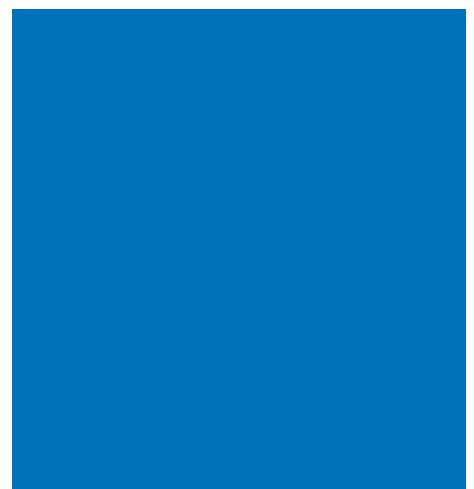


# Annual review 2002



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

# Fortis at a glance

## Profile

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

In its home market, the Benelux countries, Fortis occupies a leading position. In Europe, it has strong positions in private banking, asset management, leasing and factoring. With total assets of EUR 486 billion and net equity equalling EUR 10.9 billion, Fortis ranks among the twenty largest financial institutions in Europe. With its sound solvency position, broad risk spread and extensive expertise, Fortis combines global strength with local flexibility to provide optimum support to its customers.

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

## Mission

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

## Objectives

- To accumulate, manage and protect customers' financial assets
- To provide customers with top-quality, fast and effective service
- To conduct business in a socially responsible manner
- To create sustainable economic value for its shareholders
- To optimize its capital invested
- To achieve growth of net operating profit per share of at least 12%
- To produce a return on equity of at least 15%
- To maintain strict cost control

## Strategy

Fortis's strategy is based on three objectives:

- to improve performance in its home market, the Benelux countries, by focusing more sharply on the customer and by optimizing its mix of activities;
- to develop growth platforms in Europe in selected activities in order to acquire leading market positions in Europe;
- to expand activities in the United States and Asia that offer strong growth potential.

The divestment of non-profitable or non-core activities and enhancement of transparency form an integral part of the corporate strategy.

# 'Solid partners, flexible solutions'

## Fortis is market leader in the Benelux region and offers custom financial solutions.

A combination of strategic acquisitions and organic growth have enabled Fortis to grow since 1990 to a position as market leader in the Benelux region for commercial banking, private banking and insurance. Fortis occupies the number two position in retail banking, asset management and investment-related insurance products, and is a leader in the market for large multinationals.

## Our clients can conduct their banking, insurance and investment affairs how, when and wherever they wish.

Fortis clients have access to complementary distribution networks for their financial services. Retail customers can obtain advice and service from the local branch network, but also have access to automatic banking points (self-banks) and call centres, or can conduct their banking via telephone and the Internet. Businesses have access for their financial services to an international network of more than 100 business centres. Retail and business clients can also make use of intermediaries, who are supported by Fortis.

## Fortis continues to invest in bancassurance, because banking and insurance cannot be separated in a balanced approach to growing the wealth of our clients.

Fortis is a pioneer of the bancassurance concept. It is the largest life insurer in Belgium, where customers purchase life insurance both via intermediaries and at their local bank branch. In the Netherlands, where customers mainly purchase their life insurance through intermediaries, Fortis is the second largest provider. Fortis also offers insurance via both channels in Luxembourg. In Spain, where over 75% of life insurance is sold through the branch network, CaiFor is market leader in the field of bancassurance. Fortis is also successfully developing the bancassurance concept in a number of Asian countries, including Malaysia and China.

## To offer its clients an even better service, Fortis has embarked on major integration projects.

The integration programme is proceeding on schedule, both in the banking and insurance activities. In the banking business, the lion's share of the programme formulated in 1999 has already been fulfilled. The final step, integration of the branch network in Belgium, proceeded apace in 2002. In the Netherlands, Fortis Bank has repositioned itself in a rapidly evolving financial landscape, and it has integrated its IT systems. Fortis ASR has again moved forward in achieving synergies and has harmonized its employment conditions.

## The balanced mix of banking and insurance risks offers all stakeholders a solid basis.

Both the banking and insurance activities contribute in a balanced way to the net operating results. This business structure enables Fortis to spread and limit its risks more effectively. The policy of optimum risk management contributes to Fortis's unwaveringly strong solvency position.

This past year was an exceedingly turbulent one. Virtually every business sector was affected by persistently sluggish economic growth, the slump in the equity markets and tensions in the international political arena. In addition, the international business community became increasingly involved in the sound management and effective supervision of companies.

Despite these extremely trying market conditions, Fortis turned in a solid performance in 2002. In fact, we delivered our best operating performance ever. This achievement was made possible by our customer focus, the commitment of our staff, significant cost savings and strict risk management.

For the first time in Fortis's history, though, the market value of the equity portfolio fell to below original cost, depressing net profit. We kept you abreast of these developments throughout the year.

As you can read elsewhere in this Annual review, the Board of Directors is committed to efficient corporate governance and transparent financial communication. We also devoted a great deal of attention to risk management in 2002. Thanks to our prudent risk policy, the allocation to the provision for credit risks was 8% less than in 2001. Net core capital remained strong, at EUR 17.6 billion, which was EUR 7.9 billion higher than the legally required minimum. Fortis achieved a net operating profit, after realized capital gains, of EUR 2.2 billion. The Board of Directors confirms its decision to propose to the General Meeting of Shareholders an unchanged cash dividend of EUR 0.88 per share. This decision reflects our confidence in Fortis's operations and in its ability to manage its risks and solvency.

As we have already said, the fine operating performance can be largely attributed to our staff. We would like to express our special thanks for their unflagging commitment and professionalism. Fortis employees are making every effort to satisfy their customers and to better their results.

We would also like to take this opportunity to thank a few of our colleagues. Henjo Hielkema, who was one of Fortis's founders, has decided to step down as non-executive director in 2003. We are tremendously indebted to him for his significant role in the growth of Fortis. Christine Morin-Postel and Johann Martin Schröder have also announced their decision to step down as directors in 2003. The Board of Directors wishes to thank them, too, for their valuable contributions to Fortis. Carlo de Swart resigned as of 1 January 2003 from Fortis's Executive Committee and as Chairman of the Board of Directors of Fortis ASR. We would like to thank him for his efforts in the integration of Fortis's insurance operations in the Netherlands and wish his successor, Jacques van Ek, every success in ensuring the growth of Fortis ASR.

In 2003, which will also undoubtedly be marked by great uncertainty, we will continue to vigorously pursue our current policy. We are a stable company with a sound financial basis. Under these market conditions, our diversity and combination of wide-ranging banking and insurance activities are a vital aspect of our strength. Our customers can continue to rely on Fortis to be a financial services provider that listens to them and offers the right solutions. More than ever, we are committed to putting the customer first.



Jaap Glasz,  
Chairman of the  
Board of Directors



Maurice Lippens,  
Chairman of the  
Board of Directors



Anton van Rossum,  
CEO

# Key figures

(in EUR million)

|   | 2002           | Difference<br>in % | 2001    | Difference<br>in % | 2000    |
|---|----------------|--------------------|---------|--------------------|---------|
| <b>Profit and loss account</b>  |                |                    |         |                    |         |
| Net operating profit before realized capital gains and the value adjustment of the equity portfolio | <b>1,918</b>   | +3                 | 1,868   | +15                | 1,622   |
| • banking   | <b>1,059</b>   | +6                 | 1,001   | +9                 | 960     |
| • insurance   | <b>1,047</b>   | 0                  | 1,047   | +13                | 885     |
| Net operating profit  | <b>430</b>     | ( 81 )             | 2,267   | ( 4 )              | 2,356   |
| • banking   | <b>1,154</b>   | ( 7 )              | 1,238   | ( 6 )              | 1,313   |
| • insurance   | <b>( 616 )</b> |                    | 1,209   | ( 4 )              | 1,265   |
| Net profit  | <b>532</b>     | ( 80 )             | 2,598   | ( 6 )              | 2,768   |
| • banking   | <b>1,293</b>   | +7                 | 1,204   | ( 20 )             | 1,506   |
| • insurance   | <b>( 687 )</b> |                    | 1,577   | +6                 | 1,484   |
| <b>Employees</b>  |                |                    |         |                    |         |
| Average FTEs  | <b>65,989</b>  | 0                  | 66,210  | +5                 | 62,881  |
| • banking   | <b>40,768</b>  | ( 5 )              | 42,791  | +2                 | 41,870  |
| • insurance   | <b>25,031</b>  | +8                 | 23,237  | +11                | 20,857  |
| <b>Balance sheet</b>  |                |                    |         |                    |         |
| Net equity  | <b>10,871</b>  | ( 21 )             | 13,844  | ( 9 )              | 15,197  |
| Total assets  | <b>485,765</b> | +1                 | 482,970 | +10                | 438,083 |
| Assets under management   | <b>289,817</b> | ( 8 )              | 316,106 | +1                 | 313,846 |
| <b>Ratios</b>   |                |                    |         |                    |         |
| <i>Fortis</i>   |                |                    |         |                    |         |
| Return on equity  | <b>4.3%</b>    |                    | 17.9%   |                    | 20.0%   |
| <i>Banking</i>  |                |                    |         |                    |         |
| Tier-1 ratio  | <b>8.2%</b>    |                    | 8.5%    |                    | 7.3%    |
| Total capital ratio   | <b>13.0%</b>   |                    | 13.5%   |                    | 11.8%   |
| Cost/income ratio   | <b>64.8%</b>   |                    | 65.4%   |                    | 64.0%   |
| <b>Key figures per share</b>  |                |                    |         |                    |         |
| Net operating profit  | <b>0.33</b>    | ( 81 )             | 1.75    | ( 10 )             | 1.94    |
| Net profit  | <b>0.41</b>    | ( 80 )             | 2.01    | ( 12 )             | 2.28    |
| Net profit after full conversion  | <b>0.41</b>    | ( 79 )             | 1.98    | ( 11 )             | 2.23    |
| Dividend  | <b>0.88</b>    | 0                  | 0.88    | 0                  | 0.88    |
| Net equity  | <b>8.39</b>    | ( 22 )             | 10.70   | ( 9 )              | 11.78   |
| Net equity after full conversion  | <b>8.39</b>    | ( 22 )             | 10.70   | ( 9 )              | 11.74   |

## Ratings

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

# Shareholders' information

## The Fortis share

The Fortis share represents one unified share in the Belgian and Dutch parent companies Fortis SA/NV and Fortis N.V. respectively. The share replaces the former Fortis (B) and Fortis (NL) shares. The new Fortis share was listed on 17 December 2001.

## Stock exchange listings

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

| Ticker symbols     | Bloomberg/Reuters |
|--------------------|-------------------|
| Euronext Brussels  | FORB BBFOR.BR     |
| Euronext Amsterdam | FORA NAFOR.AS     |

ISIN code BE0003801181

## Index weighting (12 March 2003)

|              |        |             |       |
|--------------|--------|-------------|-------|
| AEX Index    | 7.67%  | MSCI World  | 0.09% |
| BEL20 Index  | 19.77% | MSCI Europe | 0.31% |
| Euronext 100 | 1.32%  | MSCI EAFE   | 0.22% |

## Major shareholders (at 31 December 2002)

|                     |        |
|---------------------|--------|
| Suez                | 10.50% |
| Stichting VSB Fonds | 5.54%  |

## Dividend per share

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

| Dividend (in EUR) | 2002 | 2001 | 2000 |
|-------------------|------|------|------|
|                   | 0.88 | 0.88 | 0.88 |

| Stock exchange data (in EUR) <sup>1)</sup> | 2002  | 2001  | 2000  |
|--|-------|-------|-------|
| Highest quotation                          | 29.10 | 36.19 | 36.91 |
| Lowest quotation                           | 12.51 | 20.26 | 24.66 |
| Year-end quoted market price               | 16.73 | 29.13 | 34.60 |

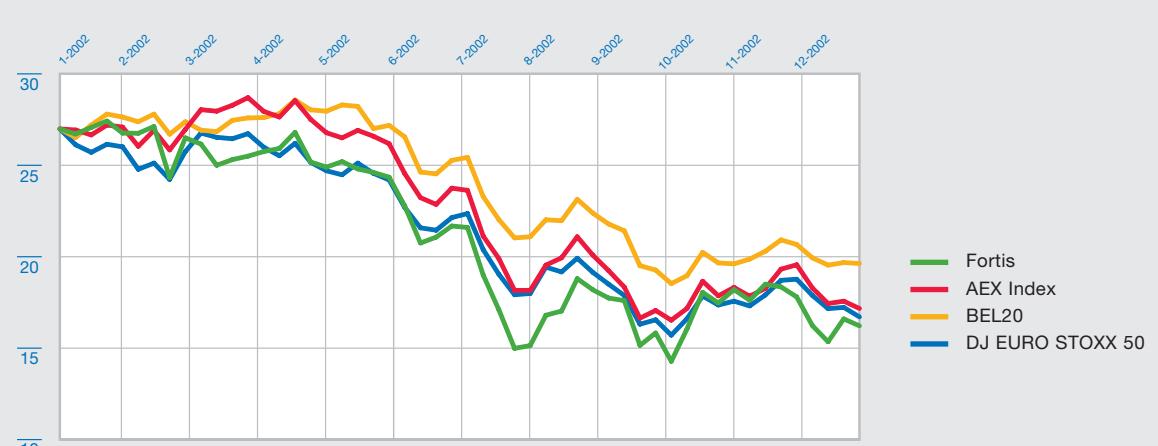
<sup>1)</sup> After unification of the shares on 17 December 2001.

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

<sup>2)</sup> Year-end data.

## Share price performance Fortis, Euronext (in EUR)

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



## Contacts

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

# Consolidated balance sheet before profit appropriation

(in EUR million)

|  | 31-12-2002     | 31-12-2001     | 31-12-2000     |
|--|----------------|----------------|----------------|
| <b>Assets</b>  |                |                |                |
| Cash   | 4,485          | 5,094          | 6,110          |
| Trading securities   | 14,518         | 19,447         | 13,363         |
| Investments  | 140,099        | 147,676        | 134,203        |
| Loans and advances to credit institutions                    | 83,859         | 63,762         | 62,383         |
| Loans and advances to customers                              | 172,144        | 176,834        | 162,093        |
| Reinsurers' share of technical provisions                    | 6,132          | 6,891          | 4,944          |
| Deferred acquisition costs                                   | 2,810          | 2,964          | 3,298          |
| Prepayments and accrued income                               | 27,856         | 19,845         | 17,038         |
| Investments on behalf of policy holders                      | 18,391         | 23,567         | 22,013         |
| Other assets   | 15,471         | 16,890         | 12,638         |
| <b>TOTAL ASSETS</b>  | <b>485,765</b> | <b>482,970</b> | <b>438,083</b> |
| <b>Liabilities</b>   |                |                |                |
| Amounts owed to credit institutions                          | 96,548         | 96,337         | 94,174         |
| Amounts owed to customers                                    | 177,635        | 179,687        | 145,752        |
| Debt certificates  | 49,964         | 50,896         | 43,761         |
| Technical provisions   | 61,736         | 59,533         | 56,130         |
| Liability related to investments on behalf of policy holders | 18,563         | 23,085         | 21,690         |
| Accruals and deferred income                                 | 26,615         | 19,773         | 15,824         |
| Other liabilities  | 27,158         | 23,999         | 31,865         |
| Convertible notes  | 1,256          | 1,257          | 1,257          |
| Subordinated convertible note                                | 1,250          |                |                |
| Subordinated liabilities                                     | 9,723          | 10,209         | 8,231          |
|  | <b>470,448</b> | <b>464,776</b> | <b>418,684</b> |
| Fund for General Banking Risks                               | 2,215          | 2,217          | 2,043          |
| Minority interest in group equity                            | 2,231          | 2,133          | 2,159          |
| <b>Net equity</b>  |                |                |                |
| Capital  | 6,280          | 6,085          | 428            |
| Share premium reserve  | 11,916         | 11,043         | 16,599         |
| Revaluation reserve  | 0              | 549            | 2,794          |
| Goodwill   | ( 17,025 )     | ( 16,607 )     | ( 15,834 )     |
| Other reserves   | 9,168          | 10,176         | 8,442          |
| Net profit current financial year                            | 532            | 2,598          | 2,768          |
| <b>Total net equity</b>                                      | <b>10,871</b>  | <b>13,844</b>  | <b>15,197</b>  |
| Group equity   | 13,102         | 15,977         | 17,356         |
| <b>TOTAL LIABILITIES</b>                                     | <b>485,765</b> | <b>482,970</b> | <b>438,083</b> |

# Consolidated profit and loss account

(in EUR million)

|   | 2002          | 2001          | 2000          |
|---|---------------|---------------|---------------|
| <b>Revenues</b>   |               |               |               |
| Insurance premiums  | 18,495        | 18,162        | 15,784        |
| Interest income   | 26,353        | 23,765        | 25,713        |
| Commissions and fees  | 1,858         | 1,978         | 2,164         |
| Results from financial transactions                             | ( 3,332 )     | ( 1,307 )     | 490           |
| Other revenues  | 2,740         | 2,660         | 2,917         |
| Total revenues  | 46,114        | 45,258        | 47,068        |
| Interest expense  | ( 19,478 )    | ( 16,914 )    | ( 19,403 )    |
| <b>Total revenues, net of interest expense</b>                  | <b>26,636</b> | <b>28,344</b> | <b>27,665</b> |
| Technical charges insurance                                     | ( 12,896 )    | ( 13,440 )    | ( 13,464 )    |
| Value adjustments   | ( 791 )       | ( 626 )       | ( 620 )       |
| Net revenues  | 12,949        | 14,278        | 13,581        |
| Operating expenses  | ( 10,403 )    | ( 10,785 )    | ( 9,964 )     |
| <b>Operating result before taxation</b>                         | <b>2,546</b>  | <b>3,493</b>  | <b>3,617</b>  |
| Taxation  | ( 911 )       | ( 1,049 )     | ( 1,044 )     |
| Operating group profit  | 1,635         | 2,444         | 2,573         |
| Minority interests  | 173           | 177           | 217           |
| <b>Net operating profit before unrealized capital losses</b>    | <b>1,462</b>  | <b>2,267</b>  | <b>2,356</b>  |
| Unrealized capital losses on the investment portfolio of shares | ( 1,032 )     |               |               |
| <b>Net operating profit after unrealized capital losses</b>     | <b>430</b>    | <b>2,267</b>  | <b>2,356</b>  |
| <b>Non-operating items</b>                                      |               |               |               |
| Results from financial transactions                             | 111           | 434           | 249           |
| Other revenues  | 73            | 108           | 111           |
| Value adjustments   |               |               | 157           |
| Operating expenses  | ( 111 )       | ( 342 )       |               |
| Taxation  | 29            | 131           | ( 105 )       |
| <b>Non-operating items after taxation</b>                       | <b>102</b>    | <b>331</b>    | <b>412</b>    |
| <b>Net profit</b>   | <b>532</b>    | <b>2,598</b>  | <b>2,768</b>  |

# Fortis's strategy: the road ahead

Fortis aims to be the leading financial services provider in its selected markets. In order to achieve this, it is organized into six specific businesses, each with a strong customer focus. Each business enjoys a high degree of autonomy in the formulation and implementation of its strategy and has a strong commitment to results.

