Profitable relationship between private banking and trust and other parts of Fortis ■ Network of specialised investment centres and sales offices for asset management ■ Common investment philosophy ■ Consolidation of external distribution networks ■ Comprehensive package of integrated investment services ■ Strengthening of international position ■ Supply chain integration in administrative processing 	<ul style="list-style-type: none"> ■ MeesPierson ranks among the top private banks in Europe and has a worldwide leading position in trust and corporate services ■ Fortis Investments occupies a leading market position in the Benelux region and has received an excellent AM2 rating ■ Information Banking is a global player in securities lending and borrowing, a European market leader in derivatives clearing and is recognised as a centre of expertise in specialist fund services 	<ul style="list-style-type: none"> ■ MeesPierson is expanding its innovative product mix and investing in its worldwide network, in part via partnerships or acquisitions ■ Fortis Investments is investing in its sales network and product range. Fortis's joint venture in China has grown to become a fully-fledged investment centre and the biggest foreign player ■ Information Banking is investing in its commercial strength and expansion of its network
<ul style="list-style-type: none"> ■ Distribution mainly through intermediaries ■ Integration of AMEV, Stad Rotterdam and Woudsend into one strong insurer under the name Fortis ASR by October 2005 ■ Increase commercial clout by enhancing integration and cooperation within Fortis ASR ■ Focus on profitable growth mainly in life insurance, disability insurance, pensions and bancassurance and in niche markets such as travel and leisure insurance and funeral insurance ■ Specialist insurers focus more sharply on their core business 	<ul style="list-style-type: none"> ■ Third-ranking insurer in the Netherlands ■ Generally recognised as a high-quality insurer, in part thanks to its strong relationship with intermediaries ■ Leading market position in life insurance, mortgage products, disability insurance and travel and leisure insurance 	<ul style="list-style-type: none"> ■ Integration process, comprising 300 projects, on track ■ Creation of one central payment centre for the three generalist insurers ■ Social Plan valid through 2006 ■ Most Fortis ASR labels again score high in annual independent performance survey among intermediaries
<ul style="list-style-type: none"> ■ Distribution to individuals and SMEs via intermediaries ■ Innovative offer of products and services ■ Use of internet technology in processing procedures ■ Diversified distribution strategy for Employee Benefits ■ Use of expertise in bancassurance ■ Collaboration with strong local partners in Europe and Asia 	<ul style="list-style-type: none"> ■ 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 real-estate asset manager in Belgium ■ Fortis Corporate Insurance is market leader in Benelux for non-life insurance to companies ■ International partners have a strong local market position 	<ul style="list-style-type: none"> ■ Fortis AG: stronger position in modular multi-products and investments in high-quality service ■ Fortis AG, Employee Benefits: vigorous growth in pension schemes ■ Ample growth prospects due to majority stake in bancassurance operations of BCP (Portugal) and strategic partnership in Thailand ■ Solid growth of joint ventures in China and Malaysia

This table and the business chapters in this Annual Review refer to Fortis's organisational structure in 2004. On 28 January 2005 Fortis introduced a new structure in line with the revised corporate strategy. Information is available at the front of this Annual Review and in the Message from the Board of Directors.

Key events in 2004

01

January

- Retail banking activities in Hong Kong sold to Industrial and Commercial Bank of China (Asia)
- Fortis Investments acquires strategic Japanese equity activities

02

February

- Following successful IPO of Assurant, Inc. in the US, Fortis retains a 35% stake in this company. In January 2005 the remaining shares were offered in the secondary public offering and mandatorily exchangeable bonds were issued

03

March

- Fortis signs in-principle agreement to sell GWK Bank, specialised in cash services in the Netherlands. The sale was effected in October 2004
- Fortis Investments and Deminor Rating join forces on voting rights and corporate sustainability

05

May

- Fortis Lease opens office in Italy and now has offices in all countries where Fortis operates Business Centres
- Shareholders approve appointment of five new members of the Board of Directors

06

June

- Fortis enters into strategic partnership with Muang Thai to expand insurance activities in Thailand
- Fortis enters into strategic partnership with Banca Intermobiliare, an Italian private bank specialised in asset management, in which Fortis acquires 10% stake
- Fortis Lease acquires Deutsche Immobilien Leasing France, specialised in commercial property leasing

07

July

- Fortis Bank voted best merchant bank of the year in the Netherlands
- Fortis signs in-principle agreement for acquiring 50% stake and management control in bancassurance operations of Banco Commercial Português. In January 2005 Fortis acquires a 51% stake in the new joint venture Millenniumbcp Fortis Grupo Segurador

09

September

- Fortis builds on its brand strategy in the Netherlands: from October 2005, the new integrated insurer encompassing AMEV, Stad Rotterdam Verzekeringen and Woudsend will be named Fortis ASR

10

October

- Jean-Paul Votron succeeds Anton van Rossum as CEO
- Herman Verwilt appointed Chief Operating Officer, responsible for group-wide, cross-business activities
- Fortis ASR closes biggest real estate deal ever in the Netherlands
- MeesPierson Intertrust opens office in Turkey

11

November

- Fortis Bank co-promotes European Carbon Fund, first non-governmental investment fund devoted to market mechanisms designed to combat global warming

12

December

- Publication of Fortis Governance Statement, a description of Fortis's governance model
- Fortis signs agreement with Banque de La Poste for the sale of insurance products as from March 2005
- MeesPierson Intertrust takes over Centrapriv, a Swiss financial and fiduciary services provider

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The cautionary statement with respect to forward-looking statements contained in this Annual Review is included in the Annual Accounts.



Jean-Paul Votron, CEO and Maurice Lippens,
Chairman of the Board of Directors

“Our ambition is to become a leading European player”

Fortis had a strong year in 2004, one in which it continued to build on the budding economic recovery. We delivered the best operating performance since our formation in 1990. Net operating profit came to EUR 3.2 billion, or EUR 2.46 per share. That is an increase of 42% compared with our good performance in 2003. Return on equity was 25.6%. These figures show that we once again amply met our quantitative targets set at the end of 2000: growth of net operating profit per share of at least 12% and return on equity of at least 15%.

A dynamic company

Our performance continues to improve, even excluding the contribution of Assurant, Inc., the American insurance company we floated early in 2004. Our customer focus and business strategies enable us to benefit fully from the budding economic recovery. But there are other factors, too, that make Fortis a dynamic company. Our various businesses work together to develop integrated solutions for our customers, an approach that sets us apart from our competitors. We attract new customers with innovative products. By continuously making our processes more efficient, we are able to offer products in a unique manner. We have also made strides in cross-border integration, which has resulted in enhanced cost synergies. Internal accounting and reporting are now performed on a cross-border basis. Standardisation of our IT infrastructure and database management are going in the same direction.

We are investing the proceeds of the successful IPO of Assurant in activities with growth potential. In the year under review we stepped up expansion of our network for Commercial Banking with new Business Centres. The creation of a single European legal structure for all our leasing activities has resulted in a coherent approach and strategy and efficient coordination. Our majority stake in Millenniumbcp Fortis Grupo Segurador, the largest Portuguese bancassurer, and 40% interest in the Muang Thai-Fortis joint venture are part of our strategy to introduce the bancassurance concept in European and Asian growth markets.

Strengths

- Largest financial institution for banking and insurance in the Benelux region, Europe's fifth largest market for financial services
- Unique position in cross-border banking for medium-sized enterprises
- Proven ability to create value through cross-border combination of banking activities and integration of insurance businesses
- Professional, committed bankers and insurers experienced in managing multi-channel distribution (e.g., bank branches, insurance intermediaries, distribution partners)
- Highly diversified portfolio of banking and insurance activities
- Know-how in developing niche markets worldwide
- High ratings and sound solvency position

Opportunities

- Retain strategic position in rapidly changing European financial landscape
- Further develop position outside Benelux market, mainly in an enlarged Europe and selectively in Asia and North America
- Bolster market position in the Netherlands in Retail Banking and Merchant Banking

We live up to our word

In the past five years, we have concentrated our efforts on creating one company and on achieving synergies and cost efficiency. The banking operations have been combined, and integration of the Fortis insurance brands in the Netherlands is well underway. The resulting synergy benefits support our stringent cost control, and risk management has been enhanced. Our portfolio of activities has been streamlined as a result of strategic acquisitions and the sale of non-profitable or non-core activities. We have enhanced transparency by introducing a single Fortis share and by publishing the Fortis Governance Statement. Moreover, the appointment of five new members has made the Board of Directors a more international group. In short, Fortis has lived up to its word and has strengthened its position within the banking and insurance world.

Towards a strategic position in Europe

Fortis is in a position to improve income growth and its market position in a profitable manner. Since the new CEO assumed his responsibilities in October, we have mapped out an accelerated growth strategy and revised the company's organisational structure. Our objectives are clear: we aim to achieve average organic growth of net operating profit before realised capital gains of 10% per annum, supplemented with selective acquisitions and strategic partnerships. Growth should give us a strategic position in Europe and a more balanced portfolio of activities. By 2009 at least 30% of net operating profit should be generated outside the Benelux countries, twice as much as now. The creation of customer and shareholder value is a key element of our growth strategy and should ensure that by 2009 Fortis will have grown to become a leading European player competing in the international financial arena. That is our ambition.

In the Benelux countries and the rest of Europe, Fortis is bolstering its position and expanding distribution channels in the retail markets where it operates. More intensive cross-selling between the banking and insurance businesses, both nationally and internationally, should help us grow. Targeted acquisitions should strengthen our distribution channels. The insurance business should continue to grow in its market segments through innovation, improved service provision to bank branches and insurance brokers, and cost control.

Key points of strategic plan

- Customer focus
- Emphasis on growth of businesses
- Geographic focus on enlarged European Union and selective growth in Asia and North America
- Cost control
- New organisational structure aimed at operating as one company
- New Fortis-wide positions: Chief Operating Officer and Chief Institutional Relations
- One brand worldwide

Outside the Benelux countries, Commercial & Private Banking is leading the way to growth. Business Centres are being opened in Central and Eastern Europe and Scandinavia, and cooperation between private banks and commercial banks will be intensified. Merchant Banking will continue to invest in selected customer and product segments, for instance in the United States. Finally, Fortis will focus its efforts on introducing its bancassurance model in Europe and Asia.

Based on this business strategy, we have designed a revised, growth-oriented organisational structure. The banking and insurance businesses will be combined in one operational structure. This should enable Fortis to secure maximum return on its current markets and activities, achieve international expansion and stimulate synergies between businesses. Growth initiatives and investments will be examined and assessed based on strict profitability criteria.

To give additional impetus to expansion, over the next two years Fortis will gradually introduce a single brand worldwide, with a strong identity based on the company's core values: stable, caring, innovative and straightforward.

The strategic plan was approved by the Board of Directors. In the first half of 2005, each business will draw up an integrated strategic and financial plan for the coming three to five years, where the strategy is fully aligned to our new goals of organic growth and an increase in profit generated outside the Benelux countries. The consolidated plan will be announced in June 2005.

Sustainability

We are confident that Fortis has what it takes to develop into a major European financial institution, with an enlarged EU as its home market and its sights set on selective expansion opportunities in Asia and North America. We are pursuing a course of sustainable development, as is described in Agenda 2006, our sustainability plan. We will use this plan to create a better, more visible sustainability profile than that of our main competitors by year-end 2006. This matter will be discussed in greater detail in our first sustainability report, to be issued in May 2005.



Jean-Paul Votron
Chief Executive Officer



Maurice Lippens
Chairman of the Board of Directors



You're building a position as an internationally competitive player. Fortis offers you one contact point for all financial services.

Through an integrated network of European Business Centres.

customer-centric

future-proof



The will to succeed is timeless. Who knows?
Your grandson might be in the driving seat someday.
Fortis helps you plan your company's future.



Customers can count on Fortis. In banking and insurance. In Europe and beyond.
We work with strong local partners in Asia.

reliable

innovative



You cross frontiers, and so does Fortis.

Fortis leads the way by financing solar energy projects and trading CO₂ emission rights.



You're not one to throw in the towel. But are you prepared for a setback?

With Fortis, you'll be back in business in no time.

flexible solutions

Network Banking

Your company is pulling out all the stops to compete in the international arena.
You need one contact point for cross-border financial services.
Your Fortis Global Relationship Manager takes care of all your needs, through our integrated European network of one hundred Business Centres.



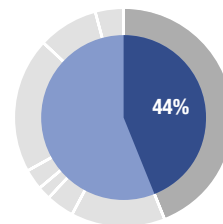
Key points

- Further align approach to customers with their expectations and wishes
- Customer satisfaction as basis for growth and profitability
- Integrate channels for convenience of customers
- Pursue further cross-border integration and synergy
- Improve service through motivated employees and optimised processes

Accolades

- Fortis Bank: Best Bank in Belgium (*Euromoney*, July 2004; *The Banker*, September 2004)
- Banque Générale du Luxembourg: Best Bank in Luxembourg (*Euromoney*, July 2004; *The Banker*, September 2004; *Global Finance*, October 2004)

Share of Network Banking (including Retail Banking and Commercial Banking) in net operating profit (2004)



Retail Banking

Fortis Bank wants to be the bank of preference for retail customers, self-employed people, members of the independent professions and small businesses. It is convinced that a stronger relationship with its customers offers clear benefits for both parties.

Strategy

To meet its goals in the Benelux market, Fortis Bank will focus closely on the customer, with service and multi-channel accessibility as strong and distinctive features. It has also geared its commercial organisation towards clearly differentiated customer segments to enable it to serve the market even better and to meet its customers' specific needs and wishes. These two strategic elements should allow Fortis Bank to maintain or increase its market share and to raise its profitability per customer.

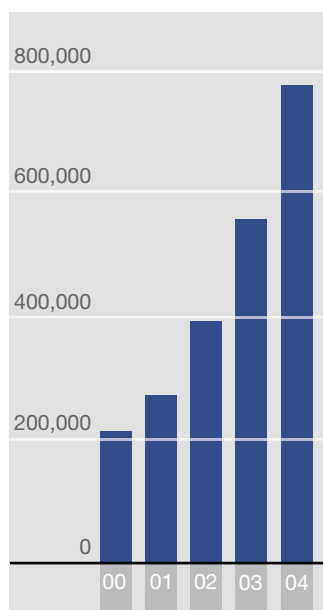
Although the centre of gravity of the retail operations is in the Benelux region, Fortis Bank is also active in France and Poland. Its market position in those two countries is limited, and so its strategy there has been adapted to local conditions and opportunities.

Key developments in 2004

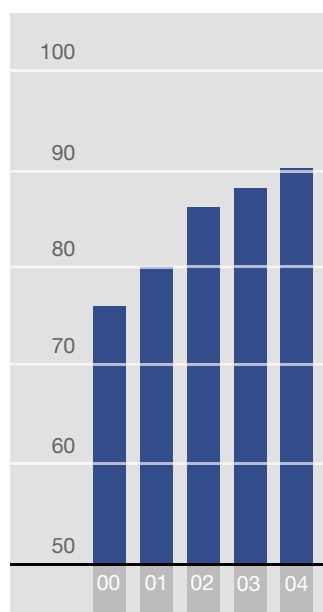
Fortis Bank developed several initiatives in 2004 to enable it to deploy its expertise on a cross-border basis. A successful example is the application of Belgian internet banking experience to the Netherlands. In this way, customers benefit from best practice, while sharing systems also creates economies of scale. The success of internet banking at Fortis is apparent from the growing number of users: the total in Belgium had risen to 780,000 by the end of 2004, while 140,000 customers in the Netherlands were using the system after less than a year. Electronic banking in Luxembourg, meanwhile, has attracted an impressive 110,000 customers. Fortis also wants to meet the specific requirements of Benelux customers and markets when it comes to securities processing, to which end it is creating a cross-border organisation and infrastructure that will be in place by 2006.

Online banking in Belgium

(number of contracts, year-end figures)



**Degree of automation
(%)**

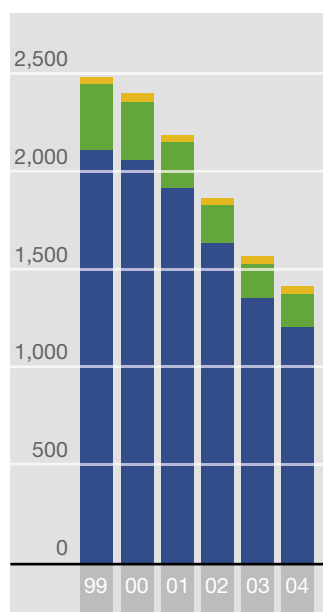


Another example of international collaboration is the selection of investment products sold in all the relevant countries. Once again, the exchange of best practices is proving extremely valuable for our customers. The organisation of a Personal Banking School at which personal bankers from Benelux and France receive additional wealth management training for high-net-worth retail customers is evidence of further synergy.

Fortis Bank in Belgium has developed additional initiatives to promote the 'customer bank' idea among all its employees, at both individual branches and head office. Service, quality, professionalism and extended opening hours are all priorities when it comes to the relationship with customers. This has not gone unnoticed: surveys conducted in 2004 reveal that 70% of customers are extremely satisfied with service at the branches. Efforts are also being made to ensure that the front and back office work together more closely. Collaboration between the two is regularly evaluated using a satisfaction survey among branch staff. The training of commercial staff and advisers in insurance products has been extended, and there has been increased investment in new branches and automated tellers ('Selfbank'). Trialling of fully automated branches and deposit machines was concluded successfully. New versions of online banking contributed to more intensive use of this service. Usage among retired customers, for instance, has risen 30% in a single year, while that among young customers increased by over 80%.

Fortis was the first bank in Belgium to introduce service guarantees, promising to deliver a high-quality service for a large number of products. If it fails to provide the guaranteed level of service, the customer receives financial compensation. A service package has also been developed for expatriates, especially new officials of the European Union.

**Number of branches
in the Benelux countries**



■ Belgium *
■ Netherlands
■ Luxembourg

* excluding Fintro (previously Krediet aan de Nijverheid / Cr dit   l'Industrie)

Fortis Bank in the Netherlands has launched a new service concept: DirectService is a modern way of banking that is more customer-centred, flexible and profitable. Customers perform standard transactions themselves, if desired with the assistance of a customer service employee. Branch staff are free to serve customers who are looking for advice on products and services. All branches will be adjusted to the new concept in the course of 2005. Fortis Bank staff at branches and head office departments follow the 'Customer Focus Label' quality programme, which aims to improve the overall service to customers. In 2004, closer collaboration with Fortis ASR on insurance sales via the branch network resulted in a 30% increase in commission compared to the year before.

Banque G n rale du Luxembourg is one of Luxembourg's leading banks, with a local network of 37 branches. It successfully extended its financial product offering in 2004 for personal banking customers, the self-employed, members of the professions and small businesses. Innovative new products at BGL include an attractive savings plan for children, a new product range for young customers and a package combining mortgage loans with life and non-life insurance products.

Outside Benelux, particularly in France and Poland, Fortis has focused as a niche bank on services to companies and on advice to businesspeople and managing directors/majority shareholders. Customer satisfaction continued to rise in France and Fortis Bank saw its income grow, thanks in part to a surge in long-term saving. In Poland, Fortis Bank produced a catalogue of opportunities for businesses in terms of investment credit, advisory services and available funds within the European Union. Business Week chose the survey as its best financial product of 2004.

The development of a shared platform for processing international payments is a fine example of how Fortis Bank operates as a single company. All international payments anywhere within Fortis will now be handled in the same way, which will improve service and reduce costs. The new platform will give Fortis Bank a lead over its

competitors in the field of international payments and will hopefully generate additional income. Belgium is the first country for which payments will be processed via the new platform, with the Netherlands scheduled to follow in the course of 2005. The possibility of handling third-party payments is also being investigated.

Financial performance in 2004

Net operating profit of Network Banking (comprising Retail Banking and Commercial Banking) increased by 55% to EUR 1,468 million.

Retail Banking was the main contributor as a consequence of simultaneously improving revenues, cutting costs and reducing value adjustments to loans. Total revenues went up 4% in 2004 mainly thanks to higher commissions. Retail Banking consolidated its interest income, despite lower market rates. The continued reduction in the number of branches and the decrease in FTEs have kept operating costs under tight control. The number of FTEs in the Benelux region has decreased to 12,441, a decline of 5% over the full year.

