

FORTIS N.V.

Explanatory Note on the amendments to the articles of association

AGENDA ITEM 2: AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Some of the proposed amendments are common for both parent companies, i.e. Fortis SA/NV in Belgium and Fortis N.V. in The Netherlands. Other ones are specific to either of them, taking into account differences between local laws and regulations. This memorandum summarises the main amendments that are being proposed for Fortis N.V. *None of these amendments constitutes a material change, except for some of the amendments identified in chapters 1, 4 and 5 below.*

Explanation:

Amendments are being proposed to the Articles of Association of both parent companies of Fortis, for the following main reasons:

1. Changes to the composition and powers of the main corporate bodies
2. Simplification of the Articles of Association
3. Convergence of the Articles of Association
4. Compliance with new laws and Corporate Governance practices

1. Changes to the composition and powers of the main corporate bodies

The new articles 13 up to and inclusive 16 will keep unchanged the principle of the “one-tier board”, composed of non-executives and executives (*Remark: the current Articles of Association provide for only one executive member*). The current strict parity rules governing the composition of the board are deleted in the new Articles of Association. The new Articles of Association also provide for more flexibility for the governance of Fortis, notably, for the determination by the board of the additional responsibilities of the CEO and of the responsibilities of the Executive Committee.

Composition and role of the board of directors

- maximum of 17 members, non-executives or executives (*Remark: to allow an international composition of the board, whilst ensuring an optimum balance between the 2 national communities (NL/B), the current strict parity rules (A-B members) are deleted*).
- 1 chairman and 1 deputy chairman appointed by and from members board (*Remark: current Articles provide for 2 Chairmen and 2 deputy Chairmen. Related to strict parity rules which are to be deleted*).
- the board's internal rules will specify inter alia the matters specifically reserved for the decision of the board and not to be delegated by it.
- the board shall maintain an audit committee and other committees, covering matters such as nominations, remuneration and risk management (*Remark: these committees already exist today. Unchanged*).

Management of the Company

- The board delegates the day-to-day management to the executive member named Chief Executive Officer (CEO) - unchanged.
- The CEO is in charge of studying, defining and submitting to the board strategic options that may contribute to the development of Fortis as well - unchanged.
- The CEO will also exercise other powers and duties delegated by the board

- The board will maintain the Executive Committee, composed of the CEO (chairman), other executive members of the board (if any) and executives of the Fortis group appointed by the board upon the CEO's proposal
(Remark: unchanged, provided that executive members to the board, if appointed in addition to the CEO, also will be members of the Executive Committee).
- The board will determine the powers and duties of the Executive Committee upon the CEO's proposal
(Remark: amendment allows other duties to be entrusted directly to the Executive Committee where appropriate, on top of the current tasks (i.e. rendering assistance to the CEO)
- The CEO is accountable to the board for the performance of powers and duties entrusted to the Executive Committee.

Representation

Fortis N.V. will be duly represented by either:

- The board of directors
- Two board members acting jointly
- The CEO alone within the powers defined in a continuous power of attorney issued by the board in the context of day-to-day management
- The CEO, and/or any other special attorneys, pursuant to any specific mandate
- Any person, to who the CEO has subdelegated its representation powers.

2. Simplification of the Articles of Association

The current provisions which are only a transcription of rules in the Dutch Civil Code, are taken out. A *Fortis Governance Guide* is expected to be published shortly (inter alia on Fortis' website) to outline Fortis' governance structure and to summarise procedures relevant to shareholders. This allows the following changes to the current Articles of Association:

- ***Acquisition of own shares***
The current article 9 is replaced by a new (reduced) article 12. Unchanged is the Company's authority to acquire own shares:
 - for a stock option plan/scheme for Fortis employees; or
 - following a mandate from the General Shareholders Meeting.
 Obviously, the other requirements and the procedure prescribed by Dutch Civil Code will also continue to apply, but are no longer repeated.
- ***Capital reduction***
The current article 10 is deleted in full. The identical rules and procedure in the Dutch Civil Code will continue to apply. The (unchanged) provisions re capital reduction specific to Preference Shares A are inserted in a (new) article 30.
- ***General Shareholders Meetings***
The current articles 23 paragraph 3 (mandatory meeting), 25 paragraphs 2 (term for convocation and 2nd convocation) and 3 (lodging of agenda and explanation), 27 paragraph 1 (permitted attendees) and 28 paragraphs 2 (majority voting as general rule) and 4 (equal voting), respectively, are identical to the relevant provisions of the Dutch Civil Code. Hence, these articles are deleted. The same rules and procedures will continue to apply, unchanged, by operation of law.