In 2002 the businesses were instrumental in fleshing out and putting into practice the general Fortis strategy.

## Improved performance in the domestic market

- Fortis is improving its internal processes and offers its customers a wide choice of distribution channels.
- Fortis Bank is intensifying its efforts to control costs, among other things by streamlining the branch network and applying the principle of 'straight-through processing'.
- Fortis ASR has further harmonized its ICT infrastructure and integrated its two ICT organizations.
- Fortis AG supports its intermediaries with sound advice and enhanced, innovative Internet applications.

## Development of European growth platforms

- The opening of new Fortis Bank business centres in France, Germany and Spain strengthens the provision of financial services to international, medium-sized businesses.
- The strengthened market position in Europe in leasing and factoring activities enhances the service to businesses.
- The acquisition of Intertrust, a leading provider of trust services, fits in with the growth strategy of Private Banking.
- The worldwide network of 17 investment centres and distribution agreements with third parties increase the commercial striking power of Asset Management.

## Selective growth in the United States and Asia

- Results of joint ventures in insurance in Malaysia (Mayban-Fortis) and China (Taiping Life) are exceeding expectations.
- The partnership with Haitong Securities in China for providing asset management services has attractive growth potential.
- The integration of Protective Dental Life (dental insurance) and CORE, Inc. (absenteeism management services) into Fortis Benefits is proceeding smoothly.

## Divestment of non-profitable or non-core activities

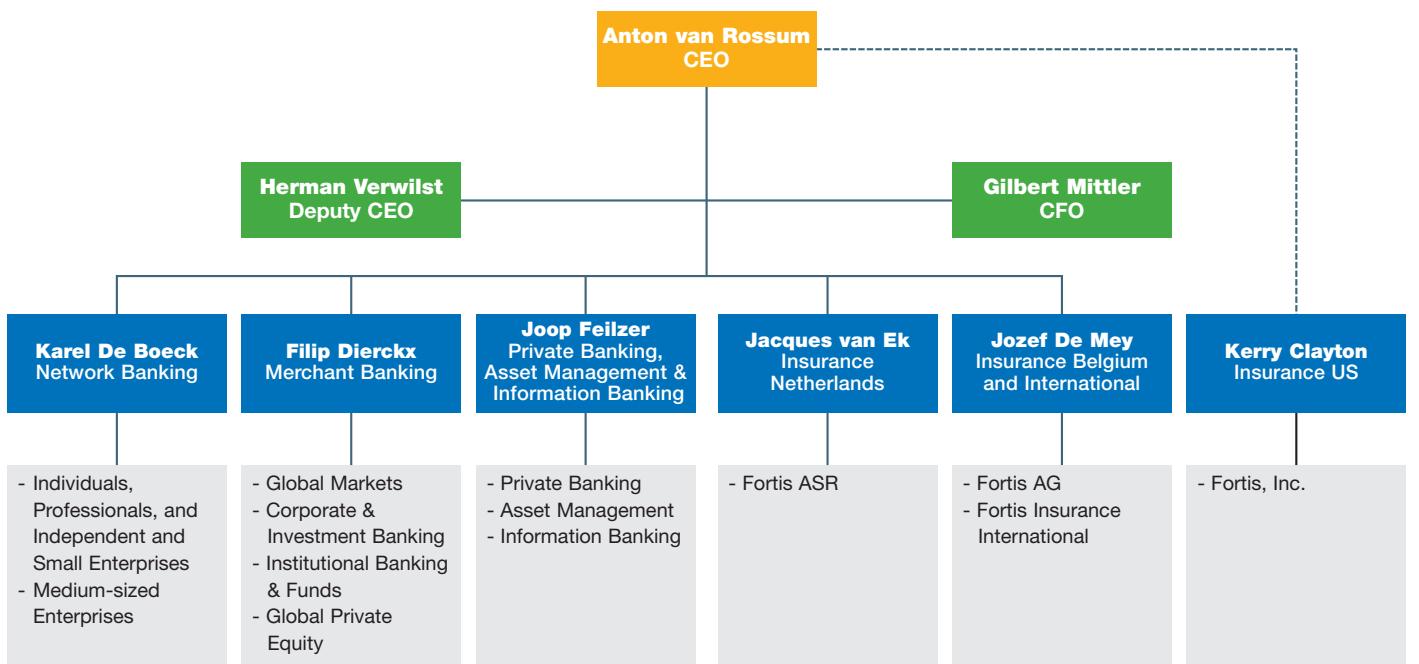
- TOP Lease, which is active in operational car leasing in the Benelux region, was sold in April 2002.
- In December 2002 Fortis announced its intention to sell its 40% interest in the Singapore-based Keppel Insurance.

## Greater transparency

- Fortis made a conscious decision in 2000 to opt for greater transparency. Fortis is now an international concern with one share, one Board of Directors and a CEO.
- Fortis operates an open and transparent financial communication policy. It provides its shareholders with accurate information on its solvency position, profit outlook and operational developments.
- Fortis provides information on the return on its economic capital and the embedded value of its life insurance activities.

## Amended organizational structure

- In order to increase its commercial striking power, Fortis decided in the fourth quarter of 2002 to amend its organizational structure with effect from 1 January 2003. Information Banking will be transferred to Private Banking and Asset Management. These three activities, all of which are concerned with securities, are key elements in Fortis's asset building strategy. The Corporate Banking activity will be transferred from Network Banking to Merchant Banking. This will make it possible to offer institutional clients and large companies an even wider and more specialized range of services.
- Fortis Bank's operational activities ('Operations'), such as securities handling, accounts and payments and standardized credits for retail customers, are combined into one general national and cross-border activity. This should lead to enhanced quality of service, greater cross-border synergy and improved cost control.



Organizational structure (on 1 January 2003)

## Description of activities

| Network Banking   | Merchant Banking   | Private Banking, Asset Management & Information Banking   | Insurance Netherlands   | Insurance Belgium and International  | Insurance United States   |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
|---|--|---|---|--|---|-----|-----|---|--------|--------|--------|--|------|------|------|------------------------|------|-----|-----|---|-------|-------|-------|--|------|------|------|------------------------|------|-----|-----|---|-------|-------|-------|--------------------------|---------|---------|---------|---|------|------|------|-------------------------------|-------|-------|-------|-----------------------------------|-------|-------|-----|------------------------|------|-----|-----|--------------------------------|-----|-----|-----|---|------|------|------|-------------------------------|-------|-------|-------|-----------------------------------|-------|-------|-------|------------------------|------|-----|-----|--------------------------------|-----|-----|-----|---|------|------|------|-------------------------------|-----|-------|-------|-----------------------------------|-------|---------|---------|------------------------|------|-----|-----|--------------------------------|-----|-----|-----|
| <p><b>Profile</b></p> <p>Network Banking provides financial services to retail customers, the independent professions and to small and medium-sized enterprises. In its home market, the Benelux countries, Fortis offers advice on all forms of saving, investment, credit and insurance through a variety of distribution channels. Fortis also provides retail banking services in France, Poland and Hong Kong. Medium-sized enterprises receive a uniform service offering from the integrated network of specialized business centres throughout Europe, with the same products and services and via the same online channels. Each business centre offers a team of experts specialized in commercial banking and familiar with the local policies and business community.</p> | <p>Merchant Banking provides financial markets, corporate and investment banking, onshore fund and private equity services to institutional customers, financial institutions, large companies and multinationals.</p>   | <p>Private Banking, Asset Management and Information Banking are important pillars of Fortis's asset accumulation strategy. MeesPierson offers high-net-worth individuals a complete range of tailor-made asset management, structuring and insurance services. Fortis Investment Management is Fortis's asset manager. Its activities range from institutional portfolio management to the development, distribution and management of investment funds. Information Banking offers an integrated approach to transaction processing, financial logistics, risk management and asset-backed financing, supported by the latest information technology.</p> | <p>Fortis ASR is a multibrand group that cultivates the market via independent insurance brokers. Fortis ASR offers its business and individual customers a wide range of life, pension, non-life, healthcare and disability insurances, and mortgage and savings products.</p>   | <p>In Belgium Fortis AG works through independent intermediaries to offer a comprehensive range of life and non-life insurances to individuals and small and medium-sized enterprises and, through Fortis Employee Benefits, group policies to large enterprises. Fortis Real Estate is Fortis's asset manager for real estate in Belgium. Non-life insurance for medium-sized and large enterprises is provided by Fortis Corporate Insurance. Insurance activities are developed internationally in Luxembourg, France, the United Kingdom and Spain and in Asia with joint ventures in China and Malaysia.</p>  | <p>The companies making up Fortis, Inc. in the United States are leading providers of insurance niches: group disability insurances, employee benefits, medical insurance for individuals and small businesses, preneed funeral insurance, credit-related insurance, guarantees and customer loyalty programmes.</p>  |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
| <p><b>Market position</b></p> <ul style="list-style-type: none"> <li>Leadership position for retail and commercial banking in the Benelux region</li> <li>Market leader in bancassurance in Belgium</li> <li>Network of 1,868 bank branches in the Benelux countries</li> <li>European network of over 100 business centres for medium-sized enterprises</li> <li>Strong presence in Asia</li> <li>Strong pan-European position in leasing, factoring and global cash management</li> </ul>   | <ul style="list-style-type: none"> <li>Leadership position in the Benelux region</li> <li>Presence in major European financial centres</li> <li>Leader in a number of specialized market segments, such as commodities trading, shipping financing and the energy sector</li> <li>Presence in Asia and the United States in a number of industrial sectors</li> </ul>  | <ul style="list-style-type: none"> <li>MeesPierson ranks among the top 10 private banks in Europe</li> <li>Strong position in international trust and company management</li> <li>Leading market position in the Benelux region</li> <li>Europe's market leader in derivatives clearing for third parties</li> <li>Recognized expertise as general custodian</li> <li>Leading European player for loans on securities and arbitrage and securities financing</li> </ul>   | <ul style="list-style-type: none"> <li>Second-ranking insurer for intermediaries in the Netherlands</li> <li>Growing market share</li> <li>Market leader in mortgage products and disability insurances</li> <li>Strong ties with intermediaries</li> </ul>   | <ul style="list-style-type: none"> <li>Fortis AG is a leading insurer in the Belgian market</li> <li>Fortis Employee Benefits is market leader in pension and healthcare insurance</li> <li>Fortis Real Estate is the biggest private owner of real estate in Belgium</li> <li>Fortis Corporate Insurance is market leader in the Benelux region for non-life insurance to companies</li> <li>International partners have a strong local market position</li> </ul>  | <ul style="list-style-type: none"> <li>As market leader, Assurant provides credit-related insurance services</li> <li>Fortis Health is a specialist provider of medical insurance to individuals and small companies; it is market leader in the individual medical insurance business</li> <li>Fortis Family and American Memorial Life, both specialized in preneed funeral insurance, together are market leader</li> <li>Fortis Benefits is the fifth largest company in one of the biggest growth markets, i.e. disability and dental insurance</li> </ul> |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
| <p><b>Key developments</b></p> <ul style="list-style-type: none"> <li>Cost control achieved through sharper focus and mergers in the branch network</li> <li>Better service provision thanks to improved processes for handling of complaints and streamlining of credit process</li> <li>Takeover of some of KBC Netherlands' operations</li> <li>Fortis expands its financial lease activities in Europe and divests TOP Lease, as operational leasing is not core business</li> <li>Business centres opened in France (Strasbourg, Nantes and Metz), Germany (Trier and Stuttgart) and Spain (Zaragoza)</li> <li>Development of specific services for international companies (e.g. international account, international credit facility)</li> </ul>                               | <ul style="list-style-type: none"> <li>Cross-border virtual dealing room via a unique platform in the Benelux countries</li> <li>Introduction of a single legal booking entity boosts operating efficiency and reduces capital tie-up</li> <li>Securities orders processed in real time and sent electronically</li> <li>Successful securitization operations</li> <li>Reorganization of equities research</li> <li>New organizational structure agreed in fourth quarter of 2002</li> </ul> | <ul style="list-style-type: none"> <li>In line with Private Banking's growth strategy, Intertrust Group was acquired in July.</li> <li>Fortis Investment Management obtains licence in China for asset management.</li> <li>Securities orders processed in real time and sent electronically</li> <li>Successful securitization operations</li> <li>Reorganization of equities research</li> <li>New organizational structure agreed in fourth quarter of 2002</li> </ul>   | <ul style="list-style-type: none"> <li>Policy and working method adjusted to meet requirements of new regulations</li> <li>Implementation of supply chain management boosts efficiency and quality of administrative processing</li> <li>Relationship with Fortis more visible</li> <li>Synergies enhanced</li> <li>Harmonization of employment conditions on a cost-neutral basis</li> </ul> | <ul style="list-style-type: none"> <li>Real estate portfolio strengthened and diversified thanks to acquisition of Bernheim Comofit</li> <li>Successful introduction of 'Familis', a tailor-made insurance package for individuals</li> <li>Fortis-e-Benefits launched, a package of online services for employee benefits, with secured access for intermediaries, employers and employees</li> <li>Overhaul of portfolio and selective acceptance policy of Fortis Corporate Insurance lifts premium growth significantly and improves results</li> <li>Joint ventures in China and Malaysia show positive developments</li> <li>Keppel Insurance in Singapore sold</li> </ul> | <ul style="list-style-type: none"> <li>Assurant expands its product range</li> <li>Fortis Health improves its risk profile by shifting its mix of activities, thereby improving general claims percentages</li> <li>Integration of Protective Dental Life and CORE, Inc., acquired in 2001, proceeds on schedule</li> </ul>   |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
| <p><b>Key financial figures<sup>1)</sup></b></p> <p>(in EUR million)</p> <table> <tr> <td>2002</td><td>2001</td><td>2000</td></tr> <tr> <td>- net operating profit</td><td>1,094*</td><td>868</td><td>853</td></tr> <tr> <td>- number of employees (FTEs, end of period)</td><td>21,130</td><td>22,604</td><td>22,906</td></tr> </table>  | 2002   | 2001  | 2000  | - net operating profit   | 1,094*  | 868 | 853 | - number of employees (FTEs, end of period) | 21,130 | 22,604 | 22,906 | <p>(in EUR million)</p> <table> <tr> <td>2002</td><td>2001</td><td>2000</td></tr> <tr> <td>- net operating profit</td><td>251*</td><td>416</td><td>413</td></tr> <tr> <td>- number of employees (FTEs, end of period)</td><td>2,656</td><td>2,735</td><td>2,643</td></tr> </table> | 2002 | 2001 | 2000 | - net operating profit | 251* | 416 | 413 | - number of employees (FTEs, end of period) | 2,656 | 2,735 | 2,643 | <p>(in EUR million)</p> <table> <tr> <td>2002</td><td>2001</td><td>2000</td></tr> <tr> <td>- net operating profit</td><td>146*</td><td>130</td><td>266</td></tr> <tr> <td>- number of employees (FTEs, end of period)</td><td>3,205</td><td>3,034</td><td>3,192</td></tr> <tr> <td>- funds under management</td><td>131,328</td><td>144,863</td><td>157,630</td></tr> </table> | 2002 | 2001 | 2000 | - net operating profit | 146* | 130 | 266 | - number of employees (FTEs, end of period) | 3,205 | 3,034 | 3,192 | - funds under management | 131,328 | 144,863 | 157,630 | <p>(in EUR million)</p> <table> <tr> <td>2002</td><td>2001</td><td>2000</td></tr> <tr> <td>- gross written premiums Life</td><td>3,109</td><td>3,457</td><td>1,566</td></tr> <tr> <td>- gross written premiums Non-life</td><td>1,850</td><td>1,702</td><td>522</td></tr> <tr> <td>- net operating profit</td><td>314*</td><td>472</td><td>400</td></tr> <tr> <td>- costs/gross written premiums</td><td>15%</td><td>14%</td><td>22%</td></tr> </table> | 2002 | 2001 | 2000 | - gross written premiums Life | 3,109 | 3,457 | 1,566 | - gross written premiums Non-life | 1,850 | 1,702 | 522 | - net operating profit | 314* | 472 | 400 | - costs/gross written premiums | 15% | 14% | 22% | <p>(in EUR million)</p> <table> <tr> <td>2002</td><td>2001</td><td>2000</td></tr> <tr> <td>- gross written premiums Life</td><td>3,948</td><td>3,203</td><td>3,133</td></tr> <tr> <td>- gross written premiums Non-life</td><td>2,411</td><td>2,157</td><td>2,106</td></tr> <tr> <td>- net operating profit</td><td>297*</td><td>352</td><td>347</td></tr> <tr> <td>- costs/gross written premiums</td><td>10%</td><td>10%</td><td>10%</td></tr> </table> | 2002 | 2001 | 2000 | - gross written premiums Life | 3,948 | 3,203 | 3,133 | - gross written premiums Non-life | 2,411 | 2,157 | 2,106 | - net operating profit | 297* | 352 | 347 | - costs/gross written premiums | 10% | 10% | 10% | <p>(in EUR million)</p> <table> <tr> <td>2002</td><td>2001</td><td>2000</td></tr> <tr> <td>- gross written premiums Life</td><td>901</td><td>972**</td><td>908**</td></tr> <tr> <td>- gross written premiums Non-life</td><td>7,437</td><td>7,622**</td><td>7,786**</td></tr> <tr> <td>- net operating profit</td><td>311*</td><td>209</td><td>300</td></tr> <tr> <td>- costs/gross written premiums</td><td>17%</td><td>16%</td><td>16%</td></tr> </table> | 2002 | 2001 | 2000 | - gross written premiums Life | 901 | 972** | 908** | - gross written premiums Non-life | 7,437 | 7,622** | 7,786** | - net operating profit | 311* | 209 | 300 | - costs/gross written premiums | 17% | 16% | 16% |
| 2002  | 2001   | 2000  |   |  |   |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
| - net operating profit  | 1,094*   | 868   | 853   |  |   |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
| - number of employees (FTEs, end of period)   | 21,130   | 22,604  | 22,906  |  |   |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
| 2002  | 2001   | 2000  |   |  |   |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
| - net operating profit  | 251*   | 416   | 413   |  |   |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
| - number of employees (FTEs, end of period)   | 2,656  | 2,735   | 2,643   |  |   |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
| 2002  | 2001   | 2000  |   |  |   |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
| - net operating profit  | 146*   | 130   | 266   |  |   |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
| - number of employees (FTEs, end of period)   | 3,205  | 3,034   | 3,192   |  |   |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
| - funds under management  | 131,328  | 144,863   | 157,630   |  |   |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
| 2002  | 2001   | 2000  |   |  |   |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
| - gross written premiums Life   | 3,109  | 3,457   | 1,566   |  |   |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
| - gross written premiums Non-life   | 1,850  | 1,702   | 522   |  |   |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
| - net operating profit  | 314*   | 472   | 400   |  |   |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
| - costs/gross written premiums  | 15%  | 14%   | 22%   |  |   |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
| 2002  | 2001   | 2000  |   |  |   |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
| - gross written premiums Life   | 3,948  | 3,203   | 3,133   |  |   |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
| - gross written premiums Non-life   | 2,411  | 2,157   | 2,106   |  |   |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
| - net operating profit  | 297*   | 352   | 347   |  |   |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
| - costs/gross written premiums  | 10%  | 10%   | 10%   |  |   |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
| 2002  | 2001   | 2000  |   |  |   |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
| - gross written premiums Life   | 901  | 972**   | 908**   |  |   |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
| - gross written premiums Non-life   | 7,437  | 7,622**   | 7,786**   |  |   |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
| - net operating profit  | 311*   | 209   | 300   |  |   |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
| - costs/gross written premiums  | 17%  | 16%   | 16%   |  |   |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |
| <p>* before value adjustment of the equity portfolio</p> <p>** on a like-for-like basis as in 2002 (with Assurant in Non-life)</p> <p><sup>1)</sup> based on Fortis's organizational structure in 2002: Corporate Banking came under Network Banking and Information Banking under Merchant Banking</p>   |  |   |   |  |   |     |     |   |        |        |        |  |      |      |      |                        |      |     |     |   |       |       |       |  |      |      |      |                        |      |     |     |   |       |       |       |                          |         |         |         |   |      |      |      |                               |       |       |       |                                   |       |       |     |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |       |       |       |                                   |       |       |       |                        |      |     |     |                                |     |     |     |   |      |      |      |                               |     |       |       |                                   |       |         |         |                        |      |     |     |                                |     |     |     |