At FB Insurance, which sells Fortis insurance products via the Fortis Bank branch network, gross Life premium income enjoyed growth of 15% to EUR 2,484 million. Traditional Life and Savings increased by 14% to EUR 1,865 million. Production outpaced the high levels achieved in 2003, which were realised in the context of a downward trend in interest rates. Unit-linked gross premium income grew by 26% to EUR 433 million, albeit from a very low base in 2003. Non-life activity is well on track with a 6% increase in gross premium income to EUR 179 million, driven by Motor and Fire business. Non-life continues to perform very well with a combined ratio of 86%.

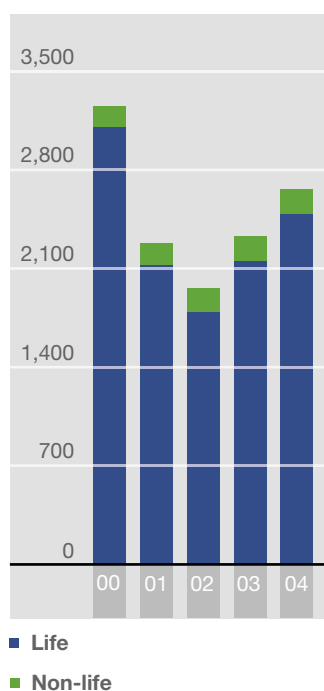
Prospects

Fortis Bank will continue to work on improving service to its customers in the coming years. Key strategies for boosting customer satisfaction and retention include the multi-channel approach and solutions tailored to our customers' profiles. Employee satisfaction, meanwhile, will benefit from training efforts and improvements to branch infrastructure. At the end of the day, satisfied customers and employees are the best long-term guarantee of success and growth potential.

Fortis Bank intends to further expand its existing channels in the markets in which it operates. In Belgium, for instance, it will become the exclusive supplier in March 2005 of both banking and insurance products to the country's 1,352 post offices. The new name, Fintro, should spruce up the image of the independent branch network Krediet aan de Nijverheid / Crédit à l'Industrie. Fortis Bank is also keen to strengthen its position in specific market niches, including consumer credit. Finally, Fortis is studying operational opportunities in the expanded European Union.

Restructuring of the Fortis organisation in January 2005 has made Retail Banking an autonomous business with growth ambitions. Together with Fortis AG, FB Insurance has been integrated into the Insurance Belgium business. It will maintain its close relationship with the bank branches and insurance brokers and will continue to pursue an ever-higher quality of service.

FB Insurance
Gross premium income
(in EUR million)



Key points

- Focus on the segment comprising medium-sized European enterprises with international operations and a good risk profile
- Optimise market coverage by accelerated opening of Business Centres in fifteen countries of the enlarged EU and Scandinavia
- Become top European player in cross-border factoring and leasing
- Further refine customer-focused performance indicators for the Business Centres

- Leverage Fortis network to achieve structural collaboration at European level
- Cooperate intensively with Private Banking to create a unique European service strategy

Accolades

- Fortis Bank: Best Merchant Bank in the Netherlands (*Het Financieele Dagblad*, June 2004)

Commercial Banking

Fortis Bank wants to be the bank of preference for medium-sized companies active in more than one European country. To that end, it offers financial solutions with added value via a unique and integrated European network.

Strategy

Fortis Bank intends to carry on growing in the market segment for medium-sized, internationally active companies. These are primarily businesses interested in cross-border solutions consisting of multiple banking services, such as leasing, factoring, international credit facilities, international cash management and the financing of acquisitions and trade transactions.

Fortis Bank provides companies like this with access to a unique integrated network of around one hundred Business Centres located all over Europe, enabling them to arrange all their financial services internationally via a single contact – the Global Relationship Manager – who brings together all Fortis's expertise and provides specialist, tailored solutions. This 'Act as One' approach offers customers all over Europe the same level of service and the same palette of cross-border products, services and specialisms.

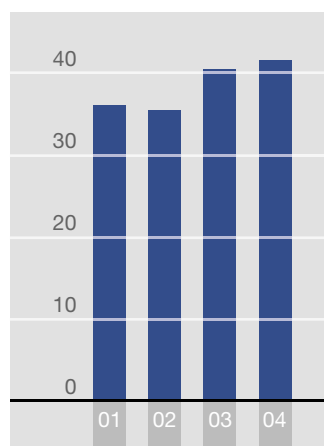
Key developments in 2004

The 'Act as One' strategy launched three years ago has paid off handsomely. The number of customers continued to grow in 2004: in the course of a targeted campaign, almost 10,000 businesspeople had a first meeting with a Fortis Bank account manager. Customers also view Fortis Bank's services very positively. *Het Financieele Dagblad* – the leading Dutch financial newspaper – rated it the Netherlands' Best Merchant Bank of 2004 following a survey of 4,900 businesses. Fortis Bank scored above average on virtually every point in the survey, and stood out particularly for its lending, its accessibility and the way it handles complaints.

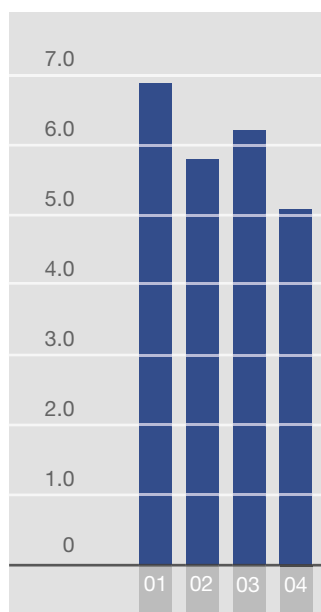
The unique European network was further expanded in 2004, with Business Centres added in Dortmund, Munich, Marseille, Metz, Rouen, Turin, Seville and Wroclaw, followed at the beginning of 2005 by Zurich. As a result, Commercial Banking's 650 account managers are now active in eleven countries.

Outstanding loans and advances

(in EUR billion)



**Total non-performing loans
as a percentage of volume
of lending**



In addition to the services offered via the Business Centres, customers can use the option of online banking. Two important applications are 'Click 'n Deal' for currency and money market transactions and 'Click 'n Trade' for managing documentary techniques. The second internet application is being rolled out on a modular basis. The Documentary Credit module enables importers and exporters to manage and track their credits online, saving them time and paperwork. A second module for documentary collection entered market testing at the beginning of 2005 and will subsequently be brought into operation in the different countries.

Fortis is investing substantially in specialist activities with a high added value – including leasing and factoring – to enable it to offer a full-service package to customers looking for European solutions. Fortis Lease – currently Europe's number five cross-border leasing business – intends to continue growing. The opening of branches in Italy (Milan), which is Europe's second largest leasing market, and Spain (Barcelona) means it is now present in the eleven countries where Fortis Bank also has Business Centres. In France, where Fortis Lease already has a presence, the takeover of Deutsche Immobilien Leasing France has given it the extra muscle needed to perform larger structured transactions. Fortis Lease provides importers and producers in the European capital goods market with sales and risk-management support through its leasing solutions, while its centralised approach offers them a competitive advantage.

Fortis Commercial Finance further expanded its operational range and market share in 2004, working from bases in ten European countries and Hong Kong. As one of the few integrated European factoring companies, it offers unique solutions via this network to businesses operating in Europe. Fortis Commercial Finance rose from ninth place among European factoring companies to number seven. The ambition is to grow into the European top five, aided by the setting up of a 'factoring factory'. In addition to Fortis Commercial Finance's back-office operations, the venture will offer accounts receivable management services to large enterprises and back-office services to other factoring companies.

Financial performance in 2004

Commercial Banking revenues grew by 8% on a like-for-like basis, excluding the impact of the sale of activities in Hong Kong at the beginning of 2004. Although lending remains a core competence among the solutions offered, competences like cross-border Leasing and Factoring continued to gain in importance. Revenues from managing the cross-border cash flows of companies saw a significant increase as well.

Prospects

The integrated network of Business Centres, the single contact point and expertise embracing many individual services are key reasons for companies operating at European level to do business with Fortis. Fortis Bank will accelerate the expansion of its network – especially in European regions with strong growth potential – to make it even more locally accessible for those businesses. Meanwhile, Fortis Bank has launched several projects to keep costs in check, including a new credit processing system that reduces the processing time for credit applications, an efficient operating model and IT platform at European level, and the streamlining of processes between the Business Centres and the back office.

In the new strategy, Commercial Banking and Private Banking become natural partners that have been brought together in a single business with an integrated approach for entrepreneurs and their companies. The objective is to pool competences in areas like business consultancy, employee benefits, trust, succession planning and leasing. Fortis intends to use this unique service strategy to lead the way in Europe.

Merchant Banking

The economic environment is constantly changing. And it's up to companies and institutions to respond. This requires flexible forms of finance and investment services. The natural environment is also changing. That's why Fortis trades emission rights.



Key points

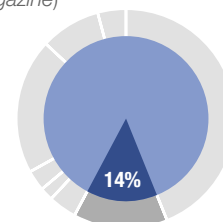
- Reinforce customer relationships in the home market
- Combine product innovation and cross-selling
- Use strong customer and product bases as levers for growth
- Bolster market position in the Netherlands
- Improve operational efficiency through economies of scale and cross-border organisation

Accolades

- Carbon Trade of the Year, awarded for the first transaction in EU emission rights under an ISDA contract that has set the market standard
- Best Public Debt Deal 2004, awarded for Trailer International (*Marine Money International*, February 2005)

- North American Renewable Deal, Deal of the year (*Project Finance Magazine*, January 2005)
- Best Merchant Bank in the Netherlands (*Het Financieele Dagblad*, June 2004)
- Power Deal of the Year, for the Kayseri-Zorlu power plant in Turkey (*Trade Finance Magazine*)
- Latin America Mining Deal of the Year, for the Veladero Gold Mine project in Argentina (*Project Finance Magazine*)
- Middle East Gas Deal of the Year, for financing of Qatar Gas II (*Project Finance Magazine*)

Share of Merchant Banking
in net operating profit (2004)



Merchant Banking

Merchant Banking aims to offer optimum financial solutions to corporate and institutional clients in Europe. It composes these solutions from a comprehensive range of wholesale products and provides customers with the specific services they need. Merchant Banking complements its core business with expertise in niche activities with a regional or global scope.

Strategy

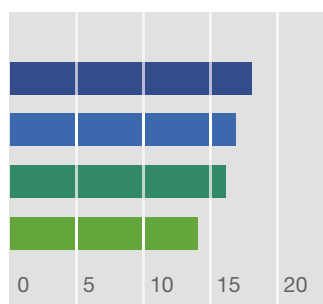
Merchant Banking offers investment and financing products as well as advisory services. It is active in several areas, including forex, money markets, fixed income, commodities and equity (including derivatives and structured products), corporate finance, capital markets, cash management, asset financing, project finance, private equity and structuring. Merchant Banking develops high value-added financial solutions capable of meeting its customers' sophisticated financial needs.

Outside the Benelux region, Merchant Banking is active in several European countries and is expanding in the US and Asia. It is also developing its global capital market operations and selected niche markets, such as shipping, export and project finance, and trade and commodity finance. Other activities serving as levers for growth include financing of the oil and gas and intermodal sectors, where Merchant Banking is a major player in the United States; derivatives and structured products, where Fortis has a leading role in Europe; and innovative activities such as energy and CO₂ trading.

Merchant Banking delivers tailored solutions based on thorough knowledge of its core clients' needs and the ability to deliver a full and high-quality product range. Merchant Banking has segmented its entire client base and has implemented coverage models for each category of clients. First-class relationship management and improved account planning are key elements of this approach. By closely tracking its different merchant banking activities and customer portfolios, Fortis is able to focus more strongly on the desired customer relationships and growth activities.

Strong track record in specialised finance

(annual growth rate of gross income, 1999-2004)



■ Shipping	18%
■ Oil & Gas	17%*
■ Intermodal and Aviation	16%
■ Commodities	14%

*annual growth rate in USD is 20%

Key developments in 2004

Merchant Banking made major strides in 2004 in sharpening its customer focus and enhancing the added value of its broad product mix. Its proactive approach in responding to customers' needs is underpinned by effective segmentation of both its corporate and institutional client bases, a solution-driven organisation and intensive sharing of competences and sector and client knowledge. Merchant Banking has organised its commercial approach accordingly, by introducing senior relationship managers and multidisciplinary teams.

Merchant Banking is at the forefront of product innovation. In 2004 it closed a number of high-profile structured credit deals, such as Pyramid I (a Collateralised Debt Obligation (CDO) composed of asset-backed securities (ABS) and single tranche CDOs). Merchant Banking also originated and structured securitised deals for clients using both the structured bond market and its asset-backed commercial paper conduit Scaldis Capital. Its solid expertise in commodities was further expanded with the launch of market-making activities on the London Metal Exchange, providing a fully-fledged LME trading service to all institutional segments of the market. In addition, Merchant Banking continues to develop new services in the field of energy, positioning itself as a major bank with CO₂ activities in Europe. In particular, Carbon Banking gives it a market instrument for the trade in emission and reduction rights and for carbon management. Finally, in addition to currency, equity and interest-rate derivatives, Fortis has gained sound expertise in the trade in credit, metal, energy and weather derivatives.

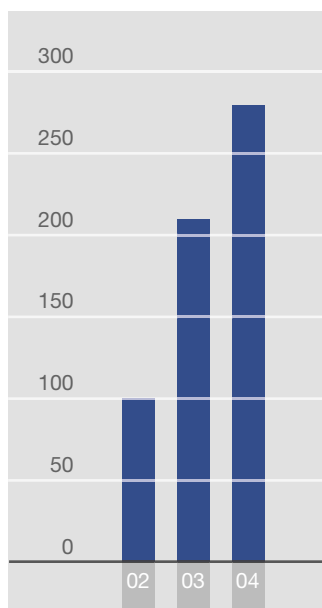
Fortis Bank continues to invest in a number of specific regional or global activities. A world leader in shipping finance, the bank managed several deals for its international client base. In 2004 Fortis arranged USD 4.8 billion in shipping finance facilities and expanded its M&A and capital markets business. Fortis Bank is also a leader in international commodity finance. The bank's solid position is underpinned by its knowledge of the agricultural, metal and energy sectors, geographic coverage of the market and excellent reputation. Fortis Bank relies on its expertise in the intermodal sector to enter into major deals, such as guaranteed container finance for TAL International, one of the biggest transactions ever in this sector. Other noteworthy deals were transacted in export and project finance, where Fortis Bank offers finance for the export of capital goods and services to emerging countries, for individual projects in emerging markets and for private/public partnerships in a diversity of infrastructure and utility projects. In the US, Fortis Bank ranked among the top players in the financing of independent oil and gas companies, thanks to its extensive skill set and expansion of its product range for this client base.

Fortis Private Equity developed favourably in 2004, partly on the back of the improved market climate. Fortis continued to streamline its private equity activities in several countries. In France it bought the private equity management company Robertsau Gestion to become Fortis Private Equity France to be able to support local direct investments. In addition, the newly established Dutch team complemented the Fortis Private Equity Benelux group, and NeSBIC carried on with the management of its four existing funds. In Belgium, Fortis Private Equity gained market share in the MBO/MBI market. In Spain, NAZCA, a wholly-owned subsidiary of Fortis, managed a successful exit, selling its stake in Unipost to Deutsche Post. The fund-of-funds portfolio grew significantly, giving the private equity portfolio proper diversification in terms of geography and markets. Fortis Private Equity's portfolio totalled approximately EUR 700 million at the end of 2004.

The drive for greater efficiency is benefiting both Merchant Banking and its client base. The introduction of the client portal for Merchant Banking's online services proved to be quite successful. The integration of Click 'n Deal, the online trading application in forex and money market products, went smoothly. At the end of the year more than 800 accounts were actively

Economic profit of customers in financial markets

(forex, money markets and fixed income) (index, 2002=100)



trading on a daily basis, accounting for more than thirty percent of the total number of client deals in that area. Merchant Banking also launched a project to centralise all operations and process activities in order to create synergy and increase efficiency, improving the time-to-market for all IT developments.

Merchant Banking is first and foremost a people business run by professionals. The business therefore provides specialised training to its employees through its Merchant Banking Academy. Since the Academy was set up in February 2004, more than 2,000 professionals have taken one or more of the ninety training courses. Merchant Banking also initiated a selective hiring programme targeting promising young talent in order to cope with the growing business segments.

Financial performance in 2004

Merchant Banking reported record results for full-year 2004. Net operating profit rose to EUR 476 million, a 45% increase compared to the excellent results of 2003. The increase was driven by lower value adjustments to loans and revenue growth from client activity across many corporate and institutional sectors.

Thanks to stronger relationship management, business with corporate clients continued to expand profitably. Interest income increased by 6% despite the negative impact of the ongoing margin compression and the flattening yield curve. Loan loss provisions for 2004 were 89% lower than in 2003, reflecting the improved credit environment throughout the year and enhanced credit discipline. Commission income was up 13% due to the increased number of lucrative deals involving corporate finance. The number of FTEs employed by Merchant Banking stood at 2,761 at the end of the year, a 3% increase from 2003.

Prospects

Fortis Bank is well positioned to benefit from the upturn in merchant banking activities, thanks to its strategic position as a multi-domestic player with specific market niches and its strong cross-border operational platform. The combination of products and services based on customer-centric solutions gives Merchant Banking a key competitive edge. Merchant Banking will continue to develop its profile as a European merchant bank, with a strong position in the Benelux countries, and will pursue international growth based on strong customer and product bases.

Fortis has restructured its businesses in line with the corporate strategy to accelerate growth of its core activities. Information Banking will be integrated into Merchant Banking, as its asset financing services enrich Merchant Banking's product offering.

Investment Services

You are as full of energy now as you were back when you started up your company. But now you want to plan for the future. Will the business stay in the family? Will you still be able to do what you want to do? Plan your estate wisely, together with Fortis.



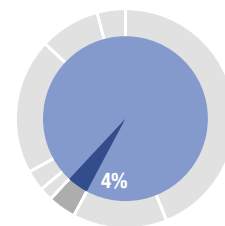
Key points

- Exploit growth opportunities by
 - offering the integrated services delivery model to all customers
 - using the Fortis network as leverage
 - cultivating new markets (Eastern Europe, Middle East, Asia)
- Develop or extend innovative services, for example in real estate, corporate governance, alternative investments, philanthropy and trust and corporate services

Accolades

- MeesPierson rated among the top 15 global private bankers (*Euromoney*, January 2005)

Share of Private Banking & Trust in net operating profit (2004)



Private Banking & Trust

Fortis aims to position itself internationally as a leading provider of wealth management, trust and corporate services. The group offers worldwide integrated services and solutions for asset and liability management to private clients and their businesses as well as to corporate clients and their advisers.

Strategy

Whereas private banking activities are mostly conducted under the name 'MeesPierson, the Private Bankers of Fortis', trust and corporate services are provided worldwide under the 'MeesPierson Intertrust' brand. Both activities are offered to clients – whether they are private or corporate clients – through an integrated service offering further enhanced by close collaboration with other Fortis businesses.

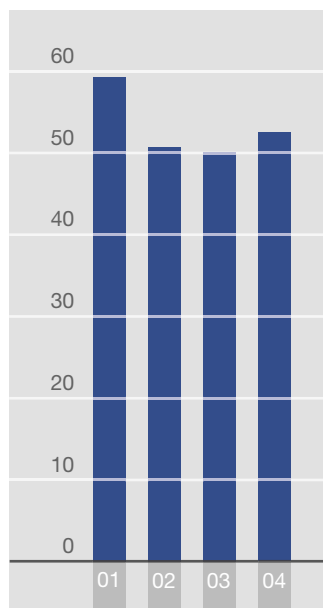
MeesPierson's growth strategy is to offer its services on a scale large enough to optimise its profitability and consolidate its market position in the long term. Initiatives in line with this strategy include:

- offering the integrated services delivery model to all customers;
- consolidation/expansion of existing market positions by using the Fortis network as leverage and by working with highly specialised teams;
- investment in the development of new competences;
- expansion into new areas where MeesPierson can build on Fortis's existing presence or quickly establish a foothold; and
- reinforcement of human resources through training and recruitment.