3. Convergence of the Articles of Association

The Articles of Association of Fortis N.V. and Fortis SA/NV are made similar to the maximum extent allowed by Dutch and Belgian law. This will further enhance the unity between the two parent companies. The following main changes are proposed to achieve this:

- The following ***identical order of the chapters*** is introduced for both companies:
 - Definitions
 - Name/Registered Office/Purpose
 - Twinned Share Principle
 - Capital – Shares
 - Board of Directors and Management
 - General Meetings of Shareholders
 - Financial Year – Annual Accounts – Dividends
 - Amendments of the Articles of Association – Dissolution - Liquidation

For Fortis N.V., an additional Chapter comprising all provisions specific to Preference Shares is added. This Chapter entails new articles 27 up to and inclusive 34 and fully corresponds to those provisions specific to preference shares in articles 5 (paragraph 5), 6 (paragraphs 5, 8 and 10), 8 (paragraphs 1 b, 4, 5 and 9), 10 (paragraphs 1 and 4), 17, 18, 29 (paragraph 3), 32 (paragraphs 4 and 20) and 33 (paragraph 7) of the current Articles of Association. The contents are unchanged, except for the deletion of all references to the cumulative preference shares B (see Chapter 4). Accordingly, the term 'Preference Shares' will merely refer to the (existing but not issued) preference shares A.

- ***Purpose of the Company***
The contents of article 4 are unchanged, except for deletion of the current paragraph 2 which confirms the preservation of the interests of stakeholders of Fortis group companies. This principle continues to be fully endorsed by Fortis, but this will be reflected in the new Fortis Governance Guide.
- ***Twinned Share principle***
The new articles 5, 6 and 7 will comprise all provisions specific to the Twinned Share principle, which enhances the unification of the Fortis group by preserving the twinning of the shares of Fortis N.V. and Fortis SA/NV. The contents are unchanged, except for the explicit confirmation in the new article 5 paragraph b) that an exception to the Twinned Share principle is allowed if required to facilitate the distribution of stock dividend to the shareholders.
- ***General Shareholders Meetings***
The annual general meetings are proposed to take place for both companies on the same last Wednesday of May (current rule: before July 1st). The meetings for Fortis N.V. will start at 2.30 p.m. in Utrecht or Amsterdam (location unchanged), allowing the convocation to provide otherwise. The provisions are merged into the new articles 17 up to and inclusive 22, corresponding to the provisions of current articles 23 up to and inclusive 28. The contents are unchanged, except for:
 - deletion of provisions identical to the Dutch Civil Code; see Chapter 2 above.
 - introduction of the shareholders' right to propose agenda items, additional agenda items and a new procedure re the minutes; see Chapter 4 below.
- ***Issue of new (rights on) shares***
The new article 9 b) will confirm the current mandate granted to the board of directors at the 2003 General Shareholders Meeting in accordance with article 2:96 paragraph 1 Civil Code, to decide until 26 May 2006 upon the issuance of new (right on) shares. This

ensures consistency with the Articles of Association of Fortis SA/NV. No new mandate is requested. The applicable procedure is identical to the provisions of the Civil Code and will be summarised in the Fortis Governance Guide.

- ***Restrictions/exclusions pre-emption rights shareholders***
The new article 11 will confirm the current mandate granted to the board of directors at the 2003 General Shareholders Meeting in accordance with article 2:96a paragraph 6 Civil Code, to decide until 26 May 2006 upon restricting or excluding the pre-emption rights of existing shareholders when new (rights on) shares are issued. This ensures consistency with the Articles of Association of Fortis SA/NV. No new mandate is requested. The applicable procedure is identical to the provisions of the Civil Code and will be summarised in the Fortis Governance Guide.
- ***Profit and loss/dividends;***
Due to the new article 24 the board of directors will no longer decide on reservation before the profit is at disposal of the General Shareholders Meeting (current article 32 paragraph 3). This amendment is consistent with the Articles of Association of Fortis SA/NV. No material change for owners twinned shares: the board of directors continues to be authorised to distribute an interim-dividend, whilst the preference of holders of Preference Shares A is also maintained (outline details preference in new article 33; unchanged, except that preference shares B are deleted. *See Chapter 5*).

4. Compliance with new laws and Corporate Governance practices

A new Dutch Corporate Governance Code (the “Tabaksblat Code”) was issued on December 9, 2003. Dutch listed companies presumably will have to report on their compliance with this Code from the financial year 2004 onwards. Further, a legislative proposal to amend the Dutch Civil Code¹ is pending (the “Proposed Act”). The following amendments are proposed to already facilitate compliance with the Proposed Act, as well as with the Tabaksblat Code and other international corporate governance standards to the extent the international group structure of Fortis allows:

- ***Appointments/dismissals members board of directors***
The General Shareholders Meeting will be authorised to appoint new board members *upon proposal* of the board of directors, for maximum terms of four year each (new article 13 paragraph b). The board of directors will no longer make a *binding recommendation* (current article 20). In consequence, the currently required 2/3rd majority, representing 50% of the issued capital, to overrule such a binding recommendation will no longer apply: the General Shareholders Meeting is allowed both to approve and to reject any proposal by *a simple majority*. Equally, the General Shareholders Meeting will be enabled to dismiss any board member by a simple majority.