from left to right, top to bottom:

Jacques van Ek, Filip Dierckx, Karel De Boeck, Gilbert Mittler, Anton van Rossum,  
Joop Feilzer, Herman Verwilst, Jozef De Mey

## Summary of financial results

In the extremely difficult year of 2002, Fortis booked a net operating profit (before realized capital gains and the value adjustment of the equity portfolio) of EUR 1,918 million. That represents an increase of 3% over 2001 and the best operating performance in the history of Fortis. Net operating profit (before realized capital gains and the value adjustment of the equity portfolio) at the insurance business was equal to the level achieved in 2001 and at the banking business went up by 6%.

The exceptional developments on the equity markets depressed the market value of equity investments to such an extent in 2002 that it fell below its original cost for the first time in Fortis's history. This was partly because its equity portfolio is relatively new. In addition, the original cost of the equity portfolio of Fortis ASR is calculated on the basis of its market value at the time of the takeover at the end of 2000, when equity markets were at their peak.

On 31 December 2002 Fortis charged the difference between the equity investments' market value and their original cost to the profit and loss account. As a result, net profit came to EUR 532 million and return on equity was 4.3%.

Fortis maintained its strong solvency position in 2002. At EUR 17.6 billion, net core capital remained as strong as ever. It was EUR 7.9 billion (81%) above the legally required minimum and EUR 2.1 billion (14%) above Fortis's own floor. Net core capital is based on a conservative calculation and excludes any unrealized capital gains on the bond portfolio (EUR 4.6 billion at year-end 2002), goodwill and any elements of embedded value.

Fortis's operating profit, after realized capital gains, amounted to EUR 2.2 billion. A cash dividend of EUR 0.88 per share, or 50% of this net operating profit, will be proposed to the company's shareholders. This reflects Fortis's confidence in its operations and its ability to manage its risks and solvency.

### Banking

Net interest income remained unchanged despite reduced exposure to interest rate fluctuations. Weak economic growth and the slump in the equity markets depressed net commission income, which declined by 6%.

The 9% decrease in costs is in line with the expected consequences of the integration programme initiated in 1999. Labour costs went down by 3% in 2002 owing to the departure of more than 2,500 employees. The 16% fall in other costs was achieved by a stringent cost-cutting drive. Lower costs have reduced the cost/income ratio, despite lower revenues, from 65.4% to 64.8%.

The net operating profit of the banking business, before the value adjustment of the equity portfolio, rose by 7% to EUR 1,326 million. The banking business accounted for approximately 60% of Fortis's total profit.

The allocation to the provision for credit risks was EUR 613 million, or 8% less than in 2001. Risk-weighted commitments (a means of gauging credit risks) decreased by 1% to EUR 151.3 billion thanks to good risk management. Banking's sound Tier-1 ratio fell slightly to 8.2% and the CAD ratio (Capital Adequacy Ratio) remained high at 13.0%.

## Insurance

Total gross premium income of Fortis's insurance business remained stable. Gross premium income in Life fell by 9% to EUR 9,754 million. Unit-linked insurance declined by 45% as a consequence of waning interest in such products, while other life insurance premiums rose by 14%. Gross premiums in Non-life rose by 8% to EUR 11,859 million, mainly on the back of 9% growth in Accident and Health.

Net operating profit before realized capital gains and the value adjustment of the equity portfolio was the same as for 2001. The value adjustment of the equity portfolio incurred a loss of EUR 616 million.

| Key figures banking (in EUR million)                 | 2002   | 2001   | Difference in % |
|--|--------|--------|-----------------|
| Total revenues, net of interest expenses             | 7,809  | 8,282  | ( 6 )           |
| Costs  | 5,168  | 5,658  | ( 9 )           |
| Net operating profit before realized capital gains   | 1,059  | 1,001  | +6              |
| Realized capital gains                               | 267    | 237    | +13             |
| Net operating profit after realized capital gains    | 1,326  | 1,238  | +7              |
| Value adjustment of the equity portfolio             |        |        |                 |
| Realized   | (74)   |        |                 |
| Unrealized   | (98)   |        |                 |
| Net operating profit                                 | 1,154  | 1,238  |                 |
| Cost/income ratio <sup>1)</sup>                      | 64.8%  | 65.4%  |                 |
| FTEs (end of reporting period)                       | 39,661 | 42,109 | ( 6 )           |
| <sup>1)</sup> Including FB Insurance, net of leasing |        |        |                 |

| Key figures insurance (in EUR million)<br>(including FB Insurance) | 2002   | 2001   | Difference in % |
|--|--------|--------|-----------------|
| Gross premium income   | 21,613 | 21,614 | 0               |
| Costs  | 5,113  | 4,962  | +3              |
| Net operating profit before realized capital gains                 | 1,047  | 1,047  | 0               |
| Realized capital gains   | 44     | 162    | ( 73 )          |
| Net operating profit after realized capital gains                  | 1,091  | 1,209  | ( 10 )          |
| Value adjustment of the equity portfolio                           |        |        |                 |
| Realized   | (671)  |        |                 |
| Unrealized   | (1036) |        |                 |
| Net operating profit   | (616)  | 1,209  |                 |
| Combined ratio Non-life  | 104    | 103    |                 |
| Costs/Gross written premiums                                       | 13.0%  | 12.5%  |                 |
| FTEs (end of reporting period)                                     | 25,713 | 23,803 | +8              |

The number of FTEs at Fortis ASR and Fortis AG declined slightly due to natural wastage. The integration of Fortis ASR progressed in accordance with the four-year plan formulated when ASR was taken over in 2000. The expansion of activities in the United States and the takeover of Bernheim Comofi (+1,419 FTEs) increased the total number of FTEs compared with 31 December 2001 by 1,910 to 25,713.

The embedded value of the life insurance business amounted to EUR 8.2 billion. New insurance production was worth EUR 136 million. The solvency of the insurance business at year-end 2002 was EUR 2.6 billion (72%) above the legally required minimum.

# Network Banking

## Strategy

A bank which focuses entirely on the needs of its customers places a number of demands on its organization. Transparency of service and flexible internal information management are essential requirements. Fortis Bank realizes this by simplifying procedures and offering integrated financial solutions. It is essential that the administrative services and the sales network, including the various distribution channels, work together even more closely.

As a bank for personal customers, Network Banking is active mainly in the Benelux region, though also operates in France, Poland and Hong Kong. Since it occupies a different market position in each of these countries, Fortis Bank takes account of local conditions and opportunities in the strategic development of its activities.

Fortis Bank offers internationally operating companies access to a fully integrated network of specialized business centres in Europe and Asia. Via a single point of contact (their Global Relationship Manager) they can arrange all their financial services internationally. Examples include electronic cash management and opening accounts in different European countries with just one signature. Fortis Bank also offers flexible cross-border financing constructions and leasing and factoring on a European scale.

## Key developments in 2002

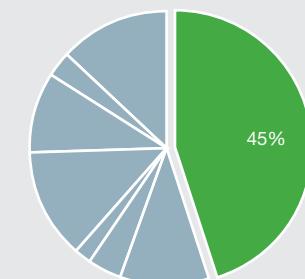
### Retail banking

In Belgium, Fortis Bank optimized its internal processes and the call centres. Matching the products and services offered with the expectations of customers, enhancing the transparency of service-provision and providing sound advice will all work together to strengthen customer loyalty. These measures were supported by the introduction of advice counters and the

possibility of making appointments outside office hours. Nearly 200 branches have a special counter for the independent professions and small businesses. In addition, Fortis has developed a new personal banking concept for high-net-worth individuals which accentuates comprehensive asset advisory services.

By investing in the availability and quality of the various distribution channels, Fortis Bank is optimizing their accessibility. Contrasting with the rationalization of the branch network is

Share of Network Banking in net operating profit\* (2002)

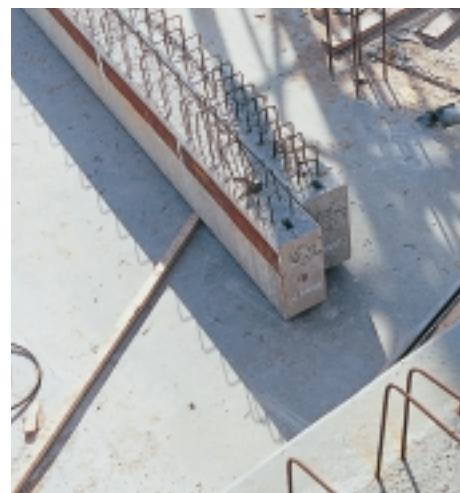


\* before the value adjustment of the equity portfolio

the expansion of the number of ATMs and automated counters. Internet banking now offers wide possibilities and has become much more user-friendly. Customers who combine efficiency with cost-awareness use the convenient electronic payment methods for their daily banking activities.

In the Netherlands, Fortis is strengthening its profile as an advisory bank for retail customers, the independent professions and small businesses. Consequently, the company devoted more attention to relationship management in 2002. This is a response to the fact that many of our customers have a growing need for advice on pensions, mortgages and insurance; they can obtain this advice from a network of 192 branches.

For the more traditional banking matters, customers in the Netherlands can make use of various distribution



channels. In addition to ATMs, telephone, call centre and Internet banking are all growing, and these channels are being strengthened by increasing their capacity. Since the start of Internet banking in early 2002, it is now used by 60,000 customers. The integration of the different IT systems, which was completed on schedule in 2002, will greatly improve the data processing, thus optimizing the service to the customer.

Early 2003 Fortis Bank acquired a portion of KBC Bank Netherlands' retail operations. It will serve these customers from its own branch network.

In Luxembourg, Banque Générale du Luxembourg (BGL) is one of the most prominent banks with a network of 39 branches. In collaboration with Fortis Luxembourg Vie, it has since June 2002 offered customers a wide range of insurance products alongside its banking services. This further improves the support given to customers in their personal asset management. In addition, Internaxx, a partnership with TD Waterhouse, offers an online brokerage service for customers wishing to invest on foreign stock markets.

Outside the Benelux region, Fortis Bank operates in France as a niche bank, mainly targeting managers and shareholders of small and medium-

sized businesses. Several distribution channels are available for this target group, such as the branch network and telephone, call centre and Internet banking. In Poland, Fortis Bank operates the same distribution strategy as in France. Fortis Bank has been one of the most important European banks in Hong Kong since 1935. Through its local network of 29 branches, Fortis offers its customers a full range of financial services.

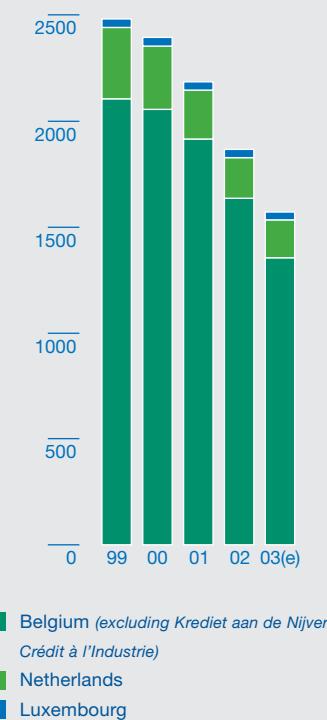
#### Commercial banking

The advice and service centres for medium to large companies, which were set up two years ago, have now grown into a fully integrated European network. During the European Day of the Customer in September, business executives made further acquaintance with the specialist cross-border financial services provided by Fortis.

Fortis Bank is seeking to broaden its portfolio of business customers through intensive campaigns aimed at potential customers and through the acquisition of client portfolios. As part of this process, Fortis Bank acquired part of the Dutch portfolio of medium-sized businesses from KBC Bank at the end of 2002.

In addition to the service provided by the business centres, the distribution strategy is aimed at enabling the Internet to grow into a fully fledged commercial tool. The website is

**Number of branches in the Benelux countries**



**Internet banking by Fortis Bank customers in Belgium**

|                |      | Number of contracts<br>(end of period) | Number of transfers<br>(by quarter) |
|----------------|------|--|-------------------------------------|
| fourth quarter | 2001 | 273,385                                | 3,741,000                           |
| first quarter  | 2002 | 290,417                                | 3,936,000                           |
| second quarter | 2002 | 310,850                                | 4,351,000                           |
| third quarter  | 2002 | 337,737                                | 4,312,000                           |
| fourth quarter | 2002 | 394,209                                | 5,373,000                           |

## Objective

Fortis gives the highest priority to the needs and expectations of its customers. In the light of this commitment, Fortis is developing into a true client bank for both retail customers and SMEs. In addition, Fortis wishes to be a key player for medium to large businesses in Europe.

therefore being transformed into an information platform for potential customers, as well as a full-function transaction platform for existing customers. There are now 70,000 registered customers in Belgium with an Internet transaction platform. They can use "Click 'n Deal", for example, to perform currency and money market transactions online. In other countries, too, Fortis is gradually expanding its online services to companies. In spite of these technological developments, however, personal contact and advice continue to be essential in the business segment.

Fortis Commercial Finance has built up a unique platform for factoring in Europe, which enables a better quality and more effective service to be offered

### Accolades

Fortis Bank: "Best bank in Belgium" (Euromoney, July 2002)

Fortis Bank: "Bank of the year 2002 in Belgium" (The Banker, September 2002)

Fortis Bank: "Best trade financier in Belgium" (Global Finance, February 2003)

[www.fortisbank.be](http://www.fortisbank.be): "Most popular bank website in Belgium" (Insites Consulting, June 2002)

Fortis Bank Polska: "Customer-friendly bank" (Warsaw Banking Institute, February 2002)

Banque Générale du Luxembourg: "Best bank in Luxembourg" (Euromoney, July 2002; Global Finance, October 2002)

to both customers and third parties. Fortis Commercial Finance is now the eighth largest factoring company in Europe, with a presence in ten countries. In Hong Kong Fortis Commercial Finance works together with Fortis Bank to provide financial solutions in export factoring. This enables Asian customers to export to Europe and the United States in a safe and flexible way on the basis of refinancing, collection and credit risk hedging.