Key developments in 2004

As part of its commitment to serve its clients with the highest level of professional expertise, MeesPierson invested in 2004 in developing new areas of know-how and improving its service delivery systems. When dealing with high-net-worth or corporate clients and their advisers, MeesPierson always takes a long-term approach with a view to serving them throughout all economic cycles and the different stages of their personal lives. Its business thus extends well beyond traditional portfolio management and is built on excellence in a unique range of competences: investment, structuring and trust, international corporate management, financial engineering, real estate, financing, insurance and a number of specialised services ranging from intellectual property, philanthropy and corporate governance

**Private Banking
Funds under management**
(in EUR billion)



services to yacht management and redomiciliation services. MeesPierson's integrated services delivery model ensures clients that they receive the same high-quality services and attention, wherever they are in the world. Investments in state-of-the-art instruments and systems, finally, provide clients with better reporting and portfolio analysis.

The year under review was also one of major geographic expansion. In its more traditional markets, MeesPierson opened additional regional branches in the Netherlands; set up a fully-fledged team of experts in real estate in Brussels; acquired the accountancy, tax and business advisory services of Mathew Edwards & Co in London and on the Isle of Man; acquired the Swiss financial and fiduciary service provider Centrapriv; and took a strategic 10% interest in Banca Intermobiliare. MeesPierson further strengthened its presence in Asia by acquiring PCS Limited, a provider of business services in Hong Kong. It has been exploring business opportunities in new growth markets in Eastern Europe (Moscow) and in the Middle East. New branches were opened in Istanbul (Turkey), in Jakarta (Indonesia) and in China (Shanghai and Guangzhou). MeesPierson is now present in twenty-three countries. As a result of expansion, and to meet the needs of MeesPierson's sophisticated service offering, special efforts were made in 2004 to hire new talent through an international recruitment campaign and to offer professionals extensive training programmes.

In addition to its increased distribution capacity, MeesPierson has been investing to expand its product range. This primarily concerns high-quality products in competences such as real estate, investments, structuring, lending and trust services. Examples of some of the more innovative MeesPierson products are the Dynamic Real Estate Fund, the Market Diversified Fund, the Informal Opportunity Fund, the BOAZ Private Equity Fund and a fund of hedge funds. MeesPierson created its Real Estate Investment Fund to meet the strong interest in property being shown by high-net-worth individuals. The fund is the first pan-European fund to enable investors to buy into real estate in the 25 countries of the European Union, irrespective of their own country of residence. MeesPierson has also allied itself with Nyenrode University in the Netherlands, providing a powerful stimulus to research and development with regard to property investment – chiefly by private individuals. MeesPierson also has ample experience in the development and administration of programmes for national and international not-for-profit institutions and social organisations. It launched its philanthropy services in Asia, making it the first private bank in that region to offer these services.

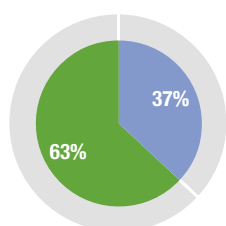
MeesPierson believes that asset management services should be founded on ethics, values and responsibility. It offers clients the option of investing in companies that do business in a socially responsible manner and in ethically sound investment funds. Of the assets that MeesPierson has under management, EUR 153 million was invested in sustainable companies in 2004 compared with EUR 97 million in 2003.

MeesPierson's expertise and know-how received recognition in a Euromoney 2004 survey, which ranked MeesPierson in the top three of best banks in Western Europe on three counts (for philanthropy services, for inherited wealth services and succession planning, and for trust services).

Corporate governance is becoming an important aspect of every entrepreneur's business operations. MeesPierson has joined forces with Fortis Venturing to develop new services in this field for the Dutch and Belgian markets. These will help entrepreneurs to organise their

businesses effectively and in keeping with the rules of good corporate governance. In addition to directors/major shareholders who are already MeesPierson clients, the target groups for these services embrace listed and non-listed medium-sized and large enterprises.

Breakdown of funds under management by Investment Services



■ Private Banking
■ Asset Management

Financial performance in 2004

The increase in net operating profit from EUR 123 million to EUR 143 million (+16%) was driven mainly by higher volumes with better margins. The rise in overall revenues outweighed cost increases both in private banking and in trust activities. New acquisitions, expansion of the network and investments in new services and competences have pushed the global cost base higher but are expected to contribute fully to higher revenues in 2005.

FTEs increased by 7% to 2,398. Assets under management increased by 4%, as a result of the net intake of assets from private banking clients, the outflow of institutional non-core clients and better market conditions.

Prospects

In early 2005 Fortis restructured its businesses in line with the corporate strategy to accelerate growth of its core activities. Private Banking is joining forces with Commercial Banking, given that both are natural partners, offering services to entrepreneurs, their companies and their advisers. Private Banking will continue to focus on its own market and to develop further expansion opportunities. It intends to further expand its operations in its core markets and in Eastern Europe, Asia and the Middle East. It will also continue to diversify its activities with the aim, over time, of achieving a balanced spread of income. To bolster its position and to increase Fortis's visibility in the international market, the company will invest in the Fortis brand, which will replace the MeesPierson brand in the course of 2006.

Key points

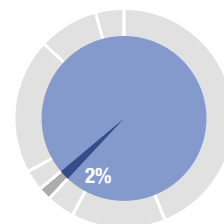
- Offer solutions based on expertise and performance
- Pursue innovation in product offering
- Leverage extensive product and distribution opportunities
- Exploit growth potential in Asia
- Investigate opportunities for partnership and preferred supplier status

Accolades

- Excellent AM2 rating with a score of 83/100 (Fitch, January 2004)

- 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)

Share of Asset Management
in net operating profit (2004)



Asset Management

Fortis Investments – Fortis's autonomous asset manager – offers innovative and high-quality investment solutions to retail and institutional customers. The company aims to consolidate its position as a leading European asset manager and to develop growth platforms in selected parts of Asia and, through the growth of its institutional business, in the United States.

Strategy

Fortis Investments offers global expertise in the field of asset management. The company's business model is unique thanks to its investment solutions consisting of diversified products designed to meet customers' needs, be they absolute return or benchmark-based.

Fortis Investments is structured around 15 investment centres, each specialised in producing good returns in a particular asset class. Its services are provided worldwide through the Fortis network, through its third-party distribution partners and directly to institutional customers. These centres, staffed by some 180 investment professionals, are autonomous and fully accountable for both their investment process and performance.

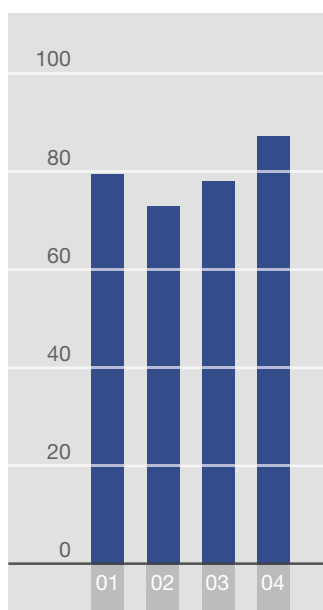
Through its Distribution Partners department, Fortis Investments focuses not only on Fortis's own distribution channels, but also on third-party distribution. The Institutional department concentrates on customers that trade for their own account. Customer relationship management in both channels is provided through local customer relationship teams. Fortis Investments aims to maintain and expand a diversified customer base and product mix. It is thus investing to strengthen and extend its commercial network in Europe and Asia and in new, innovative products.

Key developments in 2004

Fortis Investments continued to expand and enhance its investment competences throughout 2004.

- The new Japanese Equities activity in Tokyo was fully integrated.
- The European small-cap equity team was enhanced by a highly experienced team of individuals and was relocated to London.

**Asset Management
Funds under management**
(in EUR billion)



- The Asian Equities (ex Japan) team was reinforced with an experienced team of portfolio managers and analysts and was relocated to Shanghai.
- A new US Structured Credit department was set up in New York and Boston, initially focused on Asset Backed Securities (ABS) in addition to the existing core credit operations. This, combined with the successful growth of European Structured Credit, positions Fortis Investments well for globally oriented products in 2005.
- The US Equities team based in Boston was strengthened with several key sector analysts and the appointment of a new Chief Investment Officer. As a result, the investment centre considerably improved its performance.

Fortis Investments also launched a number of initiatives to stimulate third-party sales in both new and existing markets, opening representative sales offices in Switzerland and Spain and further expanding its presence in Germany and Italy.

Fortis Haitong Investment Management, the joint venture in Shanghai established late 2003, developed into a fully-fledged stand-alone fund management business. The team launched three open-end investment funds in the Chinese market, the second of which produced a record amount of subscriptions for a retail fund in China. Fortis Haitong is now the largest international player in the market and has already established its brand credentials with a solid reputation of quality, transparency and excellent performance. Leveraging this success, Fortis Investments became a Qualified Foreign Institutional Investor ('QFII') in 2004, providing international customers with direct access to the market for A shares (previously reserved for Chinese investors).

Fortis Investments takes sustainability issues into account when carrying out its investment processes. Its analyses reveal that these issues can affect share prices in the medium term. Sustainability can be broken down into four categories, i.e. corporate governance, personnel affairs, the environment and external social responsibility. Fortis Investments attaches great importance to the sustainability of the companies in which it invests. Together with Deminor Rating, which provides integrated corporate governance services, it signed the first pan-European collaboration agreement regarding the use of proxy voting rights to promote sustainable enterprise. The agreement makes Fortis Investments the first asset manager to use its voting rights to approve or reject companies' financial and other reporting based on the requirements of sustainable enterprise.

Financial performance in 2004

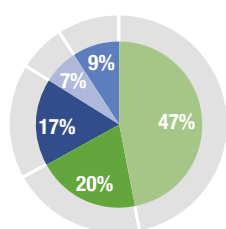
Net operating profit ended the year at EUR 47 million. Assets under management finished 2004 very strong, rising by EUR 9.1 billion from the end of 2003 to EUR 87.1 billion. Net new cash for the year stood at EUR 5.6 billion, showing clear results of the enhanced capabilities in convertibles, structured credit and traditional products. Following further significant investment in boosting our capabilities in 2004, tight cost control meant only a modest cost increase for the year. Fortis Investments had 704 FTEs at the end of December 2004.

Prospects

Asset Management is becoming an increasingly solution-oriented and regulated activity worldwide. Competition in the sector is fierce, but returns are high for those who provide the right solutions and deliver a consistently strong investment performance.

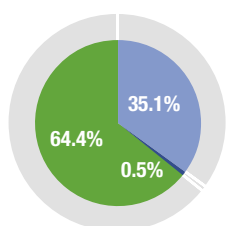
With its highly efficient cost base and unique business model, Fortis Investments will leverage its potential for rapid growth in Europe, Asia and North America in 2005.

**Funds under management
by geographic region**



■ Belgium
■ Netherlands
■ France
■ Luxembourg
■ Other

**Funds under management
of Investment Services
by type of investment**



■ Equities
■ Real estate
■ Fixed income

Key points

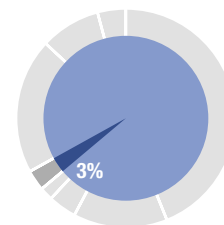
- Expand and diversify customer base
- Further expand integrated asset financing services
- Develop service in growth markets
- Perfect supply chain integration in administrative processing

Accolades

- Star rating for settlement performance in Belgium and the Netherlands (*GSCS Benchmarks*, November 2004)
- Two-star rating for overall performance in Belgium and the Netherlands (*GSCS Benchmarks*, November 2004)

- Award for Best Funds Service provider 2004, for the sixth time in a row (*GSCS Benchmarks*, November 2004)
- Prime Fund Solutions ranks in the top 3 of administrators in the world, measured in terms of assets / funds under management (*Hedge Fund Manager / Correctnet Hedge Fund Administrator Survey*, November 2004)

Share of Information Banking
in net operating profit (2004)



Information Banking

Information Banking's ambition is to occupy a leading position in asset financing services, both in Europe and beyond. It offers highly valuable financial products that support its customers' trading and investment activities. Information Banking seeks to bolster its already strong international position, focusing on the development of new services in mature financial markets and on existing services in growth markets.

Strategy

Information Banking pursues the principles of asset gathering and asset utilisation to offer integrated services to three groups of customers: institutional investors and banks, managers of traditional and alternative funds, and professional traders. It works mainly with a combination of transaction processing, financial logistics, risk management, portfolio financing and asset optimisation. It does so by offering services in the areas of custody, cash and derivatives clearing, securities financing, securities lending and financing, and administration for offshore investment funds.

Key developments in 2004

Information Banking further bolstered its market position in the areas of specialist fund administration and custody and took initiatives to improve the market position for international clearing services. It continued to successfully expand its strong international position in securities lending. Information Banking expanded its sales and account management teams worldwide to cope with its bigger commercial opportunities.

A new legal structure, in which all of Fortis Bank Global Clearing's international activities are provided by a single legal entity, offers numerous benefits for professional traders, including integrated reporting, transparent supervision and more efficient capital allocation. In Europe, integration of these services has begun in Amsterdam, Frankfurt and London. Fortis is active as a General Clearing Member on Euronext Amsterdam and Brussels and on the Paris derivatives market. Information Banking offers its customers a wide range of clearing and custody services. Access to the German markets further contributes to the service offering. Powerful software solutions help Information Banking to provide its customers with extensive

online reporting on their trading operations. Finally, Information Banking is looking into opportunities to expand its clearing operations into Spain, the United States and Asia.

Information Banking has combined its clearing and custody activities, enabling it to respond more flexibly to the increasing demand for an integrated product range. The new structure increases Information Banking's opportunities to pursue a key aim – investing in the organisation's capacity for innovation – by freeing up additional funds.

Information Banking offers global custody services and related services such as follow-up, reporting and performance measurements in the area of compliance for institutional investors. It also acts as subcustodian for international banks, including several custodians in the United States. Information Banking has formed an alliance with Ordina, which means it can now offer its customers a total concept combining worldwide clearing and custody services with securities and back-office administration. The concept will be extended to services like treasury, order routing and securities lending. Financial institutions and asset managers can achieve substantial cost savings in this way and are free to concentrate on their core operations.

Information Banking is highly respected as a centre of expertise in the field of specialist fund administration. It further expanded its integrated package of investment services in 2004, making use of the latest reporting technologies. Information Banking also has worldwide experience with flexible financing solutions for fund managers (including hedge funds). Acquiring bank status in Dublin enriches its service offering compared with traditional administrative services. Its international branch network, too, was expanded with the opening of an office in Milan.

The securities lending and arbitrage activities were highly successful, partly due to favourable results in Europe. The international branch network was expanded with an office in Denmark, providing access to the Scandinavian markets. Local arbitrage opportunities are used for proprietary trading, thereby increasing Information Banking's opportunities to act as principal trader.

Financial performance in 2004

Net operating profit for 2004 went down 4% from EUR 112 million to EUR 108 million. Gross revenues were up 4% to EUR 378 million. Operating costs were up 10% due to extra staff costs. Sales and account management teams expanded worldwide to respond to increased commercial opportunities. FTEs increased by 7% to 1,103.

Prospects

Fortis has restructured its businesses in line with the corporate strategy to accelerate growth of its core activities. Information Banking offers asset financing services that meet the needs of Merchant Banking's target group. These services will therefore be integrated into Merchant Banking in 2005. Information Banking will continue to develop its growth potential in three areas: new products and services, new markets, and expanding and deepening relationships with existing and potential customers.

Fortis ASR

Active people know that the show must go on. But there is always a chance that something will happen to you, your family or your possessions. Whatever the situation, you cannot let your finances suffer. Fortis offers a wide range of non-life, healthcare and life insurances.

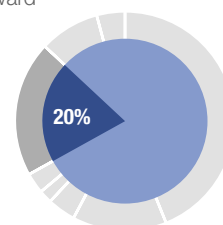


Key points

- Build on position as prominent intermediary insurer in the Netherlands
- Focus on profitable growth, especially in life insurance (individual and group), disability insurance and bancassurance
- Total integration of three general insurers, with a single strong brand
- Balance between integration efforts and growth opportunities
- Specialists to focus further on their core operations

Accolades

- Fortis ASR brands awarded high scores by intermediaries in various satisfaction surveys
- Europeesche Verzekeringen named Best Travel Insurer in the Netherlands (*Reisrevue*, 12 January 2005) for the seventh year in a row
- Various nominations for the Marketing Award



Share of Fortis ASR
in net operating profit (2004)

Fortis ASR

Fortis ASR's ambition as a prominent intermediary insurer in the Netherlands is to further expand its strong market position in non-life, healthcare and life insurance and in mortgage lending. It also plans to strengthen its assurfinance and bancassurance operations.

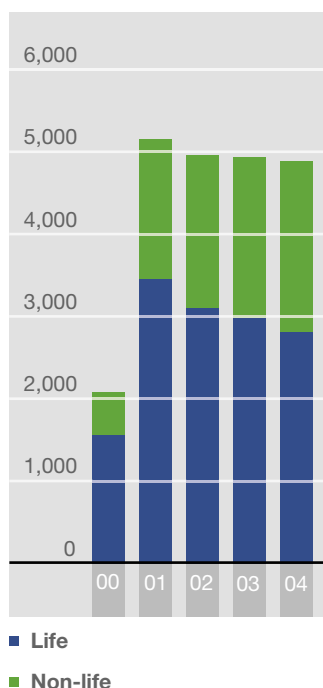
Strategy

Fortis ASR encompasses all of Fortis's insurance activities in the Netherlands (apart from Fortis Corporate Insurance) and offers several banking activities provided by intermediaries. With an average market share of 10.6%, Fortis ASR is one of the three largest insurers in the Netherlands.

Fortis ASR addresses the market through different brands. The three general insurers AMEV, Stad Rotterdam and Woudsend have been merged to form a single new company. This integration process, which began mid-2003, is intended to boost the businesses' commercial clout, improve their efficiency and generate synergy. Fortis ASR's four specialist insurers – De Amersfoortse (income protection insurance), Europeesche Verzekeringen (travel and leisure insurance), Falcon Leven (unit-linked insurance) and AMEV Ardanta (preneed funeral insurance) will concentrate completely on their customers based on their specialisms.

Its financial products are distributed exclusively via intermediaries; to that end, Fortis ASR works with more than 8,000 independent intermediaries, which vary greatly in terms of profile, size and marketing strategy. Fortis ASR also distributes its products to a small extent through a tied-agents network (Verzekeringsunie).

Fortis ASR
Gross premium income
(in EUR million)



Key developments in 2004

The integration of the three general insurers AMEV, Stad Rotterdam and Woudsend, which will be incorporated into the new general insurer, Fortis ASR, in October 2005, is well on course. Numerous sub-projects are underway within the integration process, a third of which have already been concluded. The creation of a single payment centre at the beginning of 2005 was a milestone on the road towards unification: cash flows from and to intermediaries and policyholders have now been brought within one and the same organisation.

Intermediaries demand a great deal from the products and services provided by insurers. To avoid losing intermediaries' goodwill or otherwise harming the good relationship with them, even during the integration phase, they are being kept intensively informed about the progress of the integration process and its implications for business operations. Judging from the annual performance surveys produced by intermediaries' organisations, Fortis ASR has been successful in its attempts to keep its service level up to standard.

A new Social Plan was concluded with the trade unions at the beginning of 2004. The plan, which is set to run until the end of 2006, is helping Fortis ASR to fulfil its legal duties as an employer arising from the reorganisation, while offering the relevant members of staff new opportunities within the internal or external labour market. The number of employees has fallen as a result of the integration and harmonisation process launched in 2003. The aim was to reduce the number of FTEs by 750 in the period 2003-06 (i.e., 14% of the workforce); a figure of nearly 400 has been realised so far. Where necessary, additional staff have been brought in temporarily to maintain the desired service level.

The four specialist insurers performed well in 2004. As an income replacement insurer, De Amersfoortse boasts a substantial and growing share of the market. Political developments towards greater privatisation in the disability insurance field are also opening up new opportunities. Fortis ASR's medical insurance businesses have been combined to allow a more effective response to the forthcoming basic health insurance system. Europeesche Verzekeringen – Dutch market leader in the field of travel and leisure insurance – is increasingly using the internet to distribute its products. Travellers all over Europe can now take out their own policy via the internet using their own language and on local terms. Falcon Leven, which specialises in unit-linked life insurance, does an important job for Fortis ASR, providing it with access to Fortis's banking channel. Bancassurance of this kind, whereby Fortis Bank acts as intermediary for Fortis ASR insurers, was very successful in 2004, with commission income up 30% on the previous year. AMEV Ardanta owes its success in the preneed funeral insurance market to the targeted deployment of different distribution forms.