Note: both the deletion of the binding recommendation and the deletion of the 2/3rd majority for dismissals are even more favourable to shareholders than the Tabaksblat Code requires (i.e. no 2nd shareholders’ meeting is required). All of the aforesaid amendments will enhance shareholders’ influence. At present, Fortis already applies the maximum four year appointment terms, as prescribed by the Tabaksblat Code. The current provisions to preserve the personal union (i.e. any appointment is suspended until the appointee is also appointed by Fortis SA/NV; any board member is required to resign if no longer a member of the board of directors of Fortis SA/NV) also are unchanged and included in new article 13 paragraph c).

¹ Legislative Proposal 28179: amendments to large company regime (*structuurregime*) and other statutory rules.

- Remuneration policy**

The board of directors will continue to determine the remuneration of members of the board of directors. The new article 16 is similar to current article 21 paragraph 3, provided that the new article confirms that the determination is subject to legal requirements. This new wording refers to the Tabaksblat Code and the Proposed Act, which require the General Meeting of Shareholders to adopt the remuneration policy for members of the board of directors. The board of directors will determine the remuneration of new appointees to the board of directors in accordance with the policy adopted by the General Shareholders Meeting.
- Topics for agenda annual General Shareholders Meetings**

The new article 17 b) will identify, in addition to the usual items already specified in article 23 paragraph 2 of the current Articles of Association, that each annual General Shareholders Meeting will address the discharge of directors in respect of their responsibilities in the previous financial year and other matters that need to be submitted to the General Shareholders Meeting according to legal rules or at the board's discretion. These additions allow implementation of both the Tabaksblat Code and the Proposed Act (requiring the remuneration policy and board decisions that may affect the company's identity to be approved by the General Meeting).
- Right to propose items**

Pursuant to the Proposed Act, shareholders representing at least 1% of the issued capital, or owning Units whose stock exchange value amounts to EUR 50 million, should be allowed to suggest agenda items for the annual meeting. Article 17 b) sub 4) ii) of the new Articles of Association implements this rule in anticipation of the expected amendment to the Civil Code.
- Minutes of the General Shareholders Meetings:**

The new article 21 paragraph b) provides that draft minutes will be available, adopted and signed by the chairman and the secretary, within three months after the General Shareholders Meeting. The shareholders will from that moment on have three other months to react. The chairman and secretary will adopt the final minutes. The proposed review procedure is fully consistent with the Tabaksblat Code. The current designation of a shareholder who should adopt and sign the minutes (article 26 paragraph 2 of current Articles of Association) is deleted for practical reasons.

5. Implementation of other relevant changes

The following changes are being proposed for various reasons:

- Preference shares and authorised capital**

Article 5 paragraph 1 of the current Articles of Association allows Fortis N.V. to issue cumulative preference shares B. These shares constitute financing preference shares. No cumulative preference shares B have been issued to date. Fortis N.V. for technical reasons doesn't anticipate the use of the cumulative preference shares B as financial instrument either. Hence, taking also into account the restrictions recommended by the Tabaksblat Code for these type of preference shares, the cumulative preference shares B will be deleted in full from the Articles of Association.

- Due to the deletion of the cumulative preference shares B, article 8 of the new Articles of Association will reflect that the authorised capital of Fortis N.V. is reduced from EUR 1.738.800.000 to EUR 1.528.800.000, divided into (par value 0,42 each):
 - a. 1.820.000.000 cumulative preference shares A
 - b. 1.820.000.000 twinned shares.

- **Share certificates**
 Articles 5, 13 and 14 of the current Articles of Association refer to the following share certificates:
 - registered twinned shares: Unit Model I
 - bearer twinned shares: Unit Model II (K-stukken)
 - combined certificates Model I and Model II.
 - Unit model III (Globals) issued for bearer twinned shares (Giro-system)
 All certificates are to be submitted upon conversion or transfer of shares.

The abovementioned certificates are not all in use. In addition, submittal of certificates is only relevant for conversion of bearer into registered shares. Therefore, **article 10** of the new Articles of Association will allow the following revised structure:

- Issuance of physical bearer shares (*K-stukken*) for bearer twinned shares.
- Submittal of physical share required upon conversion into registered share
- Giro-system: the board of directors will decide upon on applicable conditions.

It is proposed:

- a. to amend the Articles of Association as outlined above.
- b. to authorise each member of the board of directors, with the power of substitution, as well as each civil-law notary, prospective civil-law notary and notarial paralegal, of Stibbe in Amsterdam, respectively, to do everything that is or may be required to obtain the required *nihil obstat* from the Ministry of Justice and to execute the deed of amendment of the Articles of Association.

The full text of the Articles of Association of the Company, as amended in accordance with the foregoing Chapters, is attached to this explanatory memorandum and is available for inspection also at the offices of Fortis N.V. and on Fortis' website.