Fortis Lease, which specializes in the financial leasing of capital goods, extended its service to Germany in 2002. Fortis Lease now has a presence in the Benelux countries, France, Germany, Poland, Italy and Spain, and is among the top 15 in Europe. In the year under review, Fortis sold TOP Lease because operational car leasing is not part of its core business.

## Financial performance in 2002

Network Banking posted a net operating result before the value adjustment of the equity portfolio of EUR 1,094 million in the year under review, 26% higher than in 2001. In line with the planned reduction of personnel, the number of FTEs in Network Banking declined by 7% to 21,130 in 2002.

Loan loss provisions in the medium-sized enterprises market segment hit a historic low in 2002. In the retail segment, mortgage lending in the Benelux region, which forms the lion's share of the portfolio, was characterized by a low-risk profile. Loan loss provisions rose only slightly.

FB Insurance, which sells Fortis insurance products via the Fortis Bank branch network, saw its gross premium income fall by 22% compared with 2001 to EUR 1,957 million. The fall in gross premiums at Life, to EUR 1,796 million, was attributable almost entirely to the decline in sales of investment-related products. Sales of other products held up well.

## Outlook

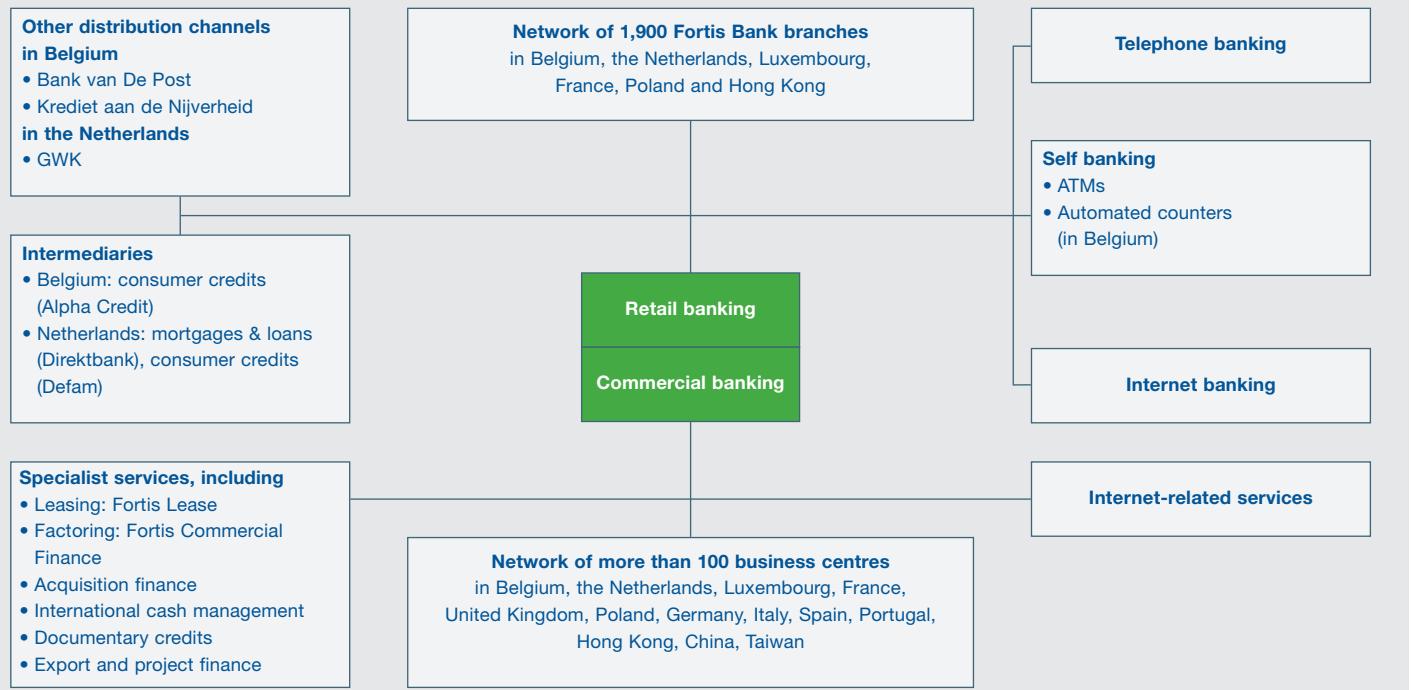
Network Banking will take new initiatives to approach its customers in a more consistent, customer-friendly manner. It will combine its competencies at a cross-border level and exchange best practices in order to serve customers even better. The operational and support banking services, like Operations, Information Services and Human Resources, will contribute to these efforts.

There is more and more competition in the retail niche markets in Belgium,

including from non-banks. These competitors offer a limited number of specialist products, which means that customers are more likely to purchase financial products from a range of different providers. This makes it even more important for Fortis Bank to become a true client bank and offer its customers total solutions. In the Netherlands, more attention will be devoted to the cooperation with Fortis ASR and to the development of cross-border products. The more efficient organization of the back offices will help improve the cost structure.

In the area of commercial banking, Fortis Bank is keen to optimize its business processes. It will achieve this through the development of a cross-border IT system and organization, based on the example of the Fortis factoring activities. The development of new products will also be stepped up through collaboration with other Fortis businesses, such as Merchant Banking, Private Banking, Asset Management and Information Banking. Finally, Fortis Bank will continue to devote attention to the enlargement of its customer base.

## Multi-channel distribution Network Banking





# Merchant Banking



## Key developments in 2002

In the fourth quarter of 2002 Fortis decided to amend the organizational structure of Merchant Banking with effect from 1 January 2003. The activities on behalf of large globally operating businesses (corporates), which were formerly carried out by Network Banking, now form part of Merchant Banking. On the other hand, the Information Banking activity, formerly part of Merchant Banking, is now strengthening the Private Banking and Asset Management business. Merchant Banking will take advantage of this change to expand further its range of products and services and to strengthen its customer relations.

## Strategy

Merchant Banking brings together Fortis's banking activities aimed at the institutional and professional market. These activities include financial transactions, corporate finance, advisory services and global specialist services. Merchant Banking concentrates primarily on medium-sized and international enterprises and on banks and institutional investors.

The strategy of Merchant Banking is based on three key elements. The first of these key elements is the solid home base in the Benelux countries. In its domestic market, Merchant Banking wishes to strengthen and deepen its customer relations by providing integrated customer service. The second key element consists in the competence centres, which bring together specialists from various fields of activity. This leads to a wider range of custom financial products with high added value. The third key element involves optimizing the operational structure and making it more cost-effective.

With this goal in mind, Merchant Banking launched a number of projects in the Benelux region in 2002. Sales teams spanning different countries and fields of activity began addressing specific market sectors. The resultant knowledge enables them to offer customized financing proposals. In addition, institutional clients can also be offered custom solutions which match their requirements more closely. The sales teams take a proactive approach to their customers and make use of the latest online management tools, both for exchanging and updating client information and for planning and timetable management.

Merchant Banking has developed a wide range of innovative products and services, varying from securitizations and credit derivatives to all manner of

derived financial products. Several activities are directed towards reducing the risk for clients. For example, Fortis Bank has built updates from the reputation on the European securitization market in the structuring, underwriting and trading of asset-backed securities. In 2002 the Bank carried out many successful securitization operations, for example the private conduit transaction for McDonald's which is being financed via the asset-backed commercial paper market, and the long-term transactions for ASR Bank. After issuing several collateralized debt obligations (CDOs) in recent years on the basis of static credit portfolios, in 2002 Merchant Banking in conjunction with Fortis Investment Management launched the first CDO with a dynamically managed portfolio. This portfolio invests in emerging market bonds.

### Objective

From the basis of its strong cross-border position in the Benelux region, Merchant Banking wishes to develop further internationally in selected European and global markets and activities.

### Global Markets

Merchant Banking is also working on improving the cost-effectiveness of its operating systems. It began with the phased introduction of a 'Single Legal Booking Entity', a unique IT platform which will ultimately process all market transactions with professional counterparties. This creates a virtual dealing room where the optimum service to clients is maintained from the local dealing rooms: the sales teams are close to their customers and the dealers close to the financial markets. The supporting services, like the back office, risk management and financial control, are centrally managed. Real-time order processing and straight-through processing (STP) systems were also put in place for Investment Banking, both of which are instrumental in boosting customer service.

#### Accolades

"Best commodity bank" (Trade Finance Magazine, Euromoney, April 2002)

"2002 Deal of the Year" for financial structuring of the wind energy project Desert Sky in the United States (Project Finance Magazine, March 2003)

"Best Advisor for the Asian Market" for export and project financing (Project Finance Magazine, January 2002)

The Dutch branch of Cash Management (Fortis Bank) obtained ISO 9002 certification

The cross-border aspects of the management of the credit-related investment portfolio, which invests in sovereign and corporate bonds and in securitized loans, has been further optimized. The competence centres in Brussels, Luxembourg and New York each manage that part of the portfolio that matches their local expertise while adhering to a general uniform strategic approach.

Thanks to an amendment in US legislation, Fortis is also developing banking activities in the United States in addition to its insurance activities there, thus allowing it to operate worldwide in the interbank market and to pursue opportunities for cheaper financing. Moreover, it can develop further in the worldwide trading of options, foreign exchange business and certain derivatives transactions.

Fortis has reorganized its equity research apparatus and focused the activities on small and medium-sized listed companies in the Benelux countries, France and Spain. Against a backdrop of the poor market conditions worldwide, the research in Frankfurt and Milan has been distributed among the four remaining share analysis centres in Brussels, Amsterdam, Paris and Madrid. The equities desk in London has been relocated to Amsterdam and the trading activities in equity derivatives have been brought together in Brussels. In the area of brokerage, Fortis has launched a new service

whereby securities orders from clients, which were formerly handled via other parties, are now carried out directly on several stock markets by Fortis. Together with Information Banking, Fortis is also seeking to develop integrated solutions for the customer in the field of custody.

### Corporate and Investment Banking

The business line Corporate and Investment Banking is organized around a number of commercial sectors and specialisms and includes the activities of Corporate Finance & Capital Markets. By pooling its extensive knowledge of specific sectors and niche markets, Fortis is able to offer customization and specialist services to large globally operating companies. The cross-border organization was shaped further in 2002. The international network covers the European Continent (Benelux, France, Spain, Italy), the United Kingdom, the United States (Stamford, Dallas) and Asia (Singapore, Shanghai, Sydney, Hong Kong). In a number of moves for Belgian companies, Fortis positioned itself among major international market players in the fields of consortium credits and acquisition financing. Fortis Bank ranks among the market leaders in a number of sectors, including ship financing, wind energy projects and the international raw materials trade. Fortis Bank is also active in the area of mergers and acquisitions, carries out fairness opinions, leads public offers and helps in the private placement or secondary offering of equities. In 2002, it was also active in a number of corporate finance deals, including that for Moeare Enim.

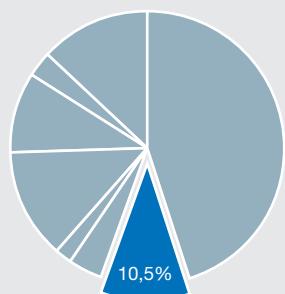
### Institutional Banking and Funds

This activity is responsible for the commercial relationships with banks and international clients such as insurers, asset managers and pension funds. In collaboration with other businesses, it offers specialist financial services.

### Global Private Equity

Global Private Equity supplies venture capital, growth capital and buyout capital to companies in both traditional and innovative sectors, with a view to achieving capital growth. The investments are effected among others by entities which are wholly owned by Fortis Bank. In 2002, for example, Fortis invested in a number of industrial firms, such as Pinguin and Vanerum in Belgium, Akzo Nobel Inks in the Netherlands, and Svensson and Rodilla in Spain. In innovative sectors, Fortis is playing an important role in the formation of university spin-off companies. Investments are also made through participation in funds managed by independent management teams in which Fortis Bank seeks synergy both within the business line and with other parts of the bank; an example is an investment in L-Capital, which specializes in emerging brand names. Finally, investments may be based on the 'fund of funds' approach, for which Fortis Bank has already entered into its first strategic alliance with the Swiss LGT Capital Partners. With a view to maximizing profitability, this business line is looking to analyze and manage its private equity portfolio in a dynamic way.

Share of Merchant Banking in net operating profit\* (2002)



## Financial performance in 2002

Merchant Banking generally posted good results in 2002, certainly given the difficult market conditions. Net operating profit before the value adjustment of the equity portfolio amounted to EUR 251 million. These figures show a fall of 40% compared with 2001, an exceptional year. The number of FTEs declined by 3% to 2,656 at year-end 2002.

### Outlook

Developments on the international financial markets confront Merchant Banking with a number of challenges. The priorities for 2003 include strengthening the commercial activities through an even more client-centred approach. In addition, the product range will be expanded and the streamlined organizational structure and more efficient processes will lead to a further reduction in costs.

# Private Banking, Asset Management & Information Banking



## Strategy

The three activities of Private Banking, Asset Management and Information Banking are all key elements in Fortis's asset building strategy.

Fortis's private banking operations trade internationally under the name "MeesPierson, the Private Bankers of Fortis". MeesPierson will use its domestic leadership to expand its position in selected markets outside the Benelux countries. Use of the international Fortis network and carefully targeted acquisitions will help it to expand its portfolio of high-net-worth individuals. The ongoing diversification of tailored financial and trust activities will underpin organic growth. At the same time, MeesPierson will continue to do its utmost to boost operational performance and efficiency.

Fortis Investment Management is Fortis's autonomous asset manager. With its base of operations in Europe and offices in the United States and Asia, it is active worldwide. Fortis Investment Management's activities are diversified, ranging from institutional portfolio management to the development, distribution and management of investment funds. Fortis Investment Management aims to provide innovative and high-quality investment solutions and support to both its retail and institutional clients.

Information Banking provides integrated services in four areas to professional investors with worldwide operations in the financial markets, such as institutional investors, pension funds, insurance companies, asset managers, hedge fund managers, banks, market makers and stock brokers. As a general custodian, Information Banking processes and manages international securities transactions and portfolios. It also provides financing and clearing services to institutional customers, traditional and alternative investment funds and brokerage firms. Additionally, Information Banking is active in securities lending. Finally, it provides administrative services for offshore investment funds.

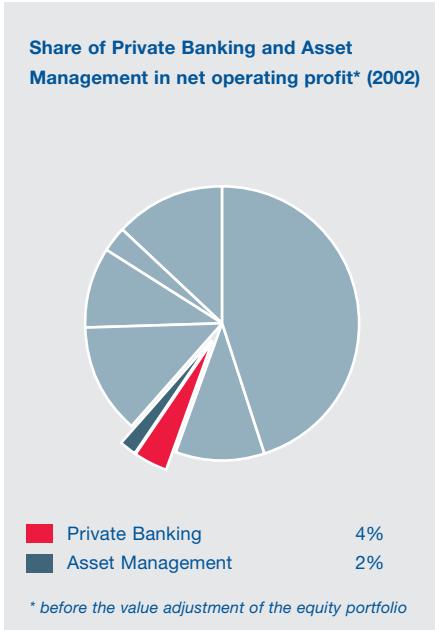
## Key developments in 2002

### Private Banking

The acquisition of Intertrust Group in mid-2002 bolstered MeesPierson's trust operations. Intertrust is a leading player in its segment. It delivers an extensive range of trust, business management, reporting, cash management and treasury services to a varied client base made up primarily of high-net-worth individuals, family companies, professional intermediaries and multinationals. The new business, MeesPierson Intertrust, employs 850 people in 16 countries. The merged operations complement one another in terms of both location and client portfolio, which means that the new firm's 20,000-plus clients now have access to an even wider range of advanced products, high-value-added services and a comprehensive package of private banking services.

### Objective

Fortis will continue to build on its already strong position in private banking and trust, asset management and specialist investment services. It wants to develop into an international private bank with integrated and competency-based service provision to high-net-worth individuals and to grow in the medium term into a leading asset manager at European level. Fortis also aims to be an important and innovative service provider in the niche markets in which Information Banking is active.



MeesPierson expanded its services in fields like Private Fund Management, Real Estate and Private Insurance to make its income less susceptible to cyclical trends. The concept of Private Insurance is based on intense collaboration with a small number of insurance companies that belong to the absolute elite of their particular segment and enables MeesPierson to provide specialist insurance products tailored to the customer's needs. In Belgium, for example, term life insurance and policies relating to inheritance planning are offered, while legislative changes in the Netherlands have prompted a shift towards life insurance and non-life policies. In Luxembourg unit-linked products are offered via Fortis Luxembourg Vie to a large number of European countries, with a particular focus on the Benelux region, Germany and France.

Although the downturn on the equity markets in 2002 made an impression on MeesPierson's revenues in 2002, the business managed to step up its profit. A number of strategic initiatives, such as the reorganization of management structures in accordance with specific competencies, facilitated the rapid implementation of cross-border strategies and cost savings, while the launch of high-value-added financial services, including specific interest-rate products and trust operations, delivered a fairly stable revenue base. Income that is not sensitive to cyclical trends now accounts for almost a third of the total.

### Asset Management

In the year under review, Fortis Investment Management continued to invest substantially in people, research and technology. This unified company has reinforced its senior management and redefined its internal organization. Optimization of the product range and strengthening of core activities through the recruitment of specialized personnel enhanced client focus. Fortis Investment Management boasts a worldwide network of 17 specialized investment centres that provide the company's core products. Each centre is responsible for its product performance. One of the new investment centres is Luxembourg, which, following the acquisition of the Fund of Funds and institutional asset management activities of Banque Générale du Luxembourg, was established as the company's centre for Fund of Funds management. The other investment centres are involved in European equities, US equities, growth market stocks and bonds, convertible bonds and real estate. All these centres pursue a uniform investment process, which ensures a consistent investment approach.