Fortis ASR wants to increase the share accounted for by its property portfolio in the investment mix, to which end it has purchased five shopping centres currently in development. At EUR 460 million, this is the largest real estate transaction ever to be concluded in the Netherlands between a developer and an investor. The shopping centres will be built between 2005 and 2009.

The Financial Services Act introduced in 2005 and the new supervisory regime flowing from it will have far-reaching consequences for all service providers. Both suppliers – including Fortis businesses – and the intermediaries with whom Fortis ASR works will have to adjust to the new requirements in terms of quality, transparency and administrative organisation. Other legal changes, such as those relating to pension provisions and disability insurance, are creating new market opportunities for Fortis ASR as a prominent player in these segments. Consequently, Fortis ASR will need to devote careful attention to modifying its product range and administrative processing.

Financial performance in 2004

Net operating profit for 2004 came in at EUR 682 million, compared with EUR 369 million for 2003. The improved stock market contributed significantly to this recovery. Net operating profit before realised capital gains climbed 36% to EUR 353 million. Gross premium income amounted to EUR 4,896 million, and so remained more or less the same as in 2003. The expected fall in single premium policies was offset by the sharp rise in premium income at Accident & Health.

Gross Life premium income declined by 6% to EUR 2,808 million. The 13% fall in the single-premium segment to EUR 1,068 million was due to the adoption of a policy favouring the sale of more profitable products. Gross Non-life premium income advanced 7%, compared with 2003, to EUR 2,088 million. Growth was particularly noticeable at Accident & Health (+13% to EUR 1,064 million from EUR 939 million) and Fire (+3% to EUR 316 million).

The integration and harmonisation process initiated in 2003 resulted in a reduction in both costs and FTE numbers in 2004. Operating costs of EUR 575 million were 2% lower than in 2003. The number of FTEs now amounts to 4,809.

Prospects

A great deal of attention will be devoted in the period to 2006 to integration, while retaining market focus within a fiercely competitive and shifting market. Integration ought to have its greatest impact in 2006 and 2007. At the same time, Fortis ASR has opted for selective growth in a few specific fields. In terms of life insurance, Fortis ASR is concentrating on profitable new production of individual life policies, mainly in pensions and mortgages, and on increasing its share of the group insurance market. A strong market position and undisputed expertise in job reintegration mean that Fortis ASR can look forward with confidence to strengthening its leadership in the disability insurance market, due in part to the privatisation of social security. Fortis ASR also intends to draw on specific competences within the group to offer additional insurance products to its Dutch banking customers through Fortis Bank as intermediary. New banking products are also being specially developed for sale via intermediaries (assurfinance). Fortis ASR is already a prominent distributor in this area, especially for mortgage credit.

The new insurer will be operational from October 2005 under the Fortis ASR label, at which point the AMEV, Stad Rotterdam and Woudsend brands will disappear from the Dutch market. The choice of this new consumer brand marks the extension of Fortis's brand policy into the Dutch insurance business. The specialist insurers will continue to operate under their own brands.

Fortis AG and Fortis Insurance International

Globalisation is a fact in the world of banking and insurance. But local flexibility is crucial, too. Fortis knows this and teams up with companies in foreign growth markets. Like Asia. By sharing know-how with local partners, we are strengthening our international market position.



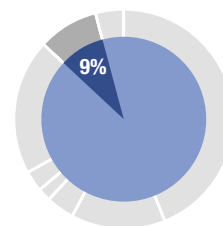
Key points

- Focus product innovation on customers' wishes
- Maintain intensive relationship with brokers
- Expand chain integration to enhance efficiency for customers
- Pursue sustainable profitability in Life and Non-life
- Pursue growth opportunities in Group Life

Accolades

- Insurance awards in 2004 for Top Rendement Invest, Top Profit Planet Euro and the innovative reintegration service in the Guaranteed-income Group Policy

Share of Fortis AG
in net operating profit (2004)



Fortis AG

Fortis AG wants to be recognised by its insurance brokers, customers and employees as the best intermediary insurer in Belgium. It also wants to be the leading life and non-life insurer for retail customers and small and medium-sized enterprises. And it intends to build on its leadership in the field of employee benefits insurance for large companies.

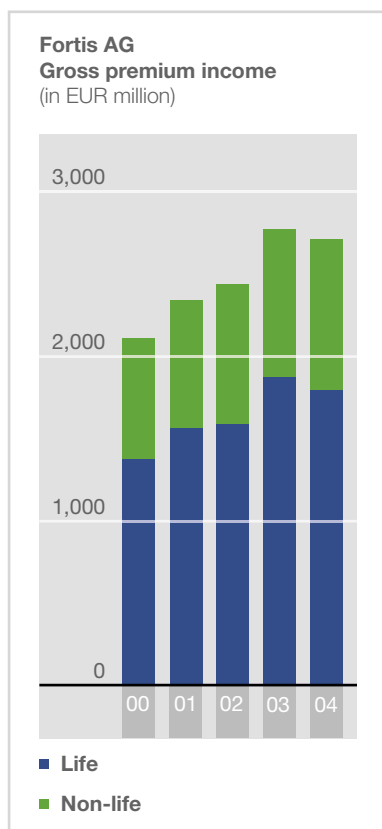
Strategy

Fortis AG is convinced that it can best serve its policyholders – retail customers and small and medium-sized enterprises – via the network of independent intermediaries. For that reason, its entire insurance offering in Belgium is delivered through that network. To fulfil its ambition, it will bolster its market by investing in product innovation and optimum support of insurance brokers, linked to high-quality service provision and cost control. The growing use of information and communication technology and careful alignment of services with brokers' needs will enhance the level of service and efficiency.

Fortis AG has opted for a more diversified distribution strategy in the employee benefits market, where it stands out from its rivals for its know-how, customisation and quality service, which enable it to respond more effectively to the specific requirements of each type of company.

Key developments in 2004

Fortis AG has geared its product range to its customers' expectations even more effectively in the past year. An investment-related insurance product with capital guarantee was launched for individual customers, while a pension scheme, with more efficient contract-processing, was introduced for self-employed people. Innovative insurance products created in previous years were successfully marketed once again. The modular multi-product concepts Familis for retail customers and Modulis for small and medium-sized enterprises allow customers to combine different non-life policies in a single package that brokers can manage quickly and securely online. There were 175,000 Familis customers in the portfolio at the end of 2004 (up by over 70% on the previous year) and 35,000 Modulis customers, holding an average of 2.4 and 3.6 policies per customer respectively.



Fortis AG is constantly investing in high-quality service provision, which is why it has been rated for the second time as the insurer with whom brokers prefer to work. This was the finding of an independent survey carried out by research agency ICMA International in 2004 among 300 insurance brokers. The latter were especially appreciative of Fortis's product quality and claims processing, and with the excellent collaboration with commercial staff.

Fortis AG enjoys a strong market position in employee benefits. It provides businesses with tailored solutions in the field of pension schemes and disability and medical insurance. The Supplementary Pensions Act, which came into force at the beginning of 2004, creates growth opportunities for Fortis in the field of sector-wide pension schemes. The unique e-Benefits platform that Fortis AG developed in 2002 for the full online management of flexible, defined contribution pension schemes is being continuously upgraded to include new functionalities. In this way, Fortis AG is seeking to expand its offering while responding to the wishes of businesses and sectors.

Fortis AG already had 1,200 flexible company pension plans in its portfolio at the end of 2004, with 21,000 affiliated employees. Their combined premiums amounted in 2004 to EUR 49 million – up by 23% on the previous year. The sector plans for the food industry and the fuel sector, which have also been placed under Fortis AG, cover 54,000 employees and are managed via the multifunctional online platform. This means that the people in charge of the plans can access all the information they need at any moment.

Financial performance in 2004

Net operating profit increased by EUR 203 million to EUR 300 million. This increase is almost entirely due to upward value adjustments to shares. Net operating profit before realised capital gains increased by 2% to EUR 230 million. Operating costs remained flat and the workforce declined slightly since year-end 2003 from 4,534 to 4,486 FTEs (1,396 of which are at Fortis Real Estate).

Compared with 2003, total gross premium income decreased by 2%, to EUR 2,719 million. Individual Life premiums declined 11% to EUR 1,075 million. Production in 2004 failed to match the exceptionally high level in 2003. However, assets under management at Individual Life have grown by 14% since the beginning of 2004. Gross Employee Benefit premium income reached EUR 722 million, an increase of over 7% on 2003. This can be attributed primarily to ongoing growth in 'Traditional' products (9%) and to the success of the flexible e-Benefits products (22%). Non-life showed a 2% increase in gross premium income to EUR 922 million. The 7% increase relating to retail customers and small and medium-sized enterprises was the result of continued growth in the portfolio and the increase in average premiums.

Prospects

Fortis has revamped its organisation to reflect its strategy of accelerated growth in its core operations. The Insurance Belgium business will now comprise a combination of FB Insurance (sales via bank branches and via Banque de La Poste) and Fortis AG (sales via insurance brokers). It will work to maintain its profitable growth in Belgium in Non-life and in individual and group Life. Key elements underpinning customer satisfaction, growth and improved efficiency are:

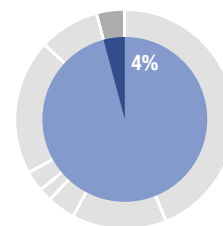
- innovative product offering;
- intensive relationship with brokers;
- distribution of bancassurance products through Fortis Bank and Banque de La Poste;
- synergy between banking and intermediary channel.

Key points

- Develop growth platform for insurance activities outside Benelux
- Consolidate existing market positions through organic growth and targeted acquisitions in Europe (Spain, Portugal, UK) and Asia (China, Malaysia, Thailand)
- Enter attractive new markets in Europe and Asia

Accolades

- Fortis Insurance Ltd (UK), Major Loss Award (British Insurance Award 2004)
- RIAS (UK), Best Home Insurer 2004 (readers of *The Guardian* and *The Observer*)



Share of Fortis Insurance International
in net operating profit (2004)

Fortis Insurance International

Fortis pioneered the bancassurance concept and continues to invest in it, reflecting the fact that banking and insurance are inseparable when it comes to a balanced asset structure for our customers. This is why Fortis wants to develop strong local positions in selected markets outside the Benelux region, drawing on strengths like the bancassurance know-how it has built up in its domestic market.

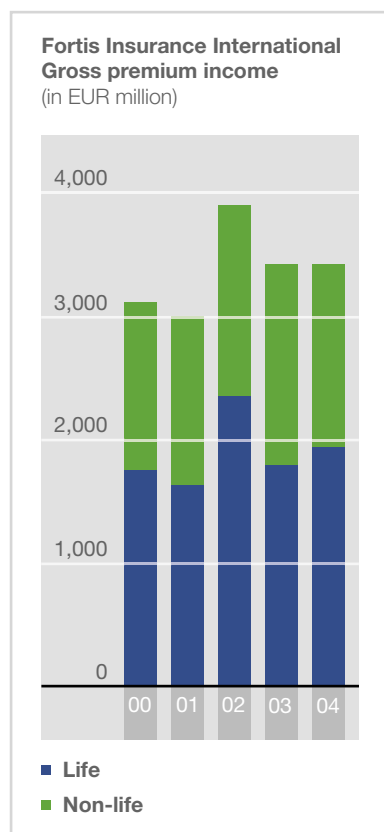
Strategy

Fortis concentrates on acquisitions in European and Asian markets, in so far as these fit into its business strategy. Its key objective is to achieve or consolidate market leadership or to draw on specific bancassurance expertise. Fortis aims to further develop its existing insurance activities in Europe and to explore new and potentially profitable opportunities. In Asia, Fortis is looking for partnerships with strong local players that offer extensive distribution networks and above-average growth and earnings prospects.

Key developments in 2004

Fortis pursued its strategy in 2004 by announcing the acquisition in Portugal of a controlling interest in the bancassurance operations of Banco Comercial Português, the country's largest privately-owned bank. The Portuguese market offers attractive growth prospects, since forecast long-term GDP growth is running above the Western European average, while the insurance market continues to offer adequate growth potential. Millenniumbcp Fortis Grupo Segurador – our new joint venture – is number one in the Portuguese life insurance market with a share of 21%, and is also positioned strongly in health insurance (22%). At the same time, it provides an excellent platform from which to further develop pension schemes for retail customers and businesses.

Fortis Insurance International unites the group's insurance operations outside Belgium and the Netherlands as well as Fortis Corporate Insurance. Fortis Corporate Insurance is the leading non-life insurer for medium-sized and large businesses in the Benelux countries. Fortis sells insurance products in Europe in the United Kingdom (Fortis UK), Luxembourg (Fortis Luxembourg Assurances) and France (Fortis Assurances). As in Portugal, Fortis uses joint



ventures to put its bancassurance expertise to work in Spain (CaiFor), China (Taiping Life), Malaysia (Mayban-Fortis) and Thailand (Muang Thai-Fortis).

Fortis Corporate Insurance (FCI) has consolidated its position as a leading Benelux non-life insurer of local and Benelux-based international companies. Following a period of increasing premiums, competition in the market for commercial risks has stiffened. Fortis Corporate Insurance has continued to invest in its organisation, in knowledge development and in a common ICT platform. Ongoing improvements have been made to risk evaluation: all underwriting staff have received an innovative training on key statistical concepts underlying risk underwriting and pricing. FCI and Fortis ASR have developed a new distribution agreement to provide intermediaries with a wider range of Fortis solutions for their entire customer base.

Fortis UK consists of Fortis Insurance Limited – predominantly a Personal Lines insurer distributing through the intermediated channel – and RIAS, which is an intermediary focused primarily on the over-50s in the household market. Fortis Insurance Limited pursues a precisely targeted business-to-business strategy in the non-life insurance market, in which it operates through a variety of channels (brokers, intermediaries, bancassurers and brand assurers). It combines exceptional efficiency with competitive prices and a high level of service. Fortis Insurance Limited is the fourth largest private motor insurer with 1.4 million policies.

Fortis Luxembourg Vie is the number two life assurance company in Luxembourg. It also markets its products elsewhere in Europe, in particular Belgium, France, Italy, Germany and, more recently, Spain, where it is allied to Beta Capital MeesPierson. A variety of channels are used to this end: a network of tied agents for the domestic market, the branch network of Banque Générale du Luxembourg and a network of financial intermediaries. Fortis Luxembourg IARD also offers non-life insurance products (apart from motor insurance) in the Grand Duchy, primarily via tied agents.

In France, Fortis Assurances primarily targets its insurance and supplementary pension offer at self-employed people, independent professionals and managers, using a network of independent intermediaries and insurance agents. The company has created a strategic partnership to market pension-savings products, which it also offers through branches of Fortis Bank in France.

Fortis has been active in the bancassurance sector in Spain since 1992 via CaiFor, a joint venture with "la Caixa". CaiFor is the holding company for life insurer VidaCaixa and non-life insurer SegurCaixa; it markets its retail products primarily via "la Caixa's" 5,000-strong branch network. Integrating the portfolios of Swiss Life (España) and SCH Previsión, which were acquired in 2003, has made CaiFor the biggest provider of group life insurance in Spain, where it operates under the name 'VidaCaixa Previsión Social'. It has over EUR 12.6 billion in assets under management.

In Asia, Fortis is developing the bancassurance concept which – given that region's long-term development – will be a key engine of future growth. The Chinese life insurance company Taiping Life, in which Fortis has a 24.9% stake, holds a national operating licence and boasts vigorous growth. The company has 29 branches and 65 sub-branches or distribution offices, 2,430 employees and 6,840 agents. It has signed distribution agreements with a variety of banks, the most important being the Industrial and Commercial Bank of China. Taiping Life's share of the Chinese market has risen in the space of three years to just over 2%. Meanwhile, Fortis has taken its first steps in the Chinese market for company pension plans. Taiping Pension, a new subsidiary of Taiping Life, is the second company to be given government approval to set up pension funds for employees; an initial programme has been launched in the north-eastern province of Liaoning.

The combination of Fortis and Millennium bcp brings together two complementary enterprises and will allow Fortis's proven bancassurance business model to be applied through BCP's extensive and successful distribution network. Although premium growth in Portugal has outstripped the EU average for several years

now, low market penetration means that considerable growth potential still remains. The joint venture will operate as the exclusive insurance partner of BCP, which has three million customers and over 1,000 bank branches. The package of products BCP offers is similar to Fortis Bank's.

In Malaysia, Mayban-Fortis reported excellent Life and Non-life results. In the space of three years, it has become leader in terms of new premiums. In total premium income, it rose from ninth in the market to number five. Mayban-Fortis is the joint venture with Maybank, the biggest financial services provider in the country with 500 bank branches. Fortis's interest in this joint venture is 30%.

A similar joint venture – Muang Thai-Fortis, in which Fortis has a direct and indirect stake of 40% – was created in Thailand. It achieved substantial growth in its first year in mortgage-related insurance via its partner Kasikorn Bank, Thailand's number three commercial bank.

Financial performance in 2004

Net operating profit increased by EUR 34 million to EUR 118 million. Net operating profit before capital gains amounted to EUR 101 million in 2004, a EUR 24 million increase on 2003.

CaiFor in Spain increased assets under management by 27% to EUR 23 billion. Premiums at SegurCaixa, CaiFor's Non-life subsidiary, increased by 18%.

Net operating profit at Fortis Insurance Limited (United Kingdom) increased substantially, driven by the strong performance of Household and continued profitability of its private car portfolio. Management of underwriting and expense performance enabled a further improvement, adding to the profit growth.

Fortis Luxembourg Vie achieved its highest-ever premium income (+32%) due to the sale of unit-linked products to non-residents under the Freedom of Services Act and to BGL banking customers in its home market. Fortis Luxembourg IARD started distributing selected Non-life products through the BGL network.

Fortis Corporate Insurance posted excellent results. Nearly all business lines contributed to the increase in net operating profit. Results for Property are very strong as a consequence of favourable claims experience. The net combined ratio improved from 101% to 96%, reflecting an improvement in both claims and expense ratios. Operating costs are well under control, while gross premium income grew 9%, mainly at Marine and Liability.

In Asia, Taiping Life (China; Fortis's stake: 24.9%) once again realised impressive premium growth of 78% to EUR 641 million in 2004. Mayban Fortis (Malaysia; Fortis's stake: 30%) further strengthened its market position by growing its premium income by 33% to EUR 297 million. Thanks to this excellent performance, Mayban Fortis has become the leader of the Life market in terms of new business. Muang Thai-Fortis (Thailand; Fortis's stake: 40%) has commenced operations as a joint venture. With premium income of EUR 88 million, it has already increased substantially its Mortgage Related Term Assurance business through its partner Kasikorn Bank.

Prospects

As one of the few integrated financial services providers, Fortis is successfully applying its expertise in the different channels in Europe and Asia. It has a favourable portfolio of European and Asian insurance activities which are achieving rapid growth and which Fortis wants to build on through organic growth and selective acquisitions. Fortis also aims to enter attractive new markets in Europe and Asia to exploit their growth potential. This ambition is underpinned by the new organisational structure, introduced in January 2005, which made Insurance International a separate business.

(in EUR million)	Taiping Life (Fortis's stake: 24.9%)		Mayban-Fortis (Fortis's stake: 30%)		Muang Thai-Fortis (Fortis's stake: 40%)	
	Premium-income (100%)	Annual growth	Premium-income (100%)	Annual growth	Premium-income (100%)	Annual growth
2002	219		197			
2003	360	+64%	223	+13%		
2004	641	+78%	297	+33%	104	

Summary of financial results

Fortis achieved in 2004 net profit of EUR 3,358 million (EUR 2.59 per share), a 53% increase over 2003. Net operating profit climbed by 42% to EUR 3,197 million (EUR 2.46 per share). Around 85% of Fortis's net operating profit was realised in the Benelux market, which is still experiencing low economic growth. In this environment, Fortis managed to increase its revenues, while keeping costs stable across the businesses. Return on equity came to 25.6%.

Solvency was further strengthened. On 31 December 2004, net core capital was EUR 21.3 billion, which was EUR 10.9 billion (106%) above the legally required minimum and EUR 4.9 billion (30%) above Fortis's floor. The Tier-1 ratio and capital adequacy ratio of the Banking business remained high, at 8.3% and 12.3% respectively.

The improved underlying performance in combination with Fortis's solid solvency position will enable Fortis to propose a 13% higher cash dividend of EUR 1.04 to the Annual General Meeting of Shareholders. In addition, Fortis will aim to pay interim dividends as from the 2005 financial year. The policy is – under normal circumstances – to pay an interim dividend amounting to 50% of the annual dividend of the previous year.

The increase in dividend and the introduction of an interim dividend reflect the company's continued focus on the creation of shareholder value.

Banking business

Net operating profit increased by 36% from EUR 1,446 million to EUR 1,970 million. Value adjustments to the equity portfolio were EUR 20 million higher than in 2003, but net realised capital gains were EUR 40 million lower. Net operating profit before realised capital gains went up by 49% to EUR 1,646 million.

Total revenues were 4% above the 2003 level. Revenue quality improved as the more stable elements gained importance. Substantial increases in net interest income (+5%) and commissions (+10%) were offset by a lower trading result, which was reported under other revenues. Value adjustments on loans (including real estate and other) declined by a significant 70% to EUR 227 million. Operating costs excluding leasing remained flat at EUR 4,831 million. The cost/income ratio (netted for leasing and excluding the equity portfolio, but including FB Insurance) improved from 62.7% to 61.3%. Compared with the end of 2003, FTEs declined by 5%, to 35,720.

Key figures Banking business¹

(in EUR million)	2004	2003	difference
Total revenues, net of interest expense	8,057	7,784	4%
Operating expenses	(5,168)	(5,128)	1%
Net operating profit			
before realised capital gains	1,646	1,102	49%
Net realised capital gains ²	296	336	-12%
Value adjustments to the equity portfolio	28	8	*
Net operating profit	1,970	1,446	36%
Cost/income ratio ³	61.3%	62.7%	
FTEs	35,720	37,444	-5%

¹ Excluding FB Insurance

² Excluding equity portfolio, after tax

³ Netted for leasing, excluding equity portfolio, incl. FB Insurance

Key figures Insurance business¹

(in EUR million)	2004	2003	difference
Gross premiums	13,703	13,077	5%
Operating expenses	(2,525)	(2,614)	-3%
Net operating profit			
before realised capital gains	871	736	19%
Net realised capital gains ²	61	238	-75%
Value adjustments to the equity portfolio	441	(310)	*
Net operating profit	1,373	664	*
Combined ratio	97%	99%	
FTEs	12,937	12,874	0%

¹ Excluding Assurant and Seguros Bilbao

² Excluding equity portfolio, after tax

Insurance business

Net operating profit increased from EUR 996 million to EUR 1,480 million. Value adjustments to the equity portfolio contributed EUR 428 million to net operating profit compared with a loss of EUR 308 million in 2003. Net realised capital gains were substantially lower.

Excluding Assurant and Seguros Bilbao, net operating profit before realised capital gains increased by 19% to EUR 871 million owing to the continued good performance at Life and excellent performance at Non-life. Net realised capital gains dropped from EUR 238 million to EUR 61 million. Operating costs remained stable. Life's net operating profit before realised capital gains increased by 13% to EUR 533 million as a result of better technical results and higher non-technical income. Non-life's net operating profit before realised capital gains went up by 28% to EUR 338 million thanks to higher volumes and excellent technical results for all product lines. The combined ratio improved from 98.6% to 97.5%. Both the expense ratio and the claims ratio were better than they were in 2003.

In line with our strategy to focus on profitable growth, the Value Added by New Business (VANB) grew substantially more than the new sales. Higher margins, driven by lower unit costs, led to a 19% improvement in VANB. The Value Added by New Business

and better than anticipated equity returns contributed to the EUR 1,043 million growth in Embedded Value. After taking account of the dividend payment to Fortis, Embedded Value reached EUR 9.7 billion at year-end 2004. The Embedded Value of life insurance operations provides additional information on the value of the contracts in force and the value of new business. Detailed information on the Embedded Value of Fortis life insurance business can be found on www.fortis.com/ir.

International Financial Reporting Standards (IFRS)

The consolidated annual accounts of companies publicly traded in the European Union must meet the new standards for financial reporting for the financial years commencing on or after 1 January 2005. Fortis launched a large-scale project in 2001, which has enabled the company to meet these requirements on time. The figures for the first quarter of 2005 will be based on IFRS, with the figures for 2004 adjusted to facilitate comparison, including the application of IFRS 4 – Insurance Contracts – and IAS 32/39 – Financial Instruments.

At the Investor Day on 28 January 2005, Fortis explained the impact of the implementation of IFRS standards on its net equity and the profit and loss account. Further details on this matter are provided in note 4 to the Fortis Annual Accounts.

Risk management

Risk management is a core part of Fortis's business and has an impact on all areas of management. Fortis's banking and insurance activities are exposed to a range of potential risks. To ensure that these risks are measured, monitored and managed properly at all times, Fortis has in place a strong organisational structure for internal control and risk management.

Strong internal control and risk management

As a financial services provider, Fortis has a long-standing culture of risk and control awareness, and a strong commitment to making internal control an integral part of the way it conducts its business.

Ultimately, the Board is responsible for internal control at Fortis and for reviewing its effectiveness. Under the authority delegated by the Board, the Fortis Executive Committee, the management teams of the businesses, legal entities, support functions and subsidiaries are responsible for designing internal control systems appropriate to their respective businesses and for monitoring their effectiveness. As such, management is responsible for setting clear objectives, for maintaining strong control awareness and creating appropriate organisational structures, for identifying, assessing and monitoring the risks, for the effectiveness of all processes, including the internal control processes, and for reporting on all of these matters. Internal control relies on the contribution of all Fortis staff, whose combined actions ultimately determine whether systems and procedures are operating in the manner they are intended to.

The Board sets policies on major aspects of the business. Board policies include, among other things, standards of business conduct, external auditor independence and money laundering deterrence. The Fortis Executive Committee, the management teams of the businesses, legal entities, support functions and subsidiaries set further functional, operating and reporting standards for application Fortis-wide, across a given business, or within a geographical region.

All of these policies and standards, which form an integral part of the internal control system, are periodically reviewed and updated, properly communicated through manuals and promulgated through internal communications. The frequency of review depends on the nature of the activities, with some risk areas, such as money laundering, requiring continuous attention and the strongest procedures. Management's responsibility for designing internal control extends to designing second order controls, i.e. the control procedures which are in place to ensure that controls operate effectively and that any significant failings are reported through the control mechanisms to the appropriate level of authority and/or supervision, and are acted upon.

From an organisational point of view, the management teams of the Fortis businesses are responsible for internal control within their respective businesses. They operate their own middle- and back-office departments which are responsible for recording, processing and executing all transactions carried out within their business. Specific attention is devoted in this respect to automated systems. Controls form an integral part of these systems and are

properly tested before systems are put in place. Strict routines are applied for operations and systems security. At central level, a number of support functions set additional standards and exercise additional control. These support functions are independent from the business departments and report to the CEO, the CFO, or the Chief Operating Officer, a new position at Fortis created in October 2004. These support functions are described in greater detail below.

Central Risk Management and Credit Risk Management ensure that systems and procedures are in place to identify, control and report on the major risks, including credit risk, market risk, insurance risk, liquidity risk and operational risk. They provide independent monitoring of the risks incurred and report on them through a structure of risk committees, which ultimately cascades up to the Fortis Risk and Capital Committee and to the Board. The Operational Risk Management unit keeps track of all operational loss events, as defined under Basel II, and ensures their reporting to the risk committees. The Risk Mitigation unit monitors the adequacy of business contingency plans in all major areas of the business. These plans are aimed at continuing business activities as soon as possible in case of business disruptions or disasters, and at damage control. The risk management framework is described in further detail on page 55.

Corporate Consolidation & Accounting and Corporate Control & Reporting ensure that comprehensive internal financial control procedures are in place for the preparation and publication of financial statements and ad-hoc financial information. These departments draw up the consolidated accounts of Fortis and the statutory accounts of Fortis companies. Through an upwardly cascading process of meetings involving the business controllers as well as external auditors at different levels in Fortis, they also check that financial and accounting data communicated externally are reliable and accurate.

A multi-year budget is drawn up each year, based on targets set by the Executive Committee and the underlying budgets of each of the businesses. The budget is reviewed and approved by the Fortis Board. Results are monitored regularly and reports on progress as compared with the budget are prepared each quarter. In addition, the strategic plan of each of the businesses is updated, discussed and approved by the Fortis Board on an annual basis.

The Legal and Tax departments monitor all legal and fiscal aspects of Fortis's activities and report on a regular basis, both internally and to the external auditors, on any litigation outstanding.

The Compliance department promotes the observance of laws, rules and standards by the company and its staff and ensures adequate monitoring of compliance breaches. It develops standards, such as the Principles of Business Conduct, monitors their implementation, and reports on them to the Fortis Audit Committee. In the year under review, the Compliance department developed a whistleblowing procedure which will be rolled out in 2005. The procedure serves to ensure that all Fortis employees can report any activities which they consider to be wrongful, as defined in the procedure, with protection against reprisals. Early 2005 it was decided, as part of the overall strengthening of governance, to have local compliance officers report hierarchically to the Fortis Compliance Officer rather than to the business CEOs.

As a distinctive part of the reporting and monitoring cycle, senior managers, cascading up to the Executive Committee, sign internal management control statements annually. These statements are signed after a process of risk self-assessments, which include the definition of action plans intended to remedy identified weaknesses. Any control weaknesses reported in

the management control statements are verified by internal audit and are cascaded upwards. Major observations are reported to and discussed by the Fortis Executive Committee and ultimately by the Fortis Audit Committee. In addition, as of 2005, developments regarding the quality of internal control will be factored into the variable remuneration of the senior management of Fortis.

Fortis Audit Services, which is centrally controlled, monitors the effectiveness of internal control across the whole of Fortis. Auditors carry out assignments to evaluate the safeguarding of assets, the effectiveness of operations, compliance with applicable laws and regulations, and the reliability of financial and management information. They put forward recommendations based on their observations and follow up on these to ensure that they are implemented correctly. Fortis Audit Services focuses on the areas of the greatest risk to Fortis as determined by a structured risk assessment process. Its methodology is rooted in the COSO framework, thus ensuring benchmarking against generally accepted control standards. Fortis Audit Services is authorised to audit all aspects of operations and is provided with adequate resources, from both a qualitative and quantitative point of view, to carry out its functions effectively. Fortis Audit Services thus serves as an independent and objective assurance provider which reports directly – through the General Auditor – to the Fortis CEO and to the Fortis Audit Committee. In addition, the Fortis General Auditor has direct access to the Chairman of the Board.

Fortis's external auditors, KPMG and PricewaterhouseCoopers, are appointed by the General Meetings of Shareholders for a three-year term. They adhere to the Fortis policy on the independence of external audit firms, which imposes a pre-approval procedure for any non-audit service delivered by external auditors and a seven-year rotation period for lead audit partners.

All of the structures, procedures and control systems described above together make up Fortis's system of internal control. The system basically aims to assure that:

- business operations are carried out effectively and efficiently;
- assets entrusted to Fortis and Fortis's own assets are safeguarded;
- business and financial reporting are reliable;
- Fortis complies with applicable laws and regulations including internal procedures and policies.

As with any system of internal control, Fortis's system also has its limits. It cannot completely eliminate the risk of failure to achieve business objectives, but can manage this risk to maintain it at an acceptable level. It provides reasonable but not absolute assurance against material misstatement or loss.

The Fortis Audit Committee keeps under review the effectiveness of this system and reports regularly to the Board. The key input used by the Committee in carrying out its work includes management declarations on internal control, reports of Corporate Control & Reporting, the Compliance Officer and the external auditors, and extensive reporting on internal control by Fortis Audit Services, which includes information on operational losses (Basel II) as well as any information on litigation and supervisory reviews. In addition, the Fortis Audit Committee receives information on the activities of the Fortis Bank Audit Committee and Fortis Insurance Audit Committee.

The control system as described above was fully operational in the year under review and remains operational to date. All major aspects and improvements have been the subject of discussion in the Audit Committee, which reported on these to the Board. The control system is profoundly dynamic in nature, as it is continuously adapting to changes in the internal and external environment, including all developments on the regulatory front. Expected changes for the foreseeable future include improvements associated with the newly created position of

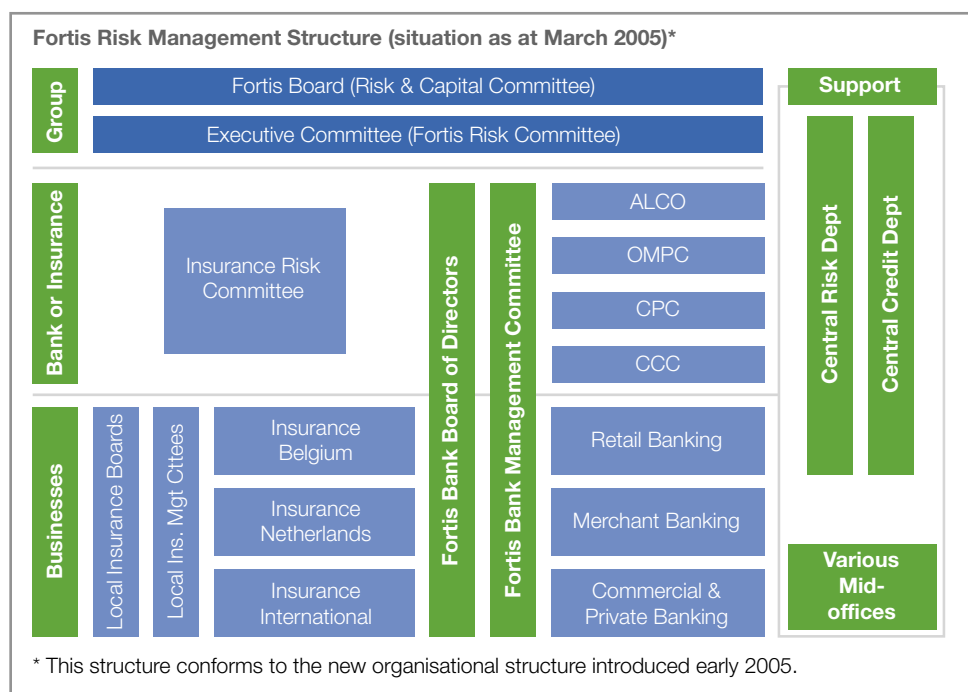
Chief Operating Officer. These include further strengthening of the central support functions across the banking and insurance businesses and reviewing the needs for further control documentation which might arise from developments currently underway in Fortis control systems or from external requirements.

Based on all information and reports received through the Fortis Audit Committee, as well as through the Risk and Capital Committee, and subject to the limits that apply to any and all control systems, the Board considers that to the best of its knowledge, throughout the year ended 31 December 2004 and to date, Fortis has operated risk and control systems which are appropriate for the size and needs of Fortis and can reasonably be expected to provide reliable insight into the effectiveness and efficiency of operations, reliable financial and other information and compliance with applicable laws, regulations, internal procedures and policies.

Strong risk management organisation

The Board of Directors monitors Fortis's solvency and significant risks and determines the general risk/return profile. At the level of the Executive Committee, a subcommittee chaired by the CEO is responsible for setting the strategic guidelines and high-level policy for risk management, for monitoring consolidated risk reports at group level and for allocating economic capital to the various Fortis entities. The banking and insurance businesses each have their own responsibilities within this overall framework.

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 Fortis Bank, such as the asset and liability committee (ALCO), the policy committee for operational and market risks (OMPC), the credit policy committee (CPC) and the credit committee (CCC).

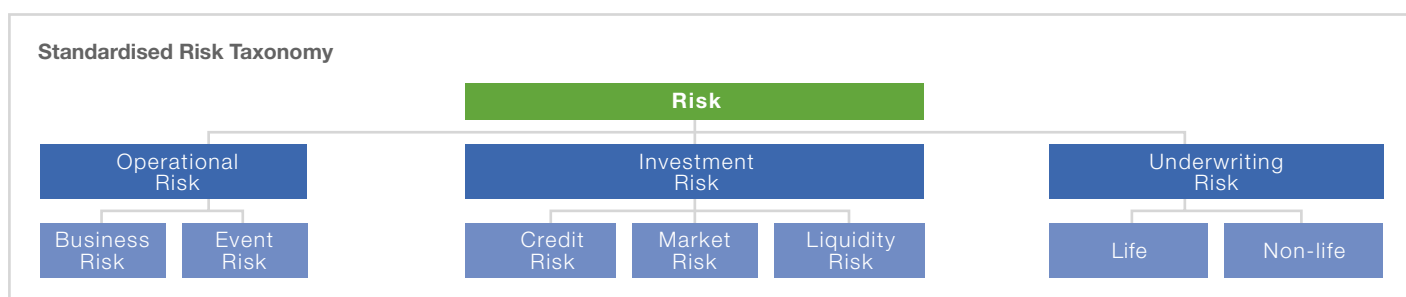


Responsibility for risk management in the insurance activities lies with the Board of each individual company, each of which has its own risk committee that meets on a regular basis. In addition, an Insurance Risk Committee, whose members include the CFOs/CEOs from each business, the Chief Risk Officer and the CFO of Fortis, also meets regularly. The responsibilities of the Insurance Risk Committee include monitoring the overall risks and solvency of the insurance business, setting risk policy for insurance companies and approving investment policies.

A central risk management team, headed by the Chief Risk Officer, is responsible for the development and implementation of the risk management framework, for supporting the work of the risk committees, for risk reporting and reviewing, and for recommending further developments in risk methodologies.

In 2004 a number of refinements were made to the framework, including the introduction of functional line reporting between the Head of Risk from each insurance business and the Chief Risk Officer (as was already in place for the banking activities).

For the past several years, Fortis has used a standardised risk taxonomy to better manage the main risks.



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. One category incorporates the business risk, and in particular losses due to changes in the structural and/or competitive environment. The other comprises the risk of losses due to non-recurring events such as errors and omissions, system failure, fraud, crime, legal proceedings or damage to buildings or equipment.

Fortis has defined its operational risk policy based on a description of the framework, consisting of the organisation at group, business and country level (including roles and responsibilities) and reporting lines from the various risk management departments. Specific operational risk tolerance levels have also been introduced.

Initiatives to improve the monitoring and control of this risk through better assessment and measurement were continued and intensified in 2004. To this effect, Fortis developed a set of operational risk management instruments, which are applied company-wide. These instruments encompass the reporting of operational losses, modelling of operational risks, the carrying out of risk self-assessments, follow-up of key risk indicators and business contingency planning. An internally developed IT application supports the set of operational risk instruments.

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

In the context of Basel II, Fortis has opted for the 'Advanced Measurement Approach' for assessing its operational risks. Moody's published a report on the status of operational risk at Fortis in October 2004 and concluded that Fortis is in an advanced stage of implementation of its framework.

Investment 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 transfer. 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 an 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. In 2005 the credits department of Fortis Bank will concentrate on further refining an integrated credit risk management system.

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 securitising a part of the existing credit portfolio. In the light of Basel II, Fortis 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 creditworthiness 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.

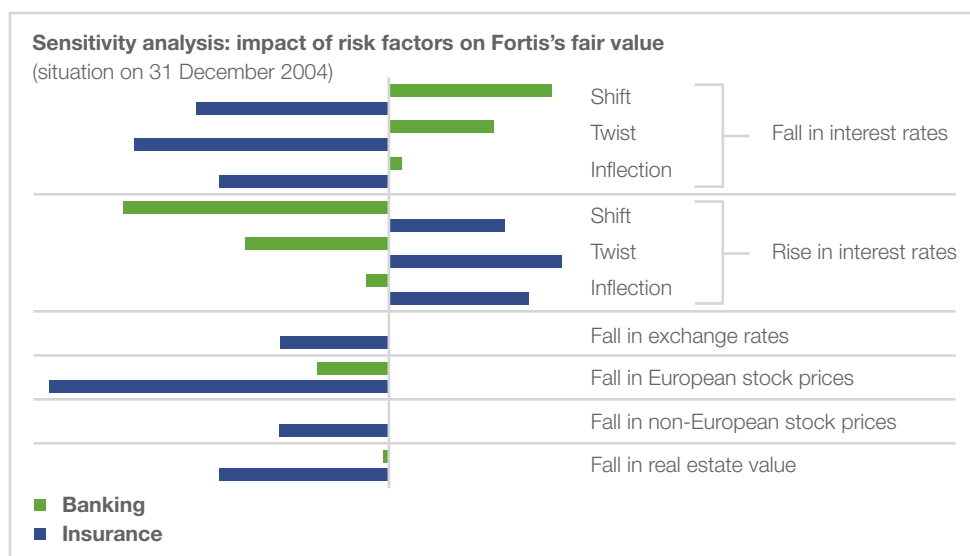
The market risk is the risk of losses due to sharp fluctuations on the financial markets – in share prices, interest rates, exchange rates or property prices. These fluctuations also create risks which impact on the structural positions of the banking and insurance activities (ALM risk) and on the trading 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 market fluctuations, based on a horizon of one year and a reliability interval of 99% (in accordance with regulatory requirements). For calculations of economic capital, the VaR figures are reworked because here the internal reliability interval is more severe (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 value of the assets than in the value of 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.