The commercial activities of Fortis Investment Management are carried out by two divisions, Distribution Partners and Institutional. Distribution Partners is responsible for sales of investment funds via two distribution channels: Fortis entities and third parties. Institutional is the service provider for clients such as large companies, pension funds and governments.

Distribution Partners made enormous strides in 2002 in the geographic expansion of its funds distribution. New offices were opened in Vienna and Frankfurt, followed by another in Milan in early 2003. Fortis Investment Management signed distribution agreements with third parties in Switzerland and Spain. Institutional concentrated on new business development while investing in high-quality customer service provision in order to strengthen ties with existing clients and acquire new ones. To this end, it made use of a new Customer Relationship Management tool.

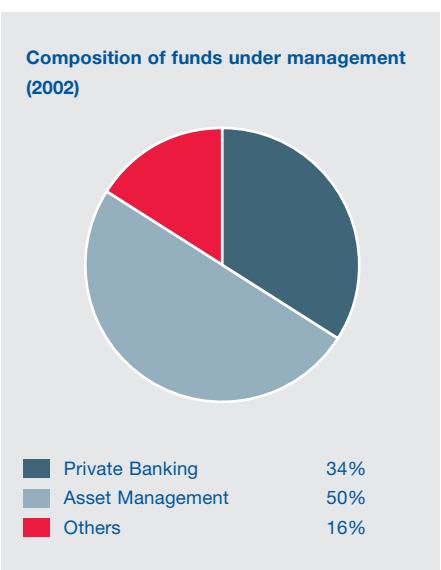
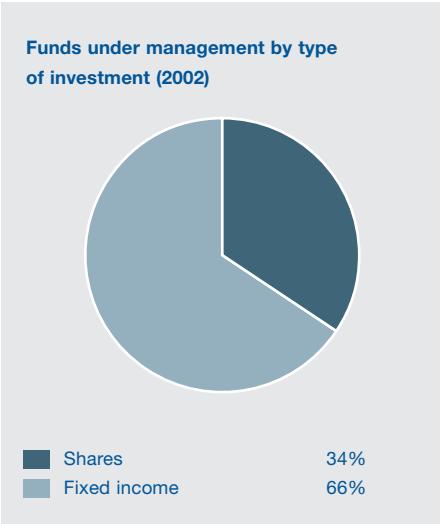
Fortis Investment Management achieved a milestone in the Chinese market in 2002: it obtained a licence from the Chinese Securities Regulatory Commission for the creation of a joint venture with Haitong Securities. Expectations are high for this partnership with one of China's oldest and largest securities companies, as asset management is virgin territory in China.

### Information Banking

Information Banking aims to respond to the growing need for comparative analyses and information on mandates and returns on portfolios. To that end, it has formed the joint venture Fortis SAMS Analytical Services, which offers institutional investors extensive investment analyses and tracking systems. Information Banking's systems make optimum use of the new Euronext clearing systems, thus allowing Fortis Bank to process, coordinate and settle its transactions in real time. These measures, along with enhanced processing procedures, have enabled Information Banking to make significant strides in straight-through processing.

The securities lending and borrowing activity had a highly successful year. Fortis signed a record number of exclusive contracts with institutional investors, and the activities in London had an excellent first year. Fortis increased its market share in clearing, with more than 300 million derivatives contracts cleared in 2002. Fortis also expanded its clearing membership to Euronext Paris and the Italian market. Prime Fund Solutions was established to provide fund administration, transaction processing, custody, leverage financing and banking services to the rapidly-growing offshore funds industry.

Information Banking also further expanded its online service provision. Institutional investors and fund managers now have direct access to an extensive databank of analyses, securities statements and fund information.



# Insurance Netherlands

## Accolades

Fortis Investment Management is one of the top ten fund brokers in Benelux (Extel Survey - Thomson Financial, June 2002)

Fortis Investment Management is one of Europe's twenty most well-known funds distributors (Sector Analysis, May 2002)

Fortis Investment Management: Global Investment Performance Standards (GIPS) - certificate for the highest and most universal ethical standards for the calculation and presentation of investment performance (PricewaterhouseCoopers, December 2002)

Information Banking: "Best Offshore Funds Service Provider" (GSCS Benchmarks, November 2002)

Information Banking: "Best general network for sub-custody" (GSCS Benchmarks, November 2002)

## Financial performance in 2002

Private Banking's net operating profit before the value adjustment of the equity portfolio grew to EUR 97 million (+14%) in 2002, despite the sharp economic downturn and the slump in equity markets worldwide. The rise was mainly due to substantial cost-savings and strategic initiatives to increase revenues. Disregarding the effect of the takeover of Intertrust, the number of FTEs declined by 115. However, the takeover increased the number of FTEs from 2,346 to 2,566. Falling equity prices depressed the value of assets under management for private investors. These declined by 15% to EUR 50.7 billion at year-end 2002.

The net operating profit of Fortis Investment Management rose to EUR 49 million (+9%) in 2002. At the same time, costs were kept under control. Fortis Investment Management had a workforce of 639 at the end of the year, compared with 688 at year-end 2001 (-7%). Assets under management declined from EUR 79.4 billion at 2001 year-end to EUR 72.8 billion – an 8% decline that was entirely attributable to market trends.

## Outlook

Private banking clients are looking for a service that is even more wide-ranging and tailored to their needs, pointing wealth management in the direction of total financial solutions. These range from the total management of assets and liabilities for individuals and companies to financial management on behalf of the entire family. To achieve this, the product offering is being extended to take in property, interest-rate and structuring products. At the same time, the centralization of support functions like securities handling and information systems will enhance cost efficiency and service quality.

Fortis Investment Management wants to further sharpen its customer focus, which is why it is concentrating on innovative and high-quality products like Collateralized Debt Obligations. Another priority is to expand the client base, primarily via its institutional presence in the United States.

The European countries outside the Benelux region offer ample growth opportunities for asset building. Pension funds and investment companies are being set up in countries like France, Germany and Italy, and prime brokerage activities and hedge funds will continue to be developed. As a result, a great many opportunities will arise for an integrated service provider like Information Banking, which has a presence in all major markets.



## Strategy

With a market share of 12% Fortis ASR, which encompasses all of Fortis's insurance companies in the Netherlands, is the second largest insurer on the highly competitive Dutch market. It tackles the market through different brands. Fortis ASR's products are distributed via independent intermediaries who sell insurance policies and related financial products. To that end, Fortis ASR's companies work together with more than 8,000 advice offices that vary greatly in terms of features, size and marketing strategy.

Fortis ASR wishes to strengthen its market position using the relationship of trust that each of its companies has with these intermediaries based on its specific strengths. Its approach involves the offering of a wide range of products, excellent service, attractive conditions for working together and good personal contacts. Quality and efficiency are boosted and costs are reduced through greater cooperation and synergy between the different group companies. In the field of ICT, in particular, considerable benefits can be derived from the convergence of applications and infrastructure. Moreover, synergy benefits within Fortis can be achieved by, for example, exchanging best practices with Fortis AG in Belgium and identifying synergy opportunities with Fortis Bank in the Netherlands.

## Key developments in 2002

The distribution strategy of Fortis ASR is successful, as is demonstrated by the fact that it once again succeeded in increasing its market share. Fortis ASR also scores highly in terms of quality, having again been rated as 'excellent' by intermediaries. In various performance surveys, both the smaller and larger brands of Fortis ASR achieved high scores. The key criteria are reliability and loyalty towards the inter-

mediary, the knowledge level of the office staff, accuracy in drawing up policies, response time and telephone accessibility.

Fortis ASR is investing heavily in supply chain integration in an effort to improve communication with intermediaries, in matters including the transaction process. Giving intermediaries direct access to insurers' back

offices via Internet technologies and automated links will significantly boost the efficiency and quality of the administrative processes. This yields benefits for insurers, intermediaries and consumers alike. Fortis ASR has a leading role in supply chain integration in the Dutch market and is actively committed to the creation of market standards.

### Objective

Fortis ASR aims to further strengthen its strong market position in the Netherlands in life and non-life insurance products, mortgage loans and simple banking products via intermediaries who sell insurance policies. To boost quality and efficiency and to reduce costs, it also strives to intensify synergies within Fortis ASR and with the other Fortis businesses.



Amendments in legislation governing tax benefits for life insurances have once again had a major impact on life insurance companies. These changes not only hampered new production market-wide, but also hurt existing portfolios as premiums were released and insurances were cashed in. All this resulted in fundamental administrative changes. To respond effectively to the new situation, Fortis ASR has introduced new products and concepts, for example in the field of financial planning. To support them in this process, intermediaries are provided information and training.

Fortis ASR has continued to take steps in its efforts to promote greater synergy. To make the relationship with Fortis more visible, the name of the insurance group ASR (AMEV Stad Rotterdam) has been changed to Fortis ASR, and from now on the Fortis logo will be used. The group companies are also promoting their affiliation with Fortis. The efficiency and quality of corporate staff departments is being strengthened by the merging of local staff departments. The financial reporting structures have been brought into line with Fortis's approach. The two organizations of tied agents, the Insurance Union and the AMEV Consultants' Organization, are currently being merged. Cooperation in the field of reinsurance has been intensified. The ICT infrastructure was further harmonized and the two original ICT organizations have been

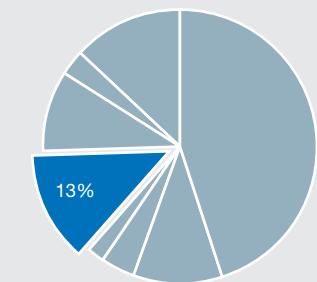
integrated. The number of computer centres has also been reduced. On the social front, Fortis ASR reached agreement in 2002 with the trade unions and the Works Council on harmonizing working conditions on a cost-neutral basis.

## Financial performance in 2002

In the light of market conditions Fortis ASR delivered a solid operating performance in 2002. Net operating profit before realized capital gains and the value adjustment of the equity portfolio came in at EUR 254 million (-2%). Net operating profit after realized capital gains, but before the value adjustment of the equity portfolio of Fortis ASR fell EUR 158 million to EUR 314 million relative to 2001, due to an EUR 153 million drop in realized capital gains. The number of FTEs stood at 5,187 at the end of 2002, relative to 5,269 at the end of 2001.

Gross premium income in Life insurance amounted to EUR 3,109 million, 10% lower than in 2001. The drop is primarily due to the EUR 349 million one-off pension portability from Fortis Bank in 2001.

**Share of Insurance Netherlands in net operating profit\* (2002)**

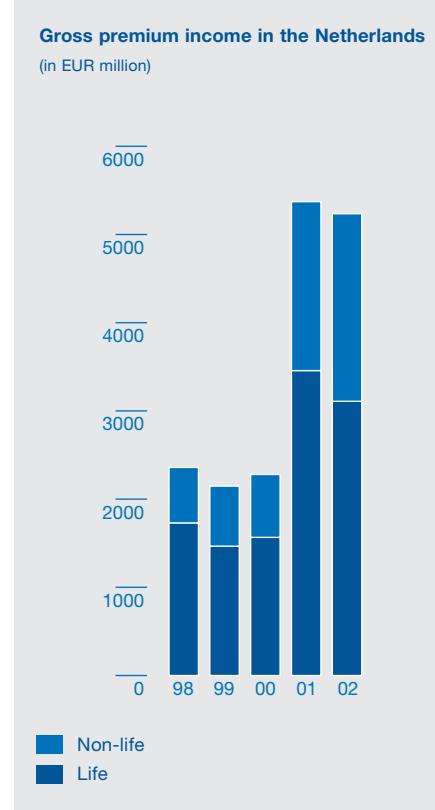


\* before the value adjustment of the equity portfolio

**Fortis ASR's market share in the Dutch insurance market (2001)**

|                      |       |
|----------------------|-------|
| ING                  | 16,8% |
| Fortis ASR           | 12,5% |
| Aegon                | 9,7%  |
| Delta Lloyd/ABN Amro | 9,6%  |
| Achmea               | 9,6%  |
| Rabobank             | 8,1%  |
| SNS Reaal            | 3,6%  |

Source: Assurantie Magazine, 13 December 2002



Without this, gross premium income in Life would have remained unchanged, even despite the introduction of the new tax regime in 2001 and the current uncertainty regarding new legislation for insurance products. Gross premium income in Non-life climbed 9% to EUR 1,850 million. Gross premium income in Accident and Health even increased 13% to EUR 893 million.

Mortgage activities, which are very important to Fortis ASR, once again showed buoyant growth. Production in 2002 increased 16% to EUR 8.2 billion. A shift was seen from unit-linked mortgages towards the more traditional types. Lower financing costs have been made possible thanks to the successful joint securitization programme of ASR Bank and Fortis Bank.

## Outlook

The political situation in the Netherlands in 2002 brought on dynamic changes in the insurance market. Recent socio-political developments have again resulted in proposed amendments to legislation. The new political arena since the elections early in 2003 could have an impact on, among other things, the tax treatment of life insurances, salary savings schemes, the health care system and social insurances legislation.

Announced amendments to the supervisory regime for insurers, banks and intermediaries will also have a profound impact on the situation.

In spite of all this, Fortis ASR sees ample growth opportunities in both the shorter and longer term. Uncertainty about health care as the population ages has lifted demand for standard and supplementary pension insurances. Research has revealed that the pension build-up of nearly eighty percent of the Dutch population falls short of the generally accepted level of seventy percent of the last-earned salary. Potentially far-reaching privatization of the Occupational Disability Insurance Act (WAO) could stimulate demand for disability insurances. Growing dissatisfaction with the health care system will result in policy changes, which could offer new prospects, and the mortgage market remains attractive. Moreover, intermediaries have focused their attention much more on the non-life insurance market. The growing interest in advice offers excellent opportunities to intermediaries, and Fortis ASR will support them in the form of integrated advisory services.

# Insurance Belgium and International





## Strategy

Fortis AG markets its complete range of insurance products to both the private market and small and medium-sized enterprises in Belgium exclusively via a network of around 3,000 independent intermediaries. Its strategy is directed towards strengthening its market position, providing optimum support for intermediaries and controlling costs. To facilitate growth, Fortis AG aims to increase the number of active intermediaries, work with them more intensively and increase the range of savings and investment products offered. The growing use of Internet applications and the careful matching of the services to the intermediaries enhance internal productivity. At the same time automation of processes, simplification of procedures and innovation in products and services lead to cost savings.

In the corporate market, Fortis AG chooses a more diversified distribution strategy and high quality of service over price competition. By targeting clients individually, Fortis Employee Benefits can respond more effectively to the specific needs of each company. Fortis Corporate Insurance's leading position in the Benelux countries means medium-sized and large enterprises have access to a wide range of industrial services and expertise.

Acquisitions will be considered in selected international markets, provided these fit in with the business strategy. The main focus will therefore be on 'asset gathering' aimed at acquiring or maintaining market leadership and making use of specific expertise in bancassurance. In the United Kingdom, France and Luxembourg, Fortis wishes to further expand its existing activities. In Asia, Fortis is looking for partnerships with strong local partners with a wide distribution network and above-average growth and profitability prospects.

## Key developments in 2002

### Insurance Belgium

With its wide range of Life products, Fortis AG is able to respond to the rapidly changing needs of its clients. In the current financial environment, the intermediaries are increasingly projecting themselves as independent financial advisors. In response to this, Fortis AG has among other things launched the 'Modulife' concept. This is a flexible pension plan which has been greatly simplified administratively and which is geared to the specific needs of company managers and small businesses. In the area of investment products, Fortis AG has responded particularly to the growing demand for products offering greater certainty. Integrated online processing ensures further cost control.

### Objective

Fortis AG aims to be the leading intermediary insurer in Belgium for Life and Non-life insurance, serving both the private market and small and medium-sized enterprises. It also aims to maintain its leadership in the field of employee benefits insurance for large companies and, through Fortis Corporate Insurance, in other non-life insurances. On an international level, Fortis wishes to build up a strong local market position in selected markets outside Belgium, the Netherlands and the United States.

In Non-life, Fortis AG places the emphasis more on innovation and high-quality service than on price competition. Following the successful introduction of 'Modulis' in 1999, a customized insurance concept for small and medium-sized enterprises, Fortis AG launched the modular multiproduct concept 'Familis' in September 2002. Familis enables the client to place several non-life insurance policies in a single package, so that he/she always has a clear and up-to-date overview of his or her insurances. The concept also provides budget protection for the family. The Familis concept can be created and managed solely by the intermediary via an online transaction system.

Fortis AG is the biggest provider of company employee benefits in the Belgian market. In 2002 Fortis AG developed an interactive and flexible group insurance concept which meets the requirements of the modern labour market. Employers and employees can consult their group insurance at any time and can manage their plan online via 'Fortis-e-Benefits', an online IT platform which combines innovation with user-friendliness.

Fortis Real Estate, the property division of Fortis AG, manages a portfolio totalling EUR 4.7 billion. In July 2002 Fortis AG acquired Bernheim Comofi. Largely thanks to the contribution of Interparking, with 263 parking garages in 79 cities in seven countries, this

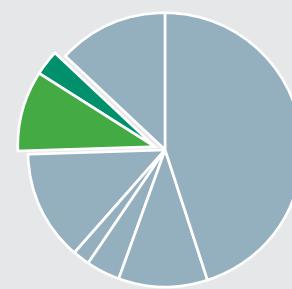
investment represents an excellent expansion of markets and activities. It also confirms and strengthens Fortis Real Estate's position as the leader in asset management property in Belgium, and creates interesting opportunities for the development of financial real estate products for the public at large.

### Insurance International

Fortis Insurance International, formerly known as Fortis International, brings together all the insurance activities outside Belgium, the Netherlands and the United States. It has activities in Spain (CaiFor and Seguros BILBAO), the United Kingdom (Fortis Insurance Ltd.), Luxembourg (Fortis Luxembourg Assurances) and France (Fortis Assurances). In Asia, Fortis has entered into joint ventures in China (Taiping Life) and Malaysia (Mayban-Fortis).

Fortis is active in Spain via CaiFor, a 50% joint venture with "la Caixa", the biggest savings bank in Spain. CaiFor provides an umbrella for the life insurance company VidaCaixa and the non-life insurer SegurCaixa, both of which market their products via the 4,000-plus branch network of "la Caixa". VidaCaixa was the largest life insurer and pension plan manager in Spain in 2002. SegurCaixa, which mainly offers combination home insurance packages, underwent strong growth again, and currently has almost 400,000 customers. As well as through CaiFor, Fortis also has a presence in Spain via

Share of Insurance Belgium and Insurance International in net operating profit\* (2002)



■ Insurance Belgium 9.5%  
■ Insurance Internationaal 3%

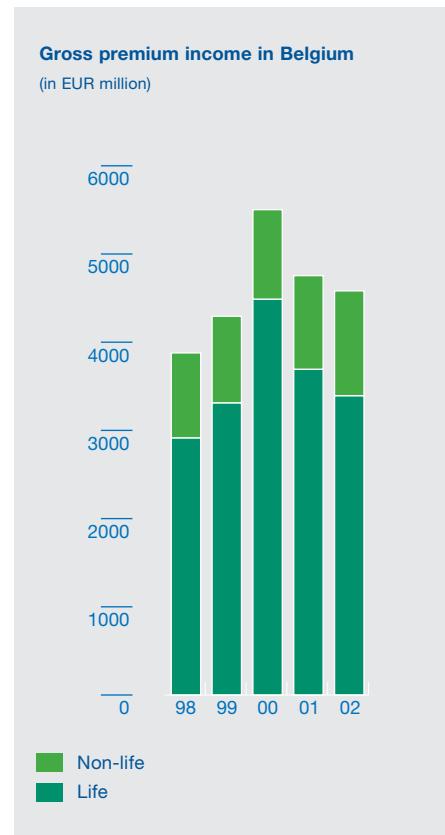
\* before the value adjustment of the equity portfolio

### Accolades

Fortis AG: "Gouden Regel" (Golden Rule) as recognition for a Belgian insurance company with initiatives and standpoints that are best geared to the interests of intermediaries (Federation of Insurance and Financial Intermediaries)

Fortis AG: 2002 Insurance Trophy in the category "Life products associated with an average-risk fund"

Fortis Insurance Ltd. (UK): "Motor Insurer of the Year" (Insurance Times Awards)



service. With a portfolio of 1.2 million vehicles, Fortis Insurance Ltd. is the biggest motor insurer within Fortis. Fortis Insurance Ltd. wishes to expand its successful business model for car insurance to its other insurance products.

In Luxembourg, the life insurance companies CGA Vie, GeneralLife and Fortis Luxembourg Vie pooled their strengths in June to form a single pan-European life insurer under the banner Fortis Luxembourg Vie. The company operates on the Luxembourg market via a network of tied intermediaries and through branches of Banque Générale du Luxembourg. In other European countries the company uses several channels, including independent financial intermediaries. Fortis Luxembourg also offers non-life insurance products in the Grand Duchy of Luxembourg (excluding motor insurance), mainly through agents.

Seguros BILBAO, a medium-sized mixed insurer which operates through tied intermediaries. The integration of the portfolio acquired in 2001 from the Swiss Bâloise is proceeding well. Seguros BILBAO aims to boost its efficiency by further strengthening its distribution approach.

In the United Kingdom, Fortis Insurance Ltd. sells non-life insurance products through intermediaries to both the private market and small and medium-sized businesses. It combines extraordinarily good efficiency with competitive prices and a first-rate

regional offices were running in 2002, and agreements were reached with four major Chinese banks. In Malaysia the joint venture with Maybank, the biggest financial service provider in the country, is developing Life and Non-life products which are sold mainly through its branch network.

## Financial performance in 2002

Fortis AG posted a net operating profit before realized capital gains and the value adjustment of the equity portfolio of EUR 66 million, a 27% decline relative to 2001. Part of this decline is attributable to the sale of Fortis Australia in 2001 and to the net operating loss of Fortis Assurances in France. The number of FTEs at end 2002 amounted to 3,162, relative to 3,150 at the end of 2001. In the United Kingdom, Fortis Insurance Ltd. continues to perform well, and Fortis's Spanish subsidiaries are also performing in line with expectations. The activities in Asia are promising. The activities of Mayban-Fortis made a positive contribution to the result.

Since the start of the activities in early 2002 in China, Taiping Life has generated premium income of EUR 219 million.

Fortis Corporate Insurance (FCI) is one of the main non-life insurers for medium-sized and large enterprises in the Benelux region. The available capacity in the market for industrial insurance contracted further in 2002, which again drove up premium levels in this market. FCI benefited from these developments and saw its gross premiums grow by over 35% to more than EUR 450 million. Premium income in fire and maritime insurance climbed by 69% and 66%, respectively. Unflagging efforts in pruning the portfolio and developing a selective acceptance policy also bore fruit in 2002. Net operating profit before value differences advanced to EUR 11 million in 2002, against EUR 7 million in 2001.

Fortis Insurance International achieved a net operating profit before realized capital gains and the value adjustment of the equity portfolio of EUR 66 million, a 27% decline relative to 2001. Part of this decline is attributable to the sale of Fortis Australia in 2001 and to the net operating loss of Fortis Assurances in France. The number of FTEs at end 2002 amounted to 3,162, relative to 3,150 at the end of 2001. In the United Kingdom, Fortis Insurance Ltd. continues to perform well, and Fortis's Spanish subsidiaries are also performing in line with expectations. The activities in Asia are promising. The activities of Mayban-Fortis made a positive contribution to the result.

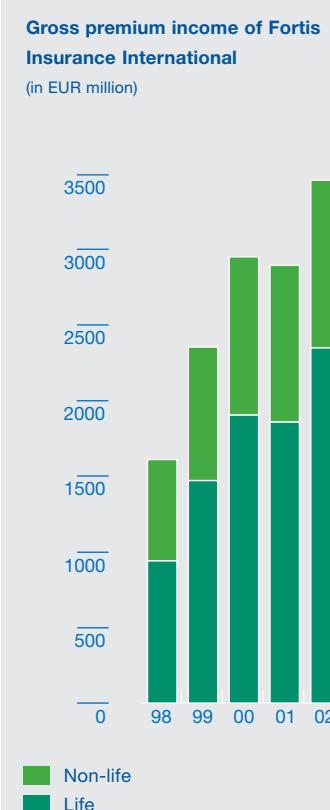
Since the start of the activities in

## Outlook

The new Supplementary Pensions Act will expand the possibilities for pension-building in Belgium. Social and sector pension plans can be developed in addition to the existing company plans. The new Act will make the administration of existing group insurances more complex, and its size and expertise mean that Fortis AG will be in a position to offer efficient solutions here. Fortis Employee Benefits will also extend its state-of-the-art IT platform, which was developed in Belgium, to other European countries where Fortis operates. Making more intensive use of Internet technology in various activities will enable Fortis AG to make its distribution channels even more cost-effective and more productive. Fortis AG intends to use the Familis concept to increase its market share in the family market in 2003.

Fortis Insurance Ltd. will invest further in electronic transaction processes, growth of its market share and operating efficiency. In Luxembourg, Fortis will build further on its relationship with Banque Générale du Luxembourg, and will develop partnerships with leading financial intermediaries with a view to addressing the private insurance market. Fortis has developed this international bancassurance concept for its private banking clients.

In a number of countries in Asia, Fortis will seek to make use of its knowledge and experience in the field of bancassurance to generate capital growth. Their markets offer good prospects for the future on account of the high savings ratio and strong economic growth.



### Successful joint venture with Taiping Life

- Taiping Life is one of the six life insurers in the People's Republic of China with a national licence
- Fortis now has a 24.9% stake in Taiping Life, which can be increased to 49% over time
- Bancassurance agreements concluded with Industrial and Commercial Bank of China, Bank of China, Agricultural Bank of China and China Construction Bank, all of which rank among the top 30 banks in the world in terms of total equity
- Fortis aims to use this joint venture to achieve critical mass in the short term

# Insurance United States



## Strategy

Fortis, Inc. encompasses four core activities, each of which addresses the market independently of the others. Assurant Group partners with leading financial institutions, auto and manufactured home dealers and retailers to provide consumers various specialty risk management products and services. They include insurance, warranties and certain membership programmes. Fortis Health offers individual, short-term and small employer medical insurance. Fortis Family and American Memorial Life Insurance Company (AMLIC) are both active in preneed funeral-related insurance. Fortis Benefits specializes in disability, dental and life insurance for employers and their employees.

Fortis has deliberately opted for these specialist niche markets in the United States. The companies that compose Fortis, Inc.'s portfolio of businesses are leaders in their respective markets. The companies' know-how gives them a competitive edge, while the portfolio's diversity provides a strong basis for further growth and higher returns and offers opportunities for the exchange of 'best practices'.

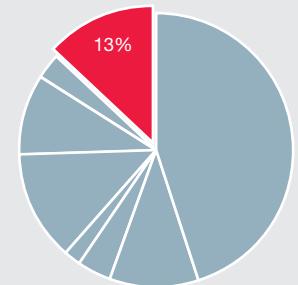
## Key developments in 2002

Assurant Group leads the financial services industry in credit insurance, third party administration of debt deferment programme, hazard insurance tracking, lender-placed hazard insurance and insurance for manufactured housing. Assurant has distinguished itself in the marketplace with its vast capabilities to provide clients with supporting technology, processing and marketing. This approach enables Assurant to spread

its risk more effectively, broaden its revenue base and enhance operational efficiency.

In 2002 Assurant added several innovative products to its portfolio including home and auto protection programme for consumers, extended service contracts for recreational vehicles and personal watercraft, and personal computer insurance plans for travellers and students. The company established operations in Brazil and is building a new operations centre in Canada.

Share of Insurance United States  
in net operating profit\* (2002)



\* before the value adjustment of the equity portfolio

### Assurant Group: better spread revenues

|                    | 2002 | 1998 |
|--------------------|------|------|
| Credit related     | 29%  | 67%  |
| Property related   | 47%  | 13%  |
| Extended Services  | 6%   | 6%   |
| Accident Insurance | 6%   | 0%   |
| Debt Suspension    | 4%   | 0%   |
| Other              | 8%   | 14%  |

### Objective

Fortis, Inc. seeks to achieve market leadership in the United States, with specialty insurance and financial services.

Domestic expansion included opening a new, USD 20 million hazard insurance service centre in Springfield, Ohio, creating more than 700 new jobs at that location. Assurant is also increasing the call-handling capacity of its Lawton, Oklahoma call centre by about 60 percent.

Fortis Health is one of the United States' leading providers of medical insurance for individuals and small businesses. Fortis Health sells its products via more than 200,000 independent agents, and increasingly via strategic marketing partnerships with major distributors such as State Farm and the United Services Automobile Association (USAA). With its network of over 16,000 exclusive agents, State Farm is the largest provider of individual coverage for automobiles and homes in the United States. USAA numbers 4.5 million active and retired military personnel among its policy-holders.

Fortis Health increased its product range in 2002 by now providing medical savings accounts, as well as the new health reimbursement accounts, to small employer groups; offering its agents the opportunity to sell an established international travel product; and launching medical, vision, dental and pharmacy discount card programmes. The company continued to see exceptionally strong sales of its short-term and student select insurance products. Fortis Health also continued its leadership and support of medical insurance-related tax credits' legislation in 2002 through meetings with key White House and Congressional leadership. As the only health insurance board member of the Council for Affordable Health Coverage (CAHC), Fortis Health worked with House and Senate leaders on healthcare coverage issues aimed at increasing choice, while holding the line on healthcare costs. The company also continued its strong focus on improving its risk position, thereby reducing its overall loss ratios.

Fortis Family and American Memorial Life together have more than 1.5 million clients through the companies' relationships with 5,000 funeral homes. Fortis Family sells funeral-related insurance through independent brokers and funeral directors. American Memorial Life has an exclusive contract with Service Corporation International, the largest provider of funeral, cremation and cemetery services in the United States. Both insurers

have their own sales and marketing strategy, but share some back office activities, thus saving costs. The resultant synergies are on track, and have for example made possible the customer service initiative of paying claims within 24 hours and issuing policies within 48 hours. In 2002 Fortis Family secured the endorsement of Selected Independent Funeral Homes, a group that represents more than 900 independent funeral firms in the US and Canada, well positioning them for further expansion in the relatively underdeveloped Canadian preneed insurance market.

Fortis Benefits offers customized employee benefits solutions to small to medium-sized businesses by partnering with a network of independent brokers. Fortis Benefits' group life, disability and dental insurances are tailor-made to meet their clients' requirements. In addition, with escalating healthcare costs in the US, Fortis Benefits' "voluntary" (paid for by employees) insurance products allow employers to offer alternative benefits to their employees while keeping their costs under control.

The integration of two companies acquired in 2001 – Protective Corporation's dental business and CORE, Inc., a provider of employee absence management products – is progressing well. These acquisitions have allowed Fortis Benefits to offer an expanded array of dental products, providing customers more flexible benefit

options. In response to customers' requests, Fortis Benefits expanded its Online Advantage programme in 2002. Now more than 15 percent of Fortis Benefits' customers administer their policies online, eliminating paperwork and increasing convenience. Another accomplishment in 2002 was the introduction of a new collaborative selling model for group and voluntary products designed to increase sales and potential profitability with more specialized service and tailored benefit plans for brokers, employers and employees.

## Financial performance in 2002

In 2002, Fortis, Inc.'s net operating profit before realized capital gains and the value adjustment of equity portfolio climbed 11% to EUR 359 million, the best result ever. Excluding the effect of the cheaper dollar, the rise was even bigger at 17%. Relative to 2001 year-end the number of FTEs at Fortis, Inc. increased 6% to 11,823, due to the expansion of Assurant's activities. The effect of impaired bonds on results remained limited to EUR 60 million.

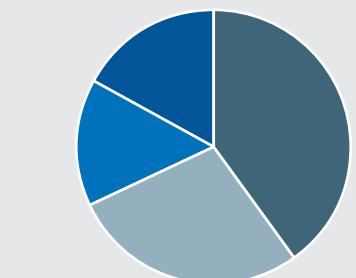
Fortis, Inc. achieved particularly good results in Accident and Health insurance. The EUR 35 million rise in net operating profit was primarily attributable to the performance of Fortis

Health. Health insurance for individuals and small enterprises performed particularly well, owing to improved claims ratios.

## Outlook

Fortis, Inc. will encourage organic growth in its four core specialty activities. It will also work on the further integration of the back-office systems and on the exchange of best practices among its four niche markets. In the short term the emphasis will be on further integration of the recent acquisitions, Protective Dental and CORE, Inc., and opportunities for selective acquisitions to build these four businesses will also be pursued. In addition, Fortis, Inc. is studying the opportunities for acquiring additional specialist companies in new niche markets that offer unique products and services and have above-average growth perspectives. Economies of scale are very important in the insurance market, and external growth enables higher revenues to be generated with proportionately less cost in key areas such as IT infrastructure and marketing.

**Breakdown of net operating profit of Fortis, Inc. (2002)**



|  |     |
|--|-----|
| Assurant Group                           | 40% |
| Fortis Health                            | 28% |
| Fortis Family and American Memorial Life | 15% |
| Fortis Benefits                          | 17% |

# Social and environmental responsibility

Sustainable economic growth and social and environmental responsibility are important considerations for the way in which Fortis operates. A strong commitment to the well-being of its millions of customers and deep roots in its businesses' local communities: this is what defines Fortis and its 69,000-strong workforce.

## Code of Conduct

June 2002 saw the launch of Fortis's corporate Code of Conduct across the world. Developed, amongst other reasons, to protect its reputation as a solid partner acting in accordance with its corporate values – stable, caring, innovative and straightforward – the Code of Conduct describes standards governing the relationship between Fortis's employees and shareholders, customers, colleagues and society at large. All Fortis employees are expected to uphold these standards at all times. Its general nature means that the Code should be seen as a basic starting point only. Individual Fortis companies or businesses may have their own, more specific safeguards in force, customised to fit their activities and local regulations. Fortis's employees have an extensive network of compliance officers across all businesses to turn to for advice and support.

## Shareholders

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

## Customers

Fortis is always looking for distinctive solutions that will better meet its customers' needs. Clear and straightforward information is a key precondition for solid relationships with customers. Fortis serves and communicates with its customers both face-to-face and through other channels such as the Internet, telephone and electronic banking.

Customer satisfaction surveys provide an important source of information for Fortis to help optimize its products and services. Customer views are gathered in a variety of ways, from brainstorm-

ing in customer panels, advisory bodies and call centres, through direct mail and dealing with complaints by Fortis's own Ombuds Office.

Fortis aims to keep its corporate reputation as a reliable financial services company beyond reproach at all times, taking great pains not to enter into any relationship with people or organizations involved in or suspected of illegal or unethical activities. What is more, Fortis actively pursues anti-fraud and anti-money laundering policies.

Sustainability plays a part in Fortis's financing and investment policies. MeesPierson's private banking arm, for one, has fully incorporated socially responsible investing into its investment policies. Striving to contain risks in all stages of its investment process and wishing to use top-tier research in its efforts to do so, MeesPierson in 2001 joined forces with Triodos Bank and the PGGM pension fund to create an independent research centre: Dutch Sustainability Research (DSR). DSR gathers information about the sustainability of listed companies across the world and is the Netherlands' Sustainable Investment Research

International (SiRi) representative. Drawing on SiRi's research capacity and its prestigious worldwide network, MeesPierson is able to offer its customers solid and well-founded advice on investing in sustainable investment funds or in shares of socially and environmentally responsible companies.

Fortis Investment Management also manages two sustainable investment funds: Altvision and Fortis L Fund - Equity Socially Responsible Europe. These funds primarily invest in European companies that stand out for their emphasis on the quality of life, respect for human rights and work relationships.