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.

The trading risk is closely connected with the activities of Merchant Banking. This risk is also monitored using the VaR indicator, based on a holding period 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. For calculations of economic capital, the VaR figures are also reworked here because the internal reliability interval is more severe (99.97%).

The effectiveness of 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. For the trading activities, for instance, 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 amply achieved this target: in 2004, there was not a single day on which the difference in market value of two successive days was greater than the estimated VaR.

A project aimed at improving the management of liquidity risk was launched in 2004. The basic principles of the Fortis group-wide liquidity policy have now been defined, and all Fortis companies will further define or adjust their current liquidity policy taking into account these basic principles and their respective needs and regulations.



Underwriting risk

Underwriting risk relates to the risks inherent in the insurance activities (in addition to the ALM risk referred to earlier). The life insurance risk relates to variations in mortality and longevity. Risk in the Non-life activities relates to the degree of variability of future claims and the uncertainty concerning the development of existing claims.

Adequacy of the insurance charges and of the provisions are assessed regularly, with a significant portion of the provisions analysed using sophisticated stochastic analysis. Increasing emphasis is being placed on improving our understanding of diversification and concentration effects across the group. Reinsurance cover is purchased where appropriate and a portion of this is channelled through an internal captive structure to capture diversification benefits within Fortis.

Risk mitigation

Fortis implements a broad range of measures aimed at reducing the impact of a diverse range of risks and implements and coordinates a broad range of management controls. Traditionally, Fortis insures operational event risk, for example through the insurance of such risk (such as traditional bankers blanket bond, professional indemnity, and directors' and officers' insurance). Insurance is obtained either in the external insurance and reinsurance markets or through the use of alternative risk transfer. Furthermore, several central staff functions are advised regarding insurance of (mostly) operational risks.

Fortis also ensures group-wide coordination, quality assurance and monitoring of Business Continuity Management and of information security policy. Thus, in the event of a disaster, the continued availability of key processes in Fortis's key locations is ensured by coordinated and tested business continuity planning and management.

With a view to internal management systems and control instruments, in 2004 Fortis implemented a group-wide framework and policy for management control of the portfolio of its participating interests in order to strengthen supervision and risk management of the portfolio of its subsidiaries. A new system for centralised reporting and monitoring of participating interests will be introduced in 2005.

Economic capital

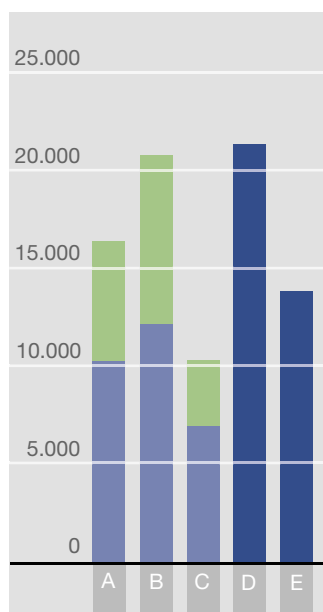
'Economic capital' has been developed within Fortis in order to provide a consistent and comparable measure of risk across all risk types and geographies. It is a measure of the 'Value at Risk' to a confidence interval of 99.97% and a horizon of one year. This represents very extreme events. The methodology is refined and improved on a regular basis.

The economic capital is calculated separately for each type of risk per business. The total economic capital is then calculated at business level, at banking and insurance level and for Fortis as a whole. Economic capital is also used for a range of internal monitoring and management purposes.

Since it is extremely unlikely that all risks will take place at the same time, an allowance is made for diversification benefits when combining the individual risks. This results in a total economic capital at group level that is significantly lower than it would be if the individual risks were simply added together. As noted earlier under investment risk, in addition to this more general diversification, Fortis also benefits from a netting effect across bank and insurance interest-rate risk due to the fundamental differences between their balance sheets.

Strong solvency

(in EUR million)



■ Banking

■ Insurance

A Fortis minimum

Banking: 6% of Risk-Weighted Assets (Tier-1)

Insurance: 1.75 statutory requirements

B Fortis maximum

Banking: 7% of Risk-Weighted Assets (Tier-1)

Insurance: 2.50 statutory requirements

C Legally required minimum

D Net Core Capital

E Economic Capital

Changes in economic capital

Note that the graph below represents the contribution of each risk to the total diversified economic capital. This means that risks such as insurance risk contribute very little to the overall amount because they have a low correlation with other risks. 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.

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 highly fluctuating markets. This conviction is based on Fortis's solid and systematic approach to monitoring the capital requirements. Systematic follow-up of the economic and regulatory solvency position avoids the need for drastic interventions. Internal control systems are also in place to check and, where necessary, modify the natural risk cover against interest rate movements. The impact of movements in interest rates is analysed bearing in mind the diversification into banking and insurance activities.

Major strides have been made towards further integrating 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 defined for the solvency of individual operating companies. These tests apply over and above the norms applied for these variables within Fortis as a whole.

Return on Risk Adjusted Capital

(in EUR billion)	Economic Capital		RoRAC¹ in % (after tax)		RoRAC² in % (after tax)	
	2003	2004	2003	2004	2003	2004
Network Banking	7,4	7,3	13	18	13	19
Merchant Banking	3,0	2,9	18	12	17	13
Investment Services	0,4	0,4	82	85	82	85
Total Bank	10,8	10,5	17	18	16	20
Fortis AG	0,8	0,9	38	28	12	34
Fortis ASR	1,2	1,5	35	27	32	47
Fortis Insurance International	0,5	0,4	23	24	23	26
Total Insurance	2,4	2,8	39	27	31	37
General sector	0,9	0,5				
Fortis Total	14,1	13,8	20	19	18	22

1 Before value differences

2 After value differences

Consolidated balance sheet (before profit appropriation) (in EUR million)

	31-12-2004	31-12-2003	31-12-2002
Assets			
Cash	5,216	8,286	4,485
Trading securities	37,871	23,458	14,518
Investments	163,667	157,995	140,099
Loans and advances to credit institutions	72,654	79,446	83,859
Loans and advances to customers	209,372	182,039	172,144
Reinsurers' share of technical provisions	1,428	5,487	6,132
Deferred acquisition costs	1,480	2,788	2,810
Prepayments and accrued income	39,739	28,053	27,856
Investments on behalf of policyholders	18,703	19,946	18,391
Other assets	20,518	15,752	15,471
Total Assets	570,648	523,250	485,765
Liabilities			
Amounts owed to credit institutions	119,030	109,368	96,548
Amounts owed to customers	213,779	187,423	177,635
Debt certificates	51,943	52,279	49,964
Technical provisions	57,846	64,410	61,736
Technical provisions related to investments on behalf of policyholders	18,823	20,380	18,563
Accruals and deferred income	37,670	27,421	26,615
Other liabilities	41,266	34,572	27,158
Convertible notes	0	0	1,256
Subordinated convertible note (FRESH)	1,250	1,250	1,250
Subordinated liabilities	11,021	9,923	9,723
	552,628	507,026	470,448
Fund for General Banking Risks	2,198	2,209	2,215
Minority interests in group equity	1,457	2,121	2,231
Net equity			
Capital	6,307	6,293	6,280
Share premium reserve	11,973	11,937	11,916
Goodwill	(16,974)	(17,109)	(17,025)
Other reserves	9,701	8,576	9,168
Net profit current financial year	3,358	2,197	532
Total net equity	14,365	11,894	10,871
Group equity	15,822	14,015	13,102
Total Liabilities	570,648	523,250	485,765

Consolidated profit and loss account (in EUR million)

	2004	2003	2002
Revenues			
Insurance premiums	13,396	18,142	18,495
Interest income	41,191	26,692	26,353
Commissions and fees	1,976	1,799	1,858
Results from financial transactions			
■ on behalf of policyholders	1,017	1,022	(3,419)
■ other ¹	681	(138)	87
Other revenues			
■ on behalf of policyholders	370	323	461
■ other	2,087	2,255	2,279
Total revenues	60,718	50,095	46,114
Interest expense	(34,349)	(19,733)	(19,478)
Total revenues, net of interest expense	26,369	30,362	26,636
Technical charges insurance	(14,219)	(16,952)	(12,896)
Value adjustments	(265)	(784)	791
Net revenues	11,885	12,626	12,949
Operating expenses	(7,995)	(10,372)	(10,403)
Operating result before taxation	3,890	2,254	2,546
Taxation	(1,032)	(499)	(911)
Operating group profit	2,858	1,755	1,635
Minority interests	96	144	173
Net operating profit before value differences	2,762	1,611	1,462
Value differences on the equity portfolio ²	435	636	(1,032)
Net operating profit	3,197	2,247	430
Non-operating items after taxation			
Results from financial transactions	(58)		111
Other revenues	334	92	73
Interest expenses		(118)	
Operating expenses	(189)	(92)	(111)
Taxation	74	68	29
Total non-operating items after taxation	161	(50)	102
Net profit	3,358	2,197	532

¹ Including realised results on hedging transactions

² Including unrealised value adjustments on the equity portfolio

Sustainability Statement

As part of the society in which we operate, we aim to make a genuine contribution to our stakeholders' wealth and well-being. We firmly believe that the active pursuit of corporate sustainability is fundamental to what we stand for as a company.

At Fortis, corporate sustainability means conducting business in a responsible manner; achieving sustainable economic growth while anticipating the legitimate interests of our stakeholders; and taking social and environmental responsibility. Living our Values serves as the springboard for a learning process in which we are always striving to improve and to find solutions that meet our stakeholders' needs, now and in the future.

We can do better when embedding various initiatives in an overall corporate sustainability ambition and strategy. We have therefore decided to specify plans and actions in order to improve our performance in this area relative to that of our peers.

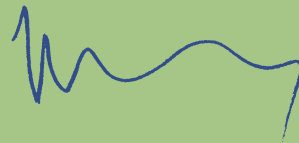
As part of this overall plan, which is called 'Agenda for 2006', we will:

- strengthen internal sustainability networks and increase involvement among our employees;
- further integrate sustainability into our organisation's core processes, such as client acceptance, lending policies, product development and investment policies;
- publish a separate corporate sustainability report, for the first time in 2005;
- initiate proactive stakeholder management and engagement;
- include corporate sustainability in our group-wide purchasing policy.

Only in a relationship based on mutual trust can we exchange views and ideas with our stakeholders and inspire one another to provide the best solutions. That is how we keep progressing and developing as an organisation and building on our sustainability goals and agenda. We therefore intend to define further actions and to continuously enrich our relationships with our employees, customers and other stakeholders. At Fortis, we call this an 'inspired community'.

Executive Committee

Jean-Paul Votron



Herman Verwilt



Gilbert Mittler



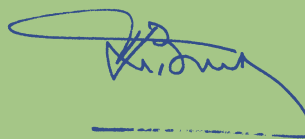
Joop Feilzer



Jos Clijsters



Karel De Boeck



Jozef De Mey



Filip Dierckx



Jacques van Ek



Peer van Harten



Sustainability

Sustainability 2004

Inspired
community

We at Fortis know there is always something that can be improved. This applies to sustainable business just as much as it does to our services. We must constantly evolve to keep in step with the expectations of our stakeholders. We must do this partly by modifying existing processes and partly by developing new activities.

Workforce

end 2004	number of employees
Belgium	25,048
Netherlands	15,619
Luxembourg	2,742
Outside Benelux	7,437
Total	50,846

Over the past year, we have recalibrated our activities for sustainable business to work in a more coordinated manner and establish a more tangible link with our strategic objectives and everyday business. The Executive Committee laid down a plan – called Agenda 2006 – that defines sustainability in greater detail and also the activities that will allow Fortis to improve its performance still further. Compared with our peers, we want to create a better and more transparent sustainability profile in the coming period. In 2004, the Executive Committee set down the key items of our plan in a ‘Sustainability Statement’ that you will find on the previous page. Central to this process are our stakeholders – our customers, employees, and shareholders – but also society in the wider sense.

Transparency is a logical part of our sustainability ambition. While obviously safeguarding the confidentiality of our customers, we want to be open about our activities and our results. A sustainability report is an important pillar of this openness. Our Sustainability Report will be published on the internet in May 2005. Additionally, prior to our shareholders’ meetings we will publish a brochure highlighting the main points of our sustainability activities.

Organisation of sustainability

The Executive Committee holds the highest level of responsibility for sustainable business at Fortis. Herman Verwilt, Deputy CEO and COO, is the principal contact person. He chairs the Corporate Sustainability Steering Committee that was established in the year under review and includes senior representatives of the businesses and policy units. The steering committee has a bridging and advisory role in embedding sustainable business deeper within the organisation. Besides a steering committee, we have established a Corporate Sustainability Working Group. The group is of a more operational nature and a top priority in its remit is to provide input for the reporting process. The ultimate goal is obviously to make sustainable business an integral part of all relevant core processes at Fortis. To achieve this situation, our employees must be familiar with ‘Agenda 2006’ and must know the contribution they personally can make to fulfilment of the plan. This is not a one-sided top-down process; it is being approached bottom-up in a variety of ways, led by a Corporate Sustainability department. Initiatives such as sustainability training courses and the Fortis Foundations play a significant role in this process.

Sustainability

Stakeholders

We have given our stakeholders centre stage in this report. Everything we do is aimed at optimising our relationships with our stakeholders. We want to be a reliable partner and build relationships based on mutual respect. In our view, dialogue and inspiration produce the best solutions and will enable us to continue adding value and remain profitable in the long term. Our Code of Conduct forms the basis for our employees' relationships with customers, colleagues, shareholders and the community. We view our inclusion in the Dow Jones Sustainability STOXX Index, the Dow Jones Sustainability World Index and the FTSE4Good as an incentive for our efforts.

Providing high quality services, clear conditions, transparency on product features and easy access contact to our customers are what we see as the basis for our sustainability ambitions. These matters are an absolute precondition. Customer satisfaction surveys serve as an important source of information for optimising our services. We also aim to keep our 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 organisations involved in or suspected of illegal or unethical activities.

Our success depends on our employees. Worldwide, Fortis has around 51,000 employees. More than 85% of all Fortis employees work in the Benelux countries: 49% of the Fortis workforce is employed in Belgium, 31% in the Netherlands and 5% in Luxembourg. Fortis's human resources policy is designed to enhance commitment to the company. We have taken several initiatives in this respect. The Fortis Executive Committee set up a working group early in 2004 to strengthen respect for all individuals, with varying social and cultural backgrounds, in which people are able fully to utilise their potential for the organisation and for their personal development, with the organisation taking full advantage of the strength that diversity offers. We also conducted an employee satisfaction survey, the first of which was held Fortis-wide in 2004. The advantage of a company-wide survey is that a single method is used, meaning

the results can be compared accurately. The general conclusion of this survey is that the vast majority of staff like working for Fortis. They feel a strong sense of loyalty to the company and to their work and are basically satisfied with their jobs. The main areas for improvement are information provision on the strategy of the businesses and support for staff in developing their talents and skills. Action plans are being developed.

Striking the right balance between conducting business, risk management and management control is an essential ingredient of corporate governance. Fortis organises its activities with a view to growth and long-term success – i.e., shareholder value – while keeping a close eye on the risks. This is the basis for a good valuation of the company in general and of its sustainable business in particular. This and other aspects of our relationship with shareholders are described in detail in the Corporate governance section of this Annual Report.

Commitment to society in the form of donations and volunteer work is part and parcel of Fortis's social responsibility. The work of the Fortis Foundations is unique. A variety of community organisations in the Netherlands and Belgium benefit from financial assistance as well as the expertise of numerous Fortis volunteers. In the Netherlands, hundreds of activities were organised in 2004 for the elderly, physically and mentally disabled people, chronically ill patients and underprivileged children. In Belgium the foundation has concentrated on three areas since its inception in 1996: socially deprived children, young people from problem homes and solidarity between the generations.

Sustainability in practice

Our Sustainability Report aims to paint a comprehensive picture of our policy, our objectives, the dilemmas we face, and the results we have achieved in various areas. These matters are illustrated below by the following three examples: the Carbon Desk, corporate venturing and financing policy of the weapons industry.

Fortis made a name for itself in 2004 by providing services for trading of CO₂ emission allowances. We are a front-runner in this field. The bank relieves its customers of all formalities attached to the trading of emission allowances, including administrative and legal matters and the actual trading of the allowances. Fortis Bank received the 'Carbon Trade of the Year Award' in September 2004 for the first transaction within the European Union in emission allowances under the ISDA Master Agreement. In cooperation with a number of partners, Fortis Bank launched a European Carbon Fund in November 2004. Fortis Bank is investing EUR 15 million in the fund and is its joint promoter. The fund is the first non-governmental investment fund dedicated to financial instruments designed to combat the greenhouse gas effect.

Innovation often has its roots in the initiatives of individual employees. Fortis Venturing provides employees with the support needed to develop, implement and bring their ideas to maturity. It gives employees the opportunity to allow their creative business initiatives to grow into a company. Nineteen new entities have been created within Fortis since Fortis Venturing was set up in 2001, each of which contributes in its own way to the growth and innovative strength of Fortis. Fortis Venturing has received international recognition. IMD, the renowned management training centre in Switzerland, created a

case study of Fortis Venturing which is now used by hundreds of managers in training at IMD.

Discussions took place with external stakeholders in 2004 about financing of the weapons industry. Network Flanders, a lobbying association, raised questions about Fortis's policy on this matter at the shareholders' meeting in May and on other occasions. A steering committee composed of employees from the Compliance, Credits and Communications departments produced a draft policy document based on an extensive analysis of international legislation and treaties plus the available best practices. This issue was obviously looked at from the customer's perspective. The draft was submitted to the businesses early 2005 for approval and implementation. In the meantime consultations have been held with Network Flanders and this concept has been submitted to the businesses for approval and implementation. The policy was subsequently finalised.

Corporate governance

“We are confident that creating a clearly defined framework for corporate governance will help us communicate better with all our stakeholders.”

Important developments on the corporate governance front occurred in 2004 both inside Fortis and beyond, reinforcing this theme – as in preceding years – as a constant focus of attention for the Board. Transparent and effective administration – including adherence to high ethical standards – is absolutely crucial to Fortis. Efficient corporate governance should support operational development, while helping to manage risks as effectively as possible. It is a constantly evolving process and responds to the needs of the organisation and to international best practice.

Developments

Several regulatory initiatives were launched in the recent financial year.

The European Commission continued to implement the Action Plan it unveiled on 21 May 2003 to modernise company law and to bolster European corporate governance. Recommendations were drafted concerning the independence of statutory auditors and the role of non-executive directors. The European Commission also introduced a number of initiatives to bolster shareholders' rights.

In the Netherlands, the corporate governance code drafted by a committee chaired by Morris Tabaksblat came into force on 1 January 2004. An administrative order was published on 23 December 2004, requiring listed companies incorporated under Dutch law to report their compliance with the code in future annual financial statements. Several amendments have also been made to the Dutch Civil Code to extend shareholders' powers. In Belgium, a corporate governance code drawn up by a committee chaired by Maurice Lippens was published on 9 December 2004 and came into effect on 1 January 2005.

Against this background, Fortis built on the initiatives it had already taken in 2003 to enhance the strength and transparency of its corporate governance.

The Board agreed a new policy in the spring of 2004 regarding the independence of Fortis's external auditors; these will rotate among the parent companies every seven years, while internal procedures have been introduced for prior approval of non-audit services. It was also decided to introduce an internal whistleblower procedure, which came into effect in 2005. The general meetings in May 2004 approved the new Articles of Association of Fortis SA/NV and Fortis N.V.; the texts of these Articles of Association have been made much more accessible and transparent and were more closely aligned with one another. Other changes related to the powers of the General Meeting of Shareholders and the composition of the Board of Directors.