The launch in 2001 of Fortis Green Bank and its Green Bank Certificates received a very warm welcome from the Dutch general public. But when the country's new government appeared to be about to scrap the environmental policies that underpinned this venture, Fortis decided to temporarily shelve the sale of its successful certificates in early July 2002. With the Lower Chamber having brought clarity to this issue as the year progressed, the sale of Green Bank Certificates was resumed in December 2002. Money so committed has been invested in projects whose 'green' status has been granted official government recognition, such as green-label greenhouses and biomass gasification plants.

In addition, Fortis ranks among the biggest financial sponsors of wind energy, financing various projects in the United States, Canada, Germany, Italy and Spain, among other countries. In fact, Fortis Bank received the 2002 Deal of the Year Award for funding the USD 121 million AEP Desert Sky project.

## People at Fortis

Fortis employs around 69,000 people in over 50 countries, the majority of them in the Benelux region (66%), the United States (18%) and Asia (2%). Its employees are Fortis's most important asset, and its human resources policies all hinge on the conviction that it is their knowledge, expertise and ability to constantly grow and develop that will ensure Fortis's lasting success.

In 2002 Fortis began setting up a new HRM organisation, the main aim being

to shape a unique Fortis identity across countries and businesses, based on global HR views and policies. Such policies are developed in close consultation with Fortis's individual businesses, which are themselves responsible for hiring, training and motivating their own employees within HR's general policy framework.

Fortis's policies and corporate culture are geared towards increasing its employees' commitment to the company, with employment and working conditions encouraging employees to perform at the highest levels. The right pay is only a start: Fortis offers a variety of opportunities for personal development. It devotes a great deal of attention to training its employees, offering a wide range of training options and opportunities, both job-related and in terms of personal development. In 2002 Fortis spent over 3.5% of its wage bill on education and training. In addition

### Workforce

(average number of FTEs in 2002)

|                   | Banking       | Insurance     | Total          |
|-------------------|---------------|---------------|----------------|
| Belgium           | 21,580        | 4,670         | <b>26,250</b>  |
| The Netherlands   | 9,594         | 5,416         | <b>15,010</b>  |
| Luxembourg        | 2,483         | 119           | <b>2,602</b>   |
| United States     | 299           | 11,747        | <b>12,046</b>  |
| Rest of the world | 6,812         | 3,079         | <b>9,891</b>   |
| <b>Total</b>      | <b>40,768</b> | <b>25,031</b> | <b>65,989*</b> |

\* This also includes staff not employed by Banking or Insurance

to the usual range of training opportunities, Fortis Bank's Belgian workforce was offered special training as part of the bank's positioning as 'Customer Bank'. Launched in 2001, 'Next Generation Leadership' and 'Fortis Venturing' were continued successfully in 2002.

Striking a balance between work and personal life is another key focus of Fortis's human resources policies. Issues addressed in 2002 included workload, RSI, integration after prolonged absence and sick leave.

Fortis is committed to a safe and healthy working environment. Its internal health and safety service aims at all times to guarantee Fortis employees' safety, to promote their health and to encourage their well-being, thus contributing to the employability of Fortis's human capital – the very cornerstone of sustainable and healthy returns.

Restructuring at Fortis Bank has resulted in various redundancy schemes, with employees over the age of 56 in the Netherlands and over 55 in Belgium being offered an opportunity to take voluntary early retirement. The Netherlands saw a take-up rate of 82%, compared with 30% in Belgium. Employees joining such schemes receive extensive guidance and counselling.

Fortis encourages all employees to exercise their employee participation rights. Employees' legal representatives such as works councils and trade unions play an important part in the open and direct dialogue that Fortis is always looking for. Alongside the various works councils, Fortis engages in international employee consultation through a European Works Council.

With its 38 members representing a total of 40,000 Fortis employees in ten European countries, this Council reviews matters that are important to Fortis employees in a European context. In 2002 it met twice to discuss with Fortis's management a range of issues such as the company's financial results, various internal cases, business ethics, the general Code of Conduct, Fortis's employee stock option plan, as

well as the Council's own role in relation to the local works councils. Aside from its meetings with management, 2002 also saw the Council agree to meet informally, allowing its members from the ten different countries to catch up with, consult on and arrive at a common position on management statements.

## Society at large

Fortis encourages its employees to get actively involved in their local communities, by doing voluntary work for instance. Fortis Foundations in Belgium, the Netherlands and the United States run projects in areas such as social well-being, health, education, nature and the environment.

Belgium's Fortis Foundation provides direct assistance to society's underprivileged, i.e. victims of poverty and social outcasts. Support is mostly given to children and teenagers, although there is also a strong focus on promoting solidarity between the generations. Examples of projects for which Fortis Foundation Belgium provided financial support in 2002 include the purchase of teaching materials, setting up playgrounds and activity centres, and financing holidays and sporting activities for sick and/or deprived children and youngsters. Fortis's employees suggest these projects themselves. From 2002 they can also give back to their communities by participating in the so-called Solidarity Days, when practical assistance is offered to all kinds of community initiatives. In addition, Fortis Foundation Belgium has teamed up with Leefsleutels in a campaign to educate youngsters on health issues and prevent substance abuse and other types of harmful behaviour. Lastly, the VIVA Association – an FB Insurance initiative – has for many years provided significant financial support to fundamental cancer research in Belgium.

Fortis Foundation Netherlands organizes and facilitates social activities for and by its employees. In 2002, over 2,000 Fortis employees contributed to society through the foundation, with nearly 500 social organisations appealing for their assistance and receiving financial help. Projects ranged from refurbishment of community facilities to organizing festivities for the disabled and helping the elderly get to grips with using their PINs and smart cards. After gaining second prize for its activities in the International Year of Volunteers 2001, Fortis Foundation Netherlands went from strength to strength in 2002: it was officially commended as running the best initiative in employee voluntary work with its City Team project, through which it helps youngsters between the ages of 16 and 30 to develop leadership skills and take charge of their own lives. Coming from deprived and varied backgrounds, these youngsters are offered workshops by Fortis trainees – which ties in with Fortis's training of its own management trainees, helping them broaden their experience and ensuring they will continue to be a force for social good in the future.

In the United States, too, Fortis companies have strong roots in their local communities. By taking part in community-based projects – through sponsoring, donations and voluntary work by employees – Fortis does its bit to help combat disease, promote education, assist and protect children and prevent hunger and homelessness. Fortis, Inc. and its subsidiaries encourage their employees to actively provide help and support to others.

## Environment

Fortis recognizes the need to protect the environment and takes great care in its handling of natural resources such as power and water, while also pursuing a carefully considered policy towards the disposal of waste.

Following a lead from Fortis Bank's main office in Rotterdam, Fortis's Utrecht head office introduced a waste-separating system in November 2002. Waste is separated at source by means

of a recycling collection point placed near each workstation, into which employees put their own waste materials. This allows for subsequent recycling and is thus less harmful to the environment. The system is supplied by Waste Care Systems, which in 2001 was awarded the prestigious Ondernemersprijs.

Under an agreement with the Dutch government, Fortis has pledged to reduce its energy consumption, with Fortis Bank committed to a 25% cut by 2005 and Fortis's insurance arm to a 23% reduction by 2006 compared with a decade earlier. Company energy plans which Fortis Bank has put into place in the Netherlands are currently on target.

In Belgium, Fortis Bank has embarked on an environmental programme involving paper, energy and water, waste, transport, air and soil, nature and green spaces. Fortis's Brussels-based headquarters will serve as the pilot project, as this location qualifies for the 'Eco Dynamic Enterprise' label bestowed by the Brussels Institute for Management of the Environment. Under the scheme, waste paper and cardboard are collected separately, as are ink cassettes and cartridges, batteries and miscellaneous waste. In 2002 Fortis Bank Belgium managed to cut paper use by over 6% compared with the previous year.

# Risk management

Fortis's banking and insurance activities are exposed to various types of risk. It is important that these risks are measured and monitored accurately, and with this in mind Fortis is working on the development of a consistent methodology which will be applied throughout the entire organization. In addition, Fortis pursues a prudent risk policy<sup>1)</sup>. The specific organizational structure for the risk management activity is entirely geared towards these goals.

## Centrally controlled organization

Fortis has a centralized organizational structure for risk management. The Board of Directors monitors group solvency and determines the general risk/return requirement. At the level of the Executive Committee, a subcommittee chaired by the CEO and CFO is responsible for setting the strategic guidelines and producing consolidated reports on risk management at group level. The subcommittee also allocates

economic capital to the various Fortis entities and monitors the warning system for the solvency position. The banking and insurance activities each have their own responsibilities within this overarching monitoring of the risk management activities.

In the banking activities, these responsibilities lie with the Board of Directors and the Management Committee. This Committee is assisted by a number of specific committees, such as the asset and liability manage-

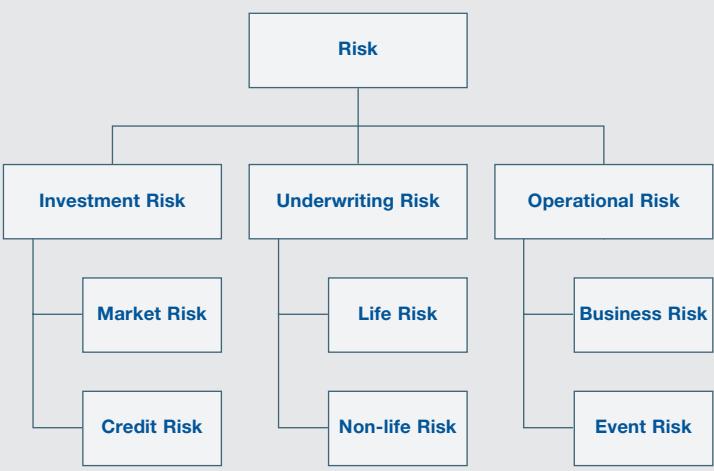
ment committee (ALM), the policy committee for operational and market risks, the credit policy committee and the credit committees.

Responsibility for risk management in the insurance activities lies with the individual companies, since these are closest to the source of the various risks. In 2002 a common quarterly reporting system for global risk exposure was launched for the insurance activities.

## Market risk

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

Fortis monitors and controls its ALM risk with the aid of risk indicators, such as base point sensitivity (which indicates how much the market value of all assets and liabilities would change if each point on the interest swap curve were to be individually raised or lowered by one basis point), the duration of net equity (a general measure of interest rate risk), the earnings at risk (an indicator that simulates changes in the impact of an interest rate movement on future earnings) and the 'Value-at-Risk' (VaR).



<sup>1)</sup> Detailed information on risk management is given in Fortis's Annual accounts

In the banking activities, the term of the assets is longer than that of the liabilities. As a result, an upward movement in the interest rate curve on the capital market will lead to a more pronounced fall in the assets than in the liabilities. This also has the effect of reducing the value of the Bank, which is the difference between its assets and liabilities. A movement in the opposite direction increases the Bank's value. In the insurance activities, by contrast, the liabilities have a longer term than the assets. Moreover, traditional insurance products generally incorporate guaranteed interest rates. As a result, an upward movement in the interest rate curve has a favourable effect and boosts the value of the insurance activities. Conversely, a downward movement will 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 on the group of interest rate movements.

The trading risk is closely connected with the activities of Merchant Banking. This risk is also tracked using the VaR indicator, based on a horizon of one day and a reliability interval of 99%.

## Credit risk

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

This risk arises with classic lending – mainly in the banking business – and with the purchase of investments – mainly in the insurance business. Both

parts of Fortis possess instruments to evaluate and monitor these risks effectively.

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

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

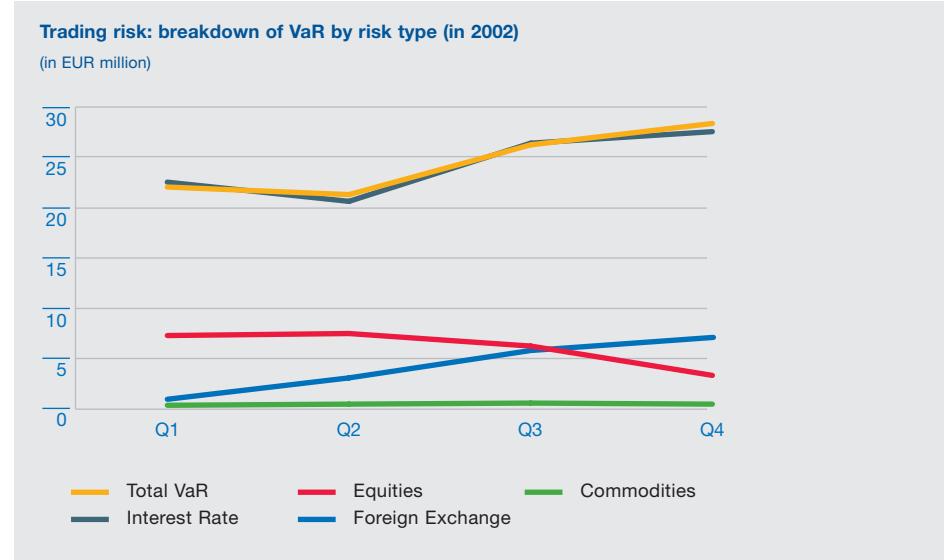
Since 2000, Fortis Bank has been actively pursuing a policy of improving the risk/return profile of its credit activities. It is also seeking to reduce the outstanding credit risk by securitizing part of the existing credit portfolio. The credit risk in the insurance activities relates mainly to the counterparty risk in investments. Fortis limits this

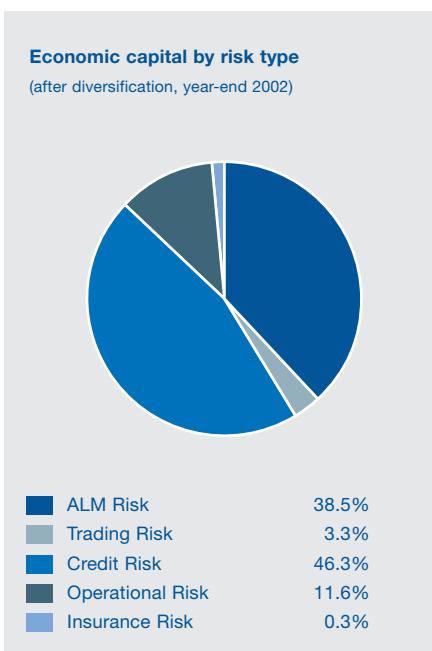
type of risk by setting strict creditworthiness standards for investments and by spreading investments across sectors and regions. A substantial part of Fortis's insurance portfolio in the Benelux countries is invested in fixed-income securities which are covered by direct or indirect government guarantees. In response to developments on the financial markets in 2002, Fortis devoted special attention to monitoring this credit risk and taking appropriate measures where necessary.

## Underwriting risk

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

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

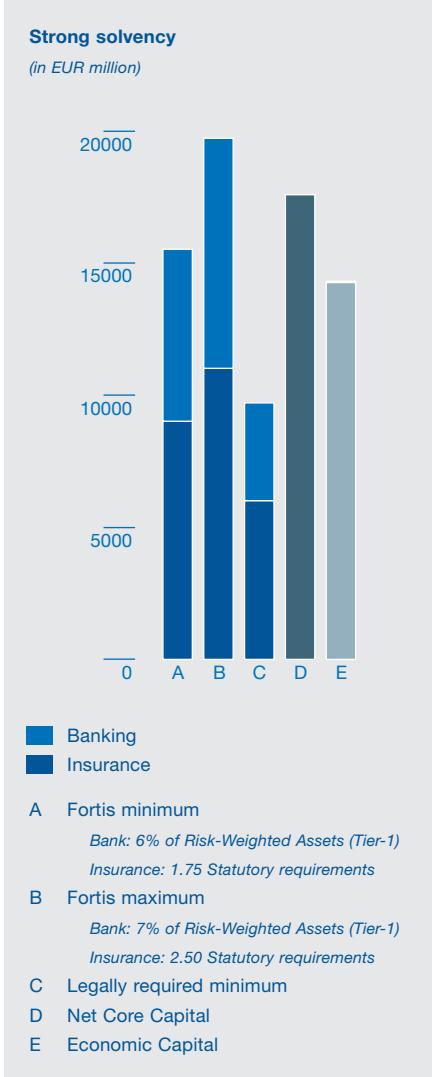




## Operational risk

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

In 2002 Fortis took initiatives to improve the monitoring and control of this risk through better assessment and measurement. Fortis developed a specific instrument for this, which is applied throughout its global operations. Information is now gathered immediately and in accordance with the internal and external requirements, as stipulated in the latest advisory document of the Basel Committee. In addition, Fortis is a co-founder of the Operational Risk Data Exchange Association (ORX). This joint initiative by a number of major international banks provides for the exchange of data to enable the operational risk to be analysed and modelled more accurately.