Henceforward, a single shareholder or a group of shareholders representing at least a tenth of the authorised capital can ask for an Extraordinary General Meeting to be convened. Shareholders representing at least 1% of the issued capital or holding Fortis shares with a market value of at least EUR 50 million can propose the inclusion of agenda points for the annual General Meeting of Shareholders. The General Meeting will also be consulted in future regarding adjustments to directors' remuneration policy or important decisions affecting the company's identity.

At the same time, the new Articles of Association replace the former dual chairmanship with a single Chairman and allow the Board of Directors to be composed more internationally than was previously the case. Against this background, the General Meeting of Shareholders appointed five new directors with an international background and experience. With the renewed and more international line-up of the Board, the International Advisory Council ceased to exist. The new Articles of Association also enable the Board of Directors to grant the Executive Committee a role that goes beyond assisting the CEO in the performance of his duties.

Anton van Rossum was succeeded as CEO and sole executive director by Jean-Paul Votron, who was appointed to the post on 11 October 2004 by the Board of Directors of Fortis SA/NV and the Extraordinary General Meeting of Fortis N.V. held on that date.

The newly composed Board of Directors went on to consider its own operation and that of its committees. This led to the publication of the Fortis Governance Statement, which describes the principles, rules and procedures that make up Fortis's corporate governance. As required by Dutch law and the recommendations of the Lippens Code, this chapter includes a review of Fortis's compliance with the corporate governance principles set out under the Dutch and Belgian governance codes. What follows is a summary of the governance principles and practices at Fortis; these are set out in greater detail in the Fortis Governance Statement, the full text of which can be downloaded from the Fortis website or obtained from the company's head office.

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 group's overall legal structure was regularly adapted in the ensuing years to enable its cross-border operations to be managed efficiently and to enable private shareholders in Belgium and the Netherlands to continue to invest in Fortis. This culminated in the current, innovative governance model, headed by a Belgian (Fortis SA/NV) and a Dutch (Fortis N.V.) parent company, shares in which have been linked to form the Fortis share. Fortis shares function as ordinary shares in every respect, including the associated voting rights and dividend entitlement.

Each Fortis share carries a single vote at the shareholders' meeting of both Fortis SA/NV and Fortis N.V. Fortis shareholders are thus entitled to attend and cast their votes at the General Meetings of both companies. The two shareholders' meetings basically deal with the same matters. The Articles of Association specify that certain resolutions have to be taken by both meetings if they are to be enacted.

There were 1,301,104,005 Fortis shares with voting rights and dividend entitlement as at 31 December 2004. Fortis N.V.'s authorised capital also includes cumulative preference shares. Fortis N.V. has granted a call option on cumulative preference shares to Stichting Continuïteit Fortis. Additional information regarding Fortis's structure and share is set out in Chapter 2 of the Fortis Governance Statement and note 8 of the Annual Accounts.

Board of Directors

The Fortis Board of Directors consists of a maximum of seventeen members, the majority of them non-executives. It currently has twelve non-executive members and one executive – the Chief Executive Officer (CEO). The Board of Directors operates within the framework created by Belgian and Dutch legislation, normal practices in those two countries and the Articles of Association. The role and responsibilities of the Board of Directors and its composition, structure and organisation are described in detail in the Fortis Governance Statement. That document includes the independence criteria applying to members of the Fortis Board, which have been revised and aligned with prevailing best practice.

Composition

The Board of Directors bade farewell on 26 May 2004 to director and co-chairman Jaap Glasz and director Philippe Speeckaert, both of whom had previously announced their intention to step down, and to director Valère Croes and director and co-vice-chairman Etienne Davignon, who had reached the age limit specified for their position.

Jaap Glasz joined the Board in 1989, bringing his ample experience and knowledge of corporate governance. Having become co-chairman with Maurice Lippens in 2002, he made his mark on the change processes that resulted in the strengthening and internationalisation of the Fortis Board.

Valère Croes, Etienne Davignon and Philippe Speeckaert were all directors of AG Group in 1989, and were also involved in Fortis's creation. Throughout the years, they have contributed considerably to Fortis's development at several crucial junctures.

Jaap Glasz, Valère Croes, Etienne Davignon and Philippe Speeckaert boast a wealth of experience and represent a rich Fortis tradition. The Board is profoundly grateful for their contribution to the development of Fortis in general and for their work as directors in particular.

At the May General Meeting of Shareholders, the Board of Directors was able to welcome new members Philippe Bodson, Richard Delbridge, Jacques Manardo, Ronald Sandler and Rana Talwar. In addition to their extensive international experience and

expertise in banking and insurance, they will intensify the focus on internal controls, risk management and corporate governance in general. A programme tailored to the new directors' needs was provided in the months following their appointment to introduce them to every aspect of Fortis.

Jean-Paul Votron succeeded Anton van Rossum as executive director and CEO in the autumn of 2004. It is to the inexhaustible energy and effort of Anton van Rossum that Fortis owes the streamlining of its corporate structure – which, amongst other things, allowed the Fortis share to be unified – and the further integration and streamlining of Fortis as a whole.

Meetings

The Board of Directors met on eleven occasions in 2004. Most of the meetings generally took about half a day. Attendance details can be found on pages 76 and 77. The following matters were discussed:

- the strategy pursued by Fortis as a whole and by each Fortis business;
- the sale of Fortis's US insurance operations, the joint venture with BCP in Portugal and other acquisition files;
- the development of business activities;
- the multi-year budget for 2004-2006;
- each quarter, the balance sheets and profit and loss accounts, with additional information provided by the CFO, external auditors and press releases;
- the introduction of IFRS and developments inside and outside Fortis;
- financing requirements and strategy;
- the Dutch Corporate Governance Code;
- amendments to the Articles of Association and the nomination of new directors;
- updated Board committees: rules and composition;
- the Fortis Governance Statement;
- reports of the Board committees following each of their meetings;
- the remuneration of Executive Committee members;
- share and option plans for selected members of senior management and Fortis personnel;
- the economic and monetary environment.

Remuneration

The remuneration of non-executive members of the Board of Directors consists of both a base annual salary for board membership and board committee meetings attendance fees. Members do not receive a variable or profit-related incentive, option rights, shares or other fees. For 2004 total remuneration paid to non-executive directors was EUR 1.7 million.

Remuneration of the CEO, who is the only executive member of the Board, is related exclusively to his position as CEO; he is not entitled to the compensation paid to members of the Board. His remuneration consists of a base salary, a variable annual incentive and a variable long-term incentive. The level of the variable remuneration (annual and long-term incentives) depends on factors such as individual performance, Fortis's performance relative to predefined targets and Fortis's performance relative to several companies in the financial sector.

Anton van Rossum was CEO of Fortis until 11 October 2004. Fortis's commitments towards him were not affected by the early termination of his contract (which was due to expire on 31 August 2005). Jean-Paul Votron assumed his duties as CEO of Fortis on 11 October 2004. His contract will expire at the latest on 31 May 2008. His remuneration was established in accordance with the Fortis remuneration policy. Details of the remuneration paid to Anton van Rossum and Jean-Paul Votron in 2004 are provided in note 19 of the Annual Accounts.

One non-executive member of the Board of Directors holds options pursuant to his previous management position. A number of members of the Board of Directors hold Fortis shares. In accordance with Dutch law, details and updates of stock options and shares held by all members of the Board of Directors must be reported to the Authority for the Financial Markets (AFM). Members of the Board jointly hold 885,855 shares and 55,900 option rights and restricted shares. See note 19 of the Annual Accounts for a review of the remuneration policy, actual remuneration of the members of the Board of Directors and Fortis option and share holdings. None of the members of the Board has any loans or credits outstanding.

Board committees

Three committees have been set up within the Board of Directors: a Nomination and Remuneration Committee, a Risk and Capital Committee and an Audit Committee. These have a solely advisory function with respect to the Board of Directors, which remains the only body with decision-making powers. Each committee currently has four members, all of whom are independent non-executives. The role and responsibilities of each committee, together with its structure and organisation, are specified in individual sets of rules that form part of the Fortis Governance Statement.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee advises the Board of Directors on remuneration policy and the remuneration of members of the Board and the Executive Management, on the appointment and reappointment of members of the Board and Executive Management, and on Fortis's employee and management stock and option plans.

The Nomination and Remuneration Committee consisted prior to 26 May 2004 of Jaap Glasz and Maurice Lippens (chairmen), Etienne Davignon, Daniel Janssen, Annemieke Roobeek, Jan Slechte and Anton van Rossum. Since that date, the Committee has comprised Maurice Lippens (chairman), Daniel Janssen, Jan Slechte and Annemieke Roobeek. The CEO is present for discussions of all matters affecting members of the Executive Committee.

The committee met on four occasions in the year under review. Attendance details can be found on pages 76 and 77.

The matters discussed by the committee included:

- the appointment of new Board members and a new CEO;
- remuneration of members of the Board of Directors;
- remuneration of the CEO and members of the Executive Committee;
- performance appraisal of members of the Board of Directors and the Executive Committee, including the CEO;
- the 2004 stock plan for all employees and the 2004 option plan for selected members of senior management;
- disclosure and other statutory duties regarding remuneration, and equity and option rights held by members of the Board of Directors and Executive Committee.

The Chairman of the Nomination and Remuneration Committee reported on the aforementioned matters to the Board of Directors after each meeting and advised the Board on decision-making.

Risk and Capital Committee

The Risk and Capital Committee assists the Board of Directors in: (i) understanding the risks run by Fortis that are typically inherent in banking and insurance activities and to which Fortis is

exposed, (ii) overseeing the proper management of these risks; and (iii) ensuring the adequacy of Fortis's capital in relation to said risks and to the risks inherent in the operations as a whole.

The Risk and Capital Committee consisted until 26 May 2004 of Jaap Glasz and Maurice Lippens (chairmen), Anton van Rossum, Jan-Michiel Hessels and Piet Van Waeyenberge. Since that date, it has comprised four members: Jan-Michiel Hessels (chairman), Jacques Manardo, Rana Talwar and Piet Van Waeyenberge.

The Risk and Capital Committee met three times in 2004 (see pages 76 and 77 for attendance details). It discussed the following matters:

- the capital mix of the insurance companies;
- Fortis's financing requirements;
- Fortis's risk management framework;
- Fortis's risk profile;
- the status of the Fortis Hypotheek Bank project;
- dividend policy and the 2003 dividend.

The Chairman of the Risk and Capital Committee reported on the aforementioned matters to the Board of Directors after each meeting and advised the Board on decision-making.

Audit Committee

The Audit Committee assists the Board of Directors in fulfilling its supervision and monitoring responsibilities in respect of internal control in the broadest sense within Fortis, including internal control over financial reporting.

The Audit Committee consisted until 26 May 2004 of Valère Croes and Klaas Westdijk (chairmen), Jaap Glasz, Jan-Michiel Hessels, Maurice Lippens and Philippe Speeckaert. Since that date, it has comprised four members: Klaas Westdijk (chairman), Philippe Bodson, Richard Delbridge and Ronald Sandler. Each member has substantial financial or accounting experience, gained as either CEO or CFO of a major listed company, including financial institutions. In addition to this, a full day of orientation was organised as part of the initiation programme for new Board members, in which all members of the Audit Committee took part.

The Audit Committee is supported in its activities by the Audit Committees of key operating companies, by a number of Fortis support functions, such as Fortis Audit Services, Compliance, Corporate Control & Reporting, and by Fortis's external auditors, KPMG and PricewaterhouseCoopers.

The Audit Committee met on five occasions in 2004. Attendance details can be found on pages 76 and 77. All the Audit Committee's meetings were attended by the CEO, the external auditors, the General Auditor and Deputy General Auditor, and the

Company Secretary. The Audit Committee also met in closed session with the external auditors, and the chairman of the Audit Committee held regular meetings with the General Auditor.

The Audit Committee considered the following matters in 2004:

- monitoring the integrity of quarterly and annual financial statements: consistent application of the valuation and accounting principles, consolidation scope, quality of the closing process, and significant issues brought forward by the CFO or the external auditors. The Committee also reviewed the press releases on the quarterly and annual figures;
- follow-up of the implementation of IFRS, key policy decisions taken in this respect, and the impact of IFRS on Fortis;
- monitoring performance of the risk management and control system, based on reports by management, by the Compliance function and by Fortis Audit Services. Follow-up of significant findings and recommendations by Fortis Audit Services;
- monitoring performance of the external audit process. This included the review and approval of the external audit plan and a formal evaluation of the external audit process;
- monitoring the independence of external auditors, including the declaration of independence by the external auditors, the auditors' fees, and monitoring of the volume of non-audit services pre-approved in line with Fortis policy. Appraisal of performance of the external auditors;
- review and approval of the 2004 audit and compliance plans. These plans updated the roles, structures and methodologies of the Internal Audit function and the Compliance function;
- review of the operations of the Audit Committee itself, including self-assessment and revision of the Audit Committee Terms of Reference;
- regular updates of knowledge on specific matters, such as IFRS and the Belgian and Dutch corporate governance codes.

The chairman of the Audit Committee reported on the aforementioned matters to the Board of Directors after each meeting and advised the Board on decision-making. The Audit Committee also advised on the incorporation of the audited Annual Accounts in the Annual Report.

Executive Management

Fortis's Executive Management comprises the Chief Executive Officer (CEO) and the Executive Committee. They run Fortis in keeping with the values, strategies, policies, plans and budgets endorsed by the Board of Directors.

Composition and duties

The CEO is the top executive of Fortis. As such he plays a crucial role in developing Fortis's values and strategic vision and in communicating them internally and externally. He is also responsible for enabling the Board and the Chairman to exercise their responsibilities, in part by organising an appropriate flow of

information and of proposals for decision-making by the Board and for maintaining an ongoing interaction and dialogue.

The Executive Committee consists of the CEO and members entrusted with executive management functions within Fortis. Each member is accountable for one of Fortis's businesses or for a number of support functions. Members are appointed by the Board, based on a proposal made by the CEO in consultation with the Chairman and supported by the Nomination and Remuneration Committee. The Executive Committee's responsibilities are as follows :

- studying, defining and preparing, under the leadership of the CEO, the strategic options and proposals that may contribute to the development of Fortis;
- developing proposals for Fortis policies in areas such as finance and risk management, to be submitted to the Board for approval, and implementing such policies;
- under the leadership of the CEO, ensuring the management of Fortis and assisting the CEO in the day-to-day management of parent companies and group holding companies.

On all these matters, the Executive Committee is accountable to the CEO while the CEO is accountable to the Board for the proper performance of the Executive Committee.

The Executive Committee meets once a fortnight according to a fixed timetable. Further meetings are held whenever necessary.

Remuneration

The remuneration of Executive Managers consists of a fixed base salary, a variable annual incentive and a variable long-term incentive, which in 2004 was paid out partly in option rights and cash and restricted shares. The level of the variable remuneration depends on factors such as individual performance, performance of the business relative to predefined targets and Fortis's performance relative to several companies in the financial sector. See note 19 of the Annual Accounts for an overview of the remuneration policy and of the individual remuneration for 2004 of the CEO and aggregate remuneration of members of the Executive Committee.

Stock and option plans

Fortis employees were once again given the opportunity in 2004 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 20% discount on the closing price on 1 October 2004. A total of 2,903,911 equities were issued and provided to participants under the stock plan.

Options on Fortis shares have also been granted to selected members of senior management within Fortis as a token of confidence in their personal contribution to Fortis's growth and development. 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. Note 13 of the Annual Accounts contains a review of the stock and option plans.

Fortis and the corporate governance reference codes

Fortis's international structure, headed by two listed parent companies, one Dutch and one Belgian, confronts it with the daily challenge of applying two corporate governance systems, now featuring two separate reference codes. While the codes in question largely match in terms of their underlying principles, they nevertheless display certain specific characteristics of their own – and hence differences.

Fortis has responded to the specific context in which it operates by developing its own governance structure in line with a single-tier model, while naturally observing all the relevant Belgian and Dutch legal requirements. The structure is described in detail in the Fortis Governance Statement to ensure optimum transparency and to demonstrate its internal coherence. What follows, therefore, is limited to those aspects of corporate governance at Fortis that require additional explanation in the light of the Dutch (Tabaksblat) or Belgian (Lippens) Codes.

Fortis and the Tabaksblat Code

Dutch law was recently amended in such a way that listed companies incorporated under Dutch law will henceforth be obliged to declare in their annual financial statements that they have adhered to the Tabaksblat Code or to explain any instances in which they have deviated from it. The following section serves that purpose.

It should be stated at the outset that Fortis seeks to comply with the Tabaksblat Code to the maximum possible extent. The amendment of Fortis's Articles of Association in May 2004 and the submission of its remuneration policy to the Extraordinary General Meeting of October 2004 of Fortis N.V., for instance, were both partly inspired by the Tabaksblat Code.

Fortis is unable, however, to comply with all of the Code's provisions. Some of them conflict with the internal coherence of Fortis's governance structure, which has been carefully developed over the years to meet the challenges facing a binational group. Furthermore, Fortis has a single-tier board structure, which creates a specific framework that is not customary in the Netherlands and that did not function as the primary frame of reference for the drafting of the Tabaksblat Code.

When applying the Code, therefore, Fortis has been obliged to translate the various provisions so as to fit the single-tier structure.

Provisions aimed at the Supervisory Board or the Management Board have thus been applied to Fortis's Board of Directors, while provisions for individual members of the Supervisory Board have been applied to Fortis's non-executive directors and the provisions for individual members of the Management Board to Fortis's CEO.

A number of provisions could not, however, be translated to the Fortis context. These include the rules regarding a 'delegated supervisory board member' and a 'supervisory board member who temporarily takes on the management of the company' (III.6.6 and III.6.7 of the Tabaksblat Code respectively): these provisions are geared specifically to supervisory board members and the supervisory tasks they have to perform; they cannot be reconciled with the single-tier board model.

Similarly, in the context of a one-tier Board model the provision that the Chairman of the Board shall not have fulfilled an executive position within the company (III.8.1) is a rather unusual one, as the essence of the one-tier system is precisely to combine the expertise of executives and non-executives in one and the same decision-making body. Fortis's Chairman, Maurice Lippens, was Co-chairman of the Board and of the Executive Committee until 2000. Since 2000, Maurice Lippens has been a non-executive Board member and Chairman of the Board.

There are also several provisions of the Tabaksblat Code that do not actually apply to Fortis. This is the case with the following sections: II.2.1 (share options as a conditional remuneration component for management board members – Fortis does not offer such options), III.2.1 (all supervisory board members, with the exception of not more than one person, shall be independent – III.8.4 sets out the rule as it applies to Fortis), IV.1.2 (voting right on financing preference shares – Fortis does not have this type of preference share) and IV.2–IV.2.8 (depository receipts for shares – Fortis does not issue this type of depository receipt). The aforementioned provisions have not, therefore, been taken into consideration.

Regarding section III.3.5, the view has been taken that Fortis's rule to the effect that a person may not serve as a director for more than twelve years, with each individual term not exceeding four years, does not materially deviate from the Code's requirement of a maximum of three terms of four years each.

Finally, the provisions regarding the 'remuneration committee' and the 'selection and appointment committee' have been interpreted as applying to Fortis's Nomination and Remuneration Committee, since this body brings together the strongly interrelated selection, appointment and remuneration functions at Fortis.

Bearing in mind the qualifications expressed above, Fortis states that the principles and best practice (BP) provisions of the Tabaksblat Code have been met, with the following exceptions.

- *BP II.1.6: The management board shall ensure that employees have the possibility (to be published on the website) of reporting alleged irregularities to the chairman of the management board or to an official designated by him. Alleged irregularities concerning the functioning of management board members shall be reported to the chairman of the supervisory board.*
- Fortis has introduced a whistleblower procedure (Fortis Internal Alert System), but this has not been published on the website. The procedure is intended solely for Fortis employees; external publication would not enhance its effectiveness, but could have undesirable repercussions in countries where procedures of this nature run up against legal and/or cultural objections.
- *BP II.2.3: Shares granted to management board members without financial consideration shall be retained for a period of at least five years or until at least the end of their employment, if this period is shorter.*
- Under the Long Term Incentive Plan, shares can be awarded only to the CEO. He may sell up to 50% of the shares in order to pay the tax incurred on them. The remaining shares may not be sold until six months after his relationship with Fortis has terminated.
- *BP II.2.6: The Supervisory Board shall draw up regulations concerning ownership of and transaction in securities by management board members, other than securities issued by their 'own' company.*
- Fortis has regulations in place related to insider trading, which also extend to the Fortis Board members and to Fortis senior management. Fortis is in the process of amending these regulations, taking into account the statutory requirements and best practices in both Belgium and the Netherlands. Pending this review, the regulations have not been published on the website.
- *BP II.2.14: The company shall report the value of options granted to the management board and personnel and shall state how this value is determined.*
- As from financial year 2005, Fortis will account for the cost of share-based payments in accordance with IFRS and disclose related significant information.
- *BP III.1.7: The supervisory board shall discuss at least once a year on its own, i.e. without the management board being present, both its own functioning and that of its individual members.*
- Fortis's Board of Directors regularly reviews its own performance in an appropriate manner, but not necessarily on an annual basis. The Nomination and Remuneration Committee evaluates the individual board members.
- *BP III.3.4. The number of supervisory board mandates in listed companies incorporated under Dutch law shall be limited to five, with a chairmanship counting for two mandates.*
- Fortis evaluates the availability of its Board members, taking into account all their professional commitments as well as the availability actually demonstrated through their presence, work and performance for Fortis. At the time of going to press, one director did not satisfy the quantitative limitations contained in BP III.3.4. Said director has on his own initiative informed Fortis that he will give up one of his mandates in April 2005. As a result, Fortis will at that time comply in practice with the Tabaksblat code.
- *BP III.5.11: The remuneration committee shall not be chaired by the chairman of the supervisory board or by a former member of the management board of the company, or by a supervisory board member who is a member of the management board of another listed company.*
- The Chairman of the Board of Directors at Fortis is responsible for the proper functioning of the Board and for initiating all processes relating to this. These include ensuring a Board line-up that is geared to the needs of the organisation and also entails a leading role within the Nomination and Remuneration Committee.

Fortis and the Lippens Code

The Lippens Code has applied since 1 January 2005 to all companies incorporated under Belgian law, shares in which are traded on a regulated market. The code makes use of the 'comply or explain' principle. The first review of Fortis's application of the Lippens Code will be presented at the General Meeting of Shareholders in 2005. Fortis is committed to ensuring compliance with all major provisions of the code.

Auditors' statement

We have audited the financial information contained on pages 62 and 63 of this Annual Review, which is derived from the 2004 Annual Accounts of Fortis as audited by us. We issued an unqualified auditors' report on these Annual Accounts on 9 March 2005.

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, 9 March 2005
KPMG Accountants N.V.

Brussels, 9 March 2005
PricewaterhouseCoopers
Réviseurs d'Entreprise S.C.C.R.L.
Represented by
Y. Vandenplas and L. Discry

Board of Directors

Count Maurice Lippens

(1943 – Belgian – Independent)

Chairman of the Board of Directors (present: 11/11) and of the Nomination and Remuneration Committee (present: 4/4)

First appointed 1981. Term runs to 2005.

Other positions: Director Total, Director Lambert-Brussels Group, Director Belgacom, Director Suez-Tractebel, Chairman Compagnie Het Zoute, Director Iscal Sugar, Director Finasucre, Director Groupe Sucrier, Member Trilateral Commission, Member Harvard Business School European Advisory Council, Member Insead Belgium Council

Jan Slechte

(1937 – Dutch – Independent)

Vice-chairman (present: 11/11) and Member of the Nomination and Remuneration Committee (present: 4/4)

First appointed 1996. Term runs to 2006.

Other positions: Member Supervisory Board Samasgroep N.V., Chairman Supervisory Board TU Delft, Director Stichting Continuïteit Fortis

Jean-Paul Votron

(1950 – Belgian – Non-independent)

CEO, Member of the Board of Directors (present: 3/3),

First appointed 2004. Term runs to 2008.

Other positions: None

Baron Philippe Bodson

(1944 – Belgian – Independent)

Member of the Board of Directors (present: 5/6) and of the Audit Committee (present: 1/2)

First appointed 2004. Term runs to 2007.

Other positions: Director CIB, Director Exmar, Chairman Floridienne, Director Fondation Bernheim

Richard Delbridge

(1942 – British – Independent)

Member of the Board of Directors (present: 5/6) and of the Audit Committee (present: 2/2)

First appointed 2004. Term runs to 2006.

Other positions: Non-executive Director TATE & LYLE Plc, Non-executive Director JP Morgan Cazenove Holdings, Non-executive Director Gallaher Group Plc, Non-executive Director Balfour Beatty Plc, Council Member and Treasurer The Open University, Trustee The Wordsworth Trust

Jan-Michiel Hessels

(1942 – Dutch – Independent)

Member of the Board of Directors (present: 11/11) and Chairman of the Risk and Capital Committee (present: 3/3)

First appointed 2001. Term runs to 2007.

Other positions: Chairman Supervisory Board Euronext N.V., Member Supervisory Board Royal Philips Electronics N.V., Member Supervisory Board Royal Vopak N.V. (until April 2005), Member Supervisory Board Schiphol Group N.V., Member Supervisory Board Heineken N.V.

Baron Daniel Janssen

(1936 – Belgian – Independent)

Member of the Board of Directors (present: 4/6) and of the Nomination and Remuneration Committee (present: 9/11)

First appointed 1999. Term runs to 2005.

Other positions: Chairman Solvay, Vice-chairman UCB, Member Steering Committee Trilateral Commission, Member Steering Committee European Round Table of Industrialists, Chairman Hoover Foundation for Brussels Free Universities

Jacques Manardo

(1946 – French – Independent)

Member of the Board of Directors (present: 5/6) and of the Risk and Capital Committee (present: 1/1)

First appointed 2004. Term runs to 2008.

Other positions: None

Annemieke Roobeek

(1958 – Dutch – Independent)

Member of the Board of Directors (present: 10/11) and of the Nomination and Remuneration Committee (present: 4/4)

First appointed 1994. Term runs to 2005.

Other positions: Professor of Strategy and Transformation Management Business University Nyenrode, 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

Ronald Sandler

(1952 – German – Independent)

Member of the Board of Directors (present: 4/6) and of the Audit Committee (present: 1/2)

First appointed 2004. Term runs to 2007.

Other positions: Executive Chairman Computacenter Plc, Chairman The Kyte Group, Chairman Oxygen Group Plc, President of the Chartered Institute of Bankers in the UK, Partnership Council Member of lawyers Herbert Smith

Rana Talwar

(1948 – Indian – Independent)

Member of the Board of Directors (present: 5/6) and of the Risk and Capital Committee (present: 1/1)

First appointed 2004. Term runs to 2008.

Other positions: Director Pearson (UK), Director Centurion Bank (India), Director MBRD (Moscow Bank for Reconstruction & Development), Director London Business School, Director Indian School of Business

Baron Piet Van Waeyenberge

(1938 – Belgian – Independent)

Member of the Board of Directors (present: 11/11) and of the Risk and Capital Committee (present: 3/3)

First appointed 1988. Term runs to 2007.

Other positions: Chairman De Eik N.V., Chairman Fortales N.V., Director Fabricom N.V., Director Janssen Pharmaceutica N.V., Chairman Maison de la Radio (Flagey) SA/Omroepgebouw Flagey N.V., Vice-Chairman Indufin N.V.

Klaas Westdijk

(1941 – Dutch – Independent)

Member of the Board of Directors (present: 11/11) and Chairman of the Audit Committee (present: 5/5)

First appointed 1996. Term runs to 2006.

Other positions: Chairman Supervisory Board ENECO Energie N.V., Member Supervisory Board Wolters Kluwer N.V., Member Supervisory Board VastNed Groep N.V., Chairman Supervisory Board Connexion Holding N.V.

General Secretary: Michel van Pée

Stichting Continuïteit Fortis

René Mannekens (1940)

Co-chairman; first appointed 1999. Position: Chairman of the Board of 3 W Direct Management Solutions ICT

Mick den Boogert (1943)

Co-chairman; first appointed 2004. Positions: Professor of Securities Law, University of Groningen, Lawyer

Herman Santens (1934)

Member; first appointed 1999

Dick Bouma (1944)

Member; first appointed 2004. Position: Lawyer

Baron Piet Van Waeyenberge (1938)

Member; first appointed 2004. Position: Non-executive Director Fortis

Jan Slechte (1937)

Member; first appointed 1999. Position: Non-executive Director Fortis

Executive Committee

Jean-Paul Votron

(1950 - Belgian)

Chief Executive Officer
Member Board of Directors
Other positions: None

Herman Verwilt

(1947 - Belgian)

Deputy CEO
Chief Operating Officer
Other positions: Professor Extraordinary University of Ghent, Censor National Bank of Belgium, Director Flemish Economic Association, Director Belgian Finance Federation (Febelfin), Member Executive Committee and Board of Directors "Foundation Roi Baudouin", Member Instituto de Empresa International Advisory Board, Madrid

Gilbert Mittler

(1949 - Belgian)

Chief Financial Officer
Other positions: None

Joop Feilzer

(1949 - Dutch)

Chief Institutional Relations
Other positions: Chairman Supervisory Board Gemiva-SVG Groep, Director Stichting VSB Fonds, Chairman Dutch Fund Association, Director Stichting Administratiekantoor Cumulatief-Preferente Aandelen Pon Holdings B.V.

Jos Clijsters

(1950 - Belgian)

(nominated in January 2005)

Other positions: National Chairman of Young Enterprises, Member Board of Directors Stichting Marketing, Director EHSAL Management School, Director Vlerick Management School

Karel De Boeck

(1949 - Belgian)

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

Jozef De Mey

(1943 - Belgian)

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

Filip Dierckx

(1955 - Belgian)

Other positions: Member Board of Directors of various companies of the Group SD Worx, Member General Assembly Employers Association (Voka) – Flemish Economic Association

Jacques van Ek

(1945 - Dutch)

Other positions: Director Dutch Association of Insurance Companies, Vice-chairman Supervisory Board Polynorm N.V., Member Supervisory Board of Soweco N.V.

Peer van Harten

(1962 - Dutch)

(nominated in January 2005)

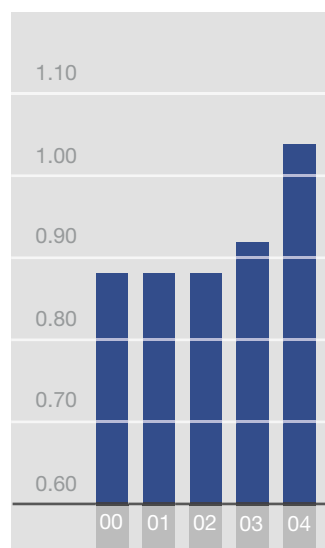
Other positions: None



From left to right: Gilbert Mittler, Herman Verwilst, Karel De Boeck, Jacques van Ek, Jozef De Mey, Jean-Paul Votron, Jos Clijsters, Peer van Harten, Joop Feilzer and Filip Dierckx.

Shareholders' information

Dividend
(In EUR)



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 first listed on 17 December 2001. At the end of 2004 the number of Fortis shares outstanding carrying voting rights and entitled to dividend was 1,301,104,005.

Dividend per share

Fortis has revised its dividend policy, in part to conform with IFRS. The company aims to pay a stable, growing dividend, taking into account its solvency, profitability and growth objectives. Fortis aims to pay an interim dividend as from financial year 2005. The interim dividend will be fixed taking into account the company's solvency and its achieved and expected results. The policy is – under normal circumstances – to pay an interim dividend amounting to 50% of the annual dividend of the previous year.

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.

Index weighting (on 9 March 2005)

AEX Index	8.43%	MSCI World	0.17%
BEL20 Index	15.18%	MSCI Europe	0.53%
Euronext 100	1.90%	MSCI EAFE	0.37%

Ticker symbols

	Bloomberg	Reuters
Euronext Brussels	FORB BB	FOR.BR
Euronext Amsterdam	FORA NA	FOR.AS
ISIN code BE0003801181		

Major shareholders (on 31 December 2004)

Suez	6.06%	Stichting VSB Fonds	5.52%
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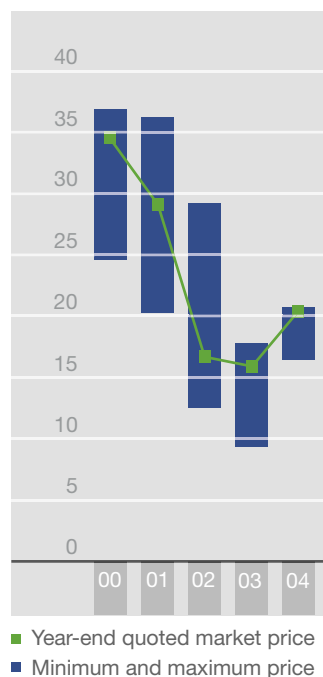
Ratings

	Fortis SA/NV en Fortis N.V.		Fortis Bank SA/NV	
	Long term	Short term	Long term	Short term
Moody's	A1		Aa3	P-1
Standard & Poor's	A+	A-1	AA-	A-1+
Fitch Ratings	A+	F1	AA-	F1+

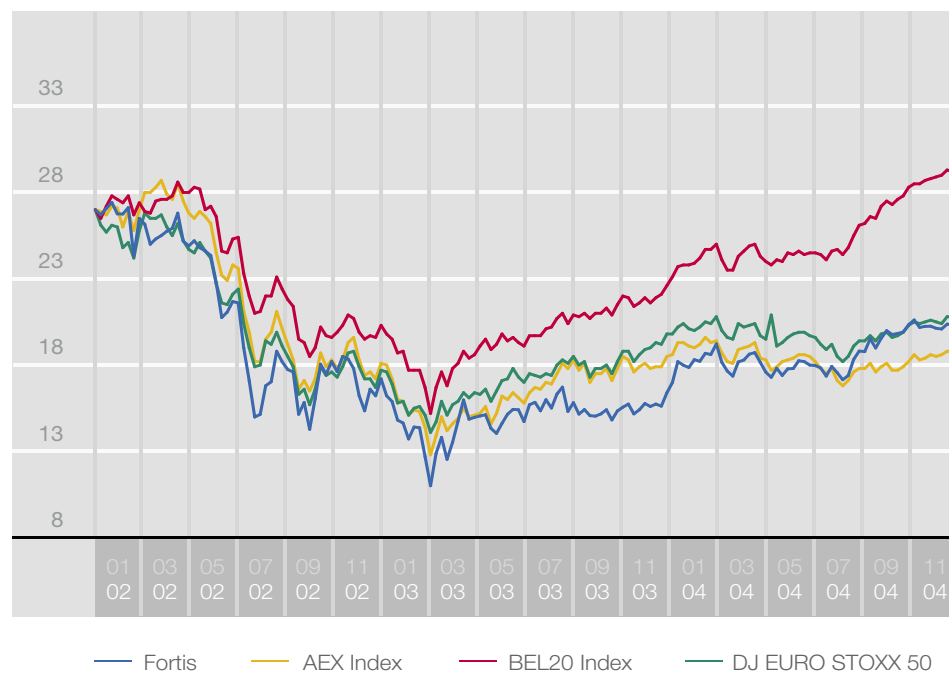
Stock exchange data

Share price

(In EUR)

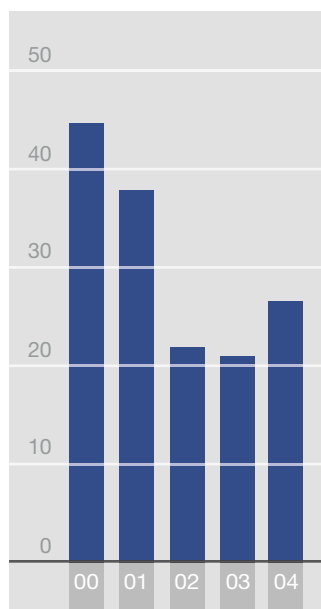


Fortis share price performance, Euronext (in EUR)



Market capitalisation

(in EUR billion)



Ratios

Year-end	2000	2001	2002	2003	2004
Price/earnings	15,2	14,5	40,8	9,4	7,9
Price/equity	2,9	2,7	2,0	1,7	1,8

Important dates in 2005

Publication of 2004 annual results	10 March 2005
Publication of results first quarter 2005	25 May 2005
Publication of results first half-year 2005	25 August 2005
Publication of results first three quarters 2005	23 November 2005
Ex-dividend listing of Fortis shares	27 May 2005
Start of dividend election period	27 May 2005
End of dividend election period	10 June 2005
Payment of Fortis share dividend	16 June 2005
Ex-interim dividend listing of Fortis shares	26 August 2005
Start of interim dividend election period	26 August 2005
End of interim dividend election period	9 September 2005
Payment of Fortis share interim dividend	15 September 2005
Analysts' meeting*	10 March 2005
Conference call for analysts*	26 May 2005
Analysts' meeting*	25 August 2005
Conference call for analysts*	23 November 2005

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

General Meeting of Shareholders

Fortis SA/NV	Fortis N.V.
25 May 2005, 9.15 a.m.	25 May 2005, 3 p.m.
Fortis Bank Auditorium	Fortis Auditorium
Rue de la Chancellerie 1	Archimedeslaan 6
Brussels, Belgium	Utrecht, Netherlands

Information

Information on Fortis, its corporate governance, organisation, strategy and results as well as press releases are available online on the Fortis website (www.fortis.com).

The Investor Relations department ensures a continuous flow of information by maintaining contact with the investor community. The Investor Relations department can be reached at:

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www.fortis.com/ir	

For debt-related information, please mail debtinvestorinfo@fortis.com or visit www.fortis.com/debtinvestors.

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Glossary

Asset-backed security. American term for a class of securities of which the principal and interest are financed with the cash flows of an underlying portfolio of financial assets (hence 'asset-backed': the financial assets act as collateral).

Assurfinance. The selling of banking products through intermediaries.

Bancassurance. The selling of insurance products through owned bank branches or through exclusive agents.

Call option. A negotiable right to buy a specified underlying asset (equities, bonds, currencies, raw materials) at a specified price on a specified date or at any time during a specified period.

Cash deposit machine. Machine through which cash can be deposited into a bank account.

Cash management (liquidity management). Monitoring, managing and planning of cash flows within a company or organisation: daily management of the cash balance, planning of short-term loans and investments, settlement of accounts payable and receivable.

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

Collateralised Debt Obligation. American term for type of bond with a pool of high-yield bonds and bank loans as collateral. The payment of the principal and interest of the CDO is financed with the cash flows generated by the underlying financial assets. Collateralised debt obligations are a class of asset-backed securities.

Combined ratio. The ratio between premiums received and the insurer's total expenses (claims burden, commissions, general expenses).

Commercial paper. Large-denomination short-term bond (term to maturity less than one year), traded on a discount basis to professional money market investors. The issuing institution may be a public authority, a company, a bank or another financial institution.

Conduit. A special purpose vehicle, which acts as issuer of asset-backed securities. The assets included in it consist of claims, bonds, franchise operations or leasing contracts.

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

Cumulative preferred share. Type of preferred stock where in case the issuer misses paying a dividend, the passed dividend cumulates into the future. The holder of the stock can claim the overdue dividend in subsequent years.

Custody. An agreement, usually between an investor and a bank (or possibly an agent or a trust company), whereby the investor deposits for safekeeping securities, gold or other valuables with the bank, which in turn takes the valuables into safekeeping for a fee.

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 characterised by a high-risk investment strategy (bull operation and bear operation in financial instruments, leverage, swap operations, arbitrage, etc.).

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.

Management buy-in / buy-out. Buy-out of the shareholders of a limited company by parties outside the company (MBI) or by the management (sometimes only the managing director) of that company (MBO).

One-tier model. (Anglo-American) management model under which a single board includes both executive and non-executive directors.

Securitisation. 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.

Trust. Arrangement whereby the trustee acts as the owner, for the real owner's benefit.

Colophon

Published and edited by

Fortis Communications

Photography

Hans Peter van Velthoven

Concept and design

Dart Design, Amsterdam

Printed by

Thieme Grafimedia Groep

Binding

Binderij Culemborg, Culemborg



Together, the Annual Review 2004 and the Annual Accounts 2004 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 2004 in het Nederlands. Het Jaaroverzicht 2004 en de Jaarrekeningen 2004 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 2004 en français. Les Comptes annuels 2004 et le Synopsis de l'année 2004 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.

Fortis

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