## Economic capital

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

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

## RoRAC

The Return on Risk-Adjusted Capital (RoRAC) is a performance yardstick which establishes a consistent relationship between the risks and returns of the various activities. The 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.

| Return on Risk-Adjusted Capital<br>(in EUR billion) |                  |   |   |
|---|------------------|---|---|
|   | Economic capital | RoRAC <sup>1)</sup> in %<br>(after tax) | RoRAC <sup>2)</sup> in %<br>(after tax) |
| Network Banking                                     | 8.97             | 6.2                                     | 12.4                                    |
| Merchant Banking<br>(including Information Banking) | 1.15             | 22.2                                    | 22.2                                    |
| Private Banking and<br>Asset Management             | 0.23             | 67.4                                    | 67.4                                    |
| Fortis ASR  | 1.50             | ( 37.6 )                                | 23.8                                    |
| Fortis AG and<br>Fortis Insurance International     | 1.39             | ( 3.5 )                                 | 20.9                                    |
| Fortis, Inc.  | 0.49             | 61.7                                    | 59.5                                    |
| General Account                                     | 0.54             |   |   |
| <b>Total Fortis</b>                                 | <b>14.27</b>     | <b>4.6</b>                              | <b>16.5</b>                             |

<sup>1)</sup> Based on net operating profit  
<sup>2)</sup> Based on net operating profit before value adjustments and realized capital gains

## Prudent risk policy

Fortis is convinced that its solvency remains robust despite the difficult market conditions in 2002, which will continue into 2003. This conviction is based on Fortis's solid and carefully thought out approach to monitoring the capital requirements. Systematic follow-up of the economic and regulatory solvency position avoids the need for drastic interventions. The successful placement of a FRESH bond (Floating Rate Equity-linked Subordinated Hybrid Capital Securities) with investors in April 2002 to an amount of EUR 1.25 billion contributed to this. Internal control systems are also in place to check and monitor the natural risk cover against interest rate movements. The impact of interest rate movements is analyzed, taking account of the diversification in banking and insurance activities. In addition, the Fortis Risk Committee has instructed every insurance activity to evaluate its equity positions and to limit the outstanding risk, by replacing low-quality equities with high-quality ones and by selling part of the portfolio. Fortis thus

reduced its equities portfolio by 11% in the fourth quarter of 2002. By selling equities that are unlikely to recover swiftly, Fortis has considerably improved the quality of its equities portfolio. As an additional safeguard, the limits for the equity portfolios were revised in 2002 and will be evaluated and refined in 2003.

## Basel II

The Basel Committee is working in consultation with the international financial industry and the national regulators to develop a New Basel Capital Accord, known for short as Basel II. This will create a better match between the capital buffer that banks have to set aside when granting credits and the actual credit risks. Although this accord on minimum capital requirements is not expected to come into force before 2006, Fortis Bank set up a steering group as early as March 2001. Since the end of 2001 four cross-border working groups and 90 staff have been respectively working on credits, operational risk, accounting and IT. For its

credit risk, the Bank has opted for the Internal Rating Based method, in which it assesses the risk of failure on the part of the counterparty on the basis of its own historical data. The plans laid down in 2002 will be worked out and implemented in the period 2003-2005. Like most international financial institutions, Fortis participated in a study aimed at evaluating the quantitative impact of the current proposals. Once the standards and regulations have been defined and translated into European and national guidelines, further analysis should demonstrate the impact for Fortis of the new regulations for capital requirements.

# Corporate governance

In 2002 corporate governance was affected by a number of significant developments and proposals for regulatory changes. In the United States the Sarbanes-Oxley Act introduced an extensive new set of rules, certification requirements, registration obligations and disclosure requirements. Under the provisions of the Securities Exchange Act, however, the Sarbanes-Oxley Act does not apply to Fortis. In Europe reports, laws, regulations and proposals or additional regulations were issued, both on a European level and a national level. Fortis monitors these developments closely and supports initiatives to achieve effective and transparent corporate governance. Fortis nevertheless believes that the sharp increase in rules and regulations substantially hampers the capacity of companies to adjust to their complex business environment.

Efficient corporate governance is rooted in respect and a company culture based on integrity that regulates individual behaviour, the division of responsibilities and monitoring systems. Efficient corporate governance is also an ongoing process that, in a manner specific to each company, integrates the rules and regulations for sound business conduct with the available systems for risk evaluation and control necessary for its development.

With this in mind, Fortis endeavours to continuously improve every aspect of its approach to corporate governance. The Board of Directors evaluates its corporate governance at least once a year and decides to adjust it if necessary, taking into account new legislation, best market practices and the needs of Fortis.

## The Fortis share

The Belgian company Fortis SA/NV and its Dutch counterpart Fortis N.V. are Fortis's two parent companies. They head the organization.

The Fortis share represents a 'twinned' equity holding in both Fortis SA/NV and Fortis N.V. with the associated voting, dividend and other rights. A total of 1,335,062,099 shares were issued and paid up as at 12 March 2003. Each share carries a single vote at the shareholders' meeting of both Fortis SA/NV and Fortis N.V. The latter's authorized capital also includes A and B cumulative preference shares. Fortis N.V. has granted a call option on A cumulative preference shares to Stichting Continuïteit Fortis. Further information in this regard can be found in note 8 of the Annual accounts.

**General Meeting of Shareholders**  
Fortis shareholders are entitled to attend and cast their votes at the General Meetings of Shareholders of both companies. They can do so in person or by proxy. The two meetings are held one after the other to give shareholders the opportunity to attend both meetings. They basically deal with the same matters, including the annual report, dividend, amendments to the

articles of association and the issue and purchase of equities. The articles of association specify that agenda points have to be approved by both meetings if they are to be enacted. The agenda for the shareholders' meeting is drawn up by the Board of Directors, but Fortis shareholders are also entitled to put forward matters for discussion or voting at the shareholders' meeting, in accordance with the articles of association.

## Dividend

A unique feature of the 'twinned' Fortis share is that holders can choose whether they want to receive a dividend originating in Belgium or the Netherlands, thus ensuring the continuation of the various tax benefits open to them. Fortis's dividend policy is geared towards the distribution to shareholders of roughly 40–45% of net earnings. Further information regarding the dividend can be found in note 19 of the Annual accounts.

## Board of Directors

The Fortis Board of Directors is made up of a maximum of seventeen members, a maximum of sixteen of whom are non-executives, with one executive member, the Chief Executive Officer (CEO). The responsibilities of the Board of Directors are laid down by law and in the articles of association and internal regulations. The internal regulations also specify the working methods and composition of the Board of Directors and its committees, the organization of the Board's meetings and the Board's decision-making process.

## Appointment and reappointment

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

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

Shareholders, finally, vote on whether or not to reappoint the proposed individual to the Board of Directors.

## Independence

The Board of Directors focused intensively in 2002 on defining the independence of its non-executive members, leading it to adopt the following principles:

- A non-executive director may be considered as independent if he/she does not have a business or other relationship with Fortis that could impinge on his/her independence of judgement. The Board of Directors takes account of relationships such as those of a significant customer, supplier or shareholder of the company, or affiliate with such parties, when considering the independence of its members and of candidates for a seat on the Board.
- In the Board's view, a significant shareholder is one that holds at least 10% of outstanding Fortis shares. On 31 December 2002 Suez held 10.5% of outstanding Fortis shares. The Board considers that a person holding an executive position at a significant shareholder can be construed as non-independent. Ms. C. Morin-Postel held an executive position at Suez in 2002.
- The Board takes the view that holding a non-executive directorship at a significant shareholder need not prevent this person from being considered to be independent. Mr E. Davignon is a non-executive director of the Board of Directors of Suez.
- No member of the Board of Directors has any other significant relationship with the company or is affiliated with a party that does have such a relationship with the company.
- With effect from 1 January 2003 a former Fortis executive appointed for the first time as a non-executive director within two years after he or she held such an executive position must be considered "non-independent" for a period of three years.

## Meetings

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

The Board of Directors met on nine occasions in 2002. Recurring issues included the financial results, the economic outlook and the strategy to be pursued by the different elements of Fortis. Strategic discussions form part of the basis on which Fortis's overall strategy is oriented. The Board of Directors also discussed the financial market crisis, the budget, Fortis's overall strategy, the employee and management equity and option plan, the purchase of Intertrust and Bernheim-Comofi and the sale of TOP Lease. The composition of the Executive Committee and the remuneration of its members were other matters resolved by the Board.

## Remuneration

The remuneration of non-executive directors comprises a fixed annual sum plus an attendance fee for each Board Committee meeting. They do not receive any variable or profit-related compensation, option rights, equities or fees of any other kind. The total remuneration of non-executive directors amounted to EUR 2.3 million in 2002.

The CEO's remuneration consists of a fixed base salary, a variable annual incentive and a variable long-term incentive granted, in 2002, partly in the form of option rights and partly in cash. The level of the variable remuneration depends on factors such as individual performance, the performance of Fortis relative to predefined targets and the performance of Fortis relative to several companies in the same sector. The CEO received remuneration equal to EUR 2.1 million in 2002.

Two non-executive directors hold option rights arising from their previous executive positions. The CEO holds

options and stock appreciation rights arising from his current post. Several members of the Board of Directors hold Fortis shares. The option and share ownership of all members of the Board of Directors as at 1 September 2002 was reported to the Netherlands Authority for the Financial Markets as required under Dutch law. Directly or indirectly they jointly hold 780,846 shares and 228,500 option rights.

Note 18 of the Annual accounts focuses in greater depth on remuneration policy, the actual remuneration of members of the Board of Directors and ownership of Fortis option rights and shares.

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

## Committees

Four committees have been set up within the Board of Directors: a Chairmen's Committee, an Audit Committee, a Risk and Capital Committee and a Compensation and Nominating Committee. The composition and responsibilities of these committees are specified in a set of rules. Committee members offer specific expertise in the relevant field, which means that each committee delivers genuine added value. The committees are tasked with a variety of preparatory and support activities for the Board of Directors.

### Chairmen's Committee

The members of the Chairmen's Committee are Mr. Glasz, Mr. Lippens, Mr. Davignon, Mr. Hielkema, Mr. Slechte, Mr. van Rossum and Mr. Van Waeyenberge. The committee is responsible for preparing meetings of the Board of Directors.

It also discusses the strategic proposals the CEO intends to present to the Board of Directors, informs the Board of its findings and provides the CEO with a sounding-board during the implementation of strategic plans that the Board has approved. The Chairmen's Committee met ten times in 2002.

### Audit Committee

The members of the Audit Committee are Mr. Croes and Mr. Westdijk (both are chairmen), Mr. Glasz, Mr. Lippens, Mr. Schröder and Mr. Speekaert. They are supported by Fortis's General Auditor. The Audit Committee helps the Board of Directors to fulfil its responsibility for the quality of financial and management information, the appraisal of financial results and the quality of internal and external auditing. It also oversees the quality and accuracy of the information provided to shareholders, management bodies and external regulators, the consistent application of accounting principles, risk reporting and business operations. The Audit Committee met on four occasions in 2002. See page 61 of this Annual review for the Audit Committee's report.

### Risk and Capital Committee

The members of the Risk and Capital Committee are Ms. Morin-Postel and Mr. Glasz, Mr. Lippens, Mr. Hessel, Mr. Hielkema, Mr. van Rossum and Mr. Van Waeyenberge. The committee is assisted by Fortis's Chief Financial Officer. The Risk and Capital Committee advises the Board of Directors on Fortis' solvency and risk profile. The committee met three times in the year under review to discuss risk management, capital availability, economic capital, the quality of the credit portfolio and movements in the value of the equity portfolio.

### Compensation and Nominating Committee

The members of the Compensation and Nominating Committee are Ms. Roobek and Mr. Glasz, Mr. Lippens, Mr. Davignon, Mr. Janssen, Mr. Slechte and Mr. van Rossum. The CEO does not attend the meeting regarding his personal remuneration. The Compensation and Nominating Committee advises the Board of Directors on remuneration policy and the remuneration of members of the Board and the Executive Committee, on the appointment and reappointment of members of the Board of Directors and Executive Committee, and on Fortis's employee and management stock and option plan. Another of the committee's duties is to set the frame of reference for the remuneration policy for senior management at Fortis. The committee met on four occasions in the year under review.

## Executive Committee

### Composition and appointment

The Executive Committee has eight members, of whom only the chairman – the CEO – has a seat on the Board of Directors. With the exception of the CEO, the members of the Executive Committee are appointed by the Board of Directors at the CEO's recommendation. As a member of the Board of Directors, the CEO is appointed by the General Meeting of Shareholders at the Board's recommendation. Apart from the CEO, members of the Executive Committee hold permanent executive positions at other Fortis companies. They are responsible for the organization and development of their specific businesses.

### Task

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

## Remuneration

The remuneration of members of the Executive Committee consists of a fixed base salary, a variable annual incentive and a variable long-term incentive granted, in 2002, partly in the form of option rights and partly in cash. The level of the variable remuneration depends on factors such as individual performance, the performance of the business relative to predefined targets and the performance of Fortis relative to several companies in the same sector. The total remuneration paid in 2002 to members of the Executive Committee – not including the remuneration received by the CEO – was EUR 8.0 million. Members of the Executive Committee hold option rights. Several members of the Executive Committee hold Fortis shares, either directly or indirectly, which, in line with internal principles, they view as a long-term investment. Members of the Executive Committee, not including the CEO for whom a separate report is prepared, jointly hold 703,296 option rights. See note 18 of the Annual accounts for a review of the remuneration policy and option holdings.

## International Advisory Council

The International Advisory Council is a general advisory body for the Board of Directors. It is made up of eleven people with a variety of backgrounds and from the different geographical areas in which Fortis is active and is chaired by Mr. Davignon and Mr. Slechte. The International Advisory Council met twice in 2002 to discuss matters such as risk management, the crisis in the financial markets and its impact on Fortis.

## Stock and Option Plans

Fortis employees were given the opportunity in 2002 to acquire Fortis shares. The stock plan replaces the option plan of 2000 and preceding years. Its aim is to enable employees to express their confidence in the future of their company by investing in its shares. Each employee was given the opportunity of purchasing Fortis shares at a locally determined discount on the closing price on 26 April 2002. For every five Fortis shares purchased, employees were also granted an option to buy one Fortis share at a strike price equal to the aforesaid closing price after an interval of five years. This stock plan concerns 1,752,500 shares.

Options on Fortis shares have also been granted to senior management as a token of confidence in their personal contribution to the growth and development of Fortis. The strike price of these option rights is the closing price on 26 April 2002. 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 on exercise of the option rights granted under both this plan and as part of the stock plan. Previously repurchased shares might also be used for this purpose. Note 13 of the Annual accounts contains a review of the stock and option plans.

Fortis began to use an e-option tool in 2002 that enables all employees to manage their own option plans via intranet.

## Compliance

Fortis wants to be a solid and reliable partner for its stakeholders. This reputation has to be protected and strengthened through irreproachable, professional behaviour. Compliance with existing laws, internal and external regulations, rules and ethical standards is an essential part of this. The Fortis companies have a Compliance Officer to promote and monitor the observance of laws, regulations and ethical standards.

In addition to the Fortis General Code of Conduct important subjects of compliance include the "know your client" principle (primarily aimed at fighting money laundering), the implementation of a new detection system for transactions that could involve money laundering, fair market practices, including the further development of Chinese walls and regulations aimed at preventing the use of insider knowledge for securities transactions, regulations governing consumer protection and the prudent use of personal details (privacy issues). In addition to the rules aimed at preventing the use of insider knowledge for securities transactions in general, specific rules apply to the members of the Board of Directors and the Executive Committee, together with numerous key executives within Fortis, to prevent the use of insider knowledge for private investment transactions in Fortis securities.

## Audit

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

## Supervision

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

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

Supplementary supervision and the related obligations for Fortis include the shareholding structure of the parent companies, the credibility of the directors and the management, the group's organizational structure, the group's investment policy, risk concentration and intra-group activities. Regulation of the parent companies' shareholdings is based on the legal duty to disclose major acquisitions or disposals of Fortis shares. Fortis is obliged to notify the regulators forthwith if it has knowledge of any such acquisitions or disposals. Coordinated supervision takes the form of regular scrutiny and periodic and interim consultation with each of the regulators, or with the CBF in its role as coordinator.

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

## Board of Directors

| Jaap Glasz<br>(1935)  | Count Maurice Lippens<br>(1943)   | Viscount Etienne Davignon (1932)   | Jan Slechte<br>(1937)   | Anton van Rossum<br>(1945)  | Baron Valère Croes<br>(1934)  | Jan-Michiel Hessels<br>(1942)  | Henjo Hielkema<br>(1943)  | Baron Daniel Janssen<br>(1936)   | Christine Morin-Postel<br>(1946)  |
|---|---|--|---|---|---|--|---|--|---|
| Chairman  | Chairman  | Vice-chairman  | Independent*  | CEO   | Independent*  | Independent*   | Independent*  | Independent*   | Non-independent*  |
| Independent*  | Independent*  | Independent*   | Independent*  | Non-independent*  | Nationality   | Nationality  | Nationality   | Nationality  | Nationality   |
| Nationality   | Nationality   | Nationality  | Nationality   | Nationality   | NL  | NL   | NL  | NL   | F   |
| NL  | B   | B  | NL  | NL  | First appointed   | First appointed  | First appointed   | First appointed  | First appointed   |
| First appointed   | First appointed   | First appointed  | First appointed   | First appointed   | 1987  | 2001   | 1988  | 1999   | First appointed   |
| 1989  | 1981  | 1989   | 1996  | 2000  |   |  |   | 1998   | First appointed   |
| Term runs to  | Term runs to  | Term runs to   | Term runs to  | Term runs to  | Term runs to  | Term runs to   | Term runs to  | Term runs to   | Term runs to  |
| 2003**  | 2005  | 2004   | 2003***   | 2004  | 2003****  | 2004   | 2003  | 2005   | (resigned on 12 March 2003)   |
| Committees  | Committees  | Committees   | Committees  | Committees  | Committees  | Committees   | Committees  | Committees   | Committees  |
| Chairman of the Chairmen's Committee  | Chairman of the Chairmen's Committee  | Member of the Chairmen's Committee   | Member of the Chairmen's Committee  | Member of the Chairmen's Committee  | Chairman of the Audit Committee   | Member of the Risk and Capital Committee   | Member of the Chairmen's Committee;   | Member of the Compensation and Nominating Committee  | Member of the Risk and Capital Committee  |
| Member of the Audit Committee   | Member of the Audit Committee   | Member of the Compensation and Nominating Committee  | Member of the Compensation and Nominating Committee   | Member of the Compensation and Nominating Committee   |   |  |   |  |   |
| Chairman of the Risk and Capital Committee  | Chairman of the Risk and Capital Committee  | Chairman of the Compensation and Nominating Committee  |   |   |   |  |   |  |   |
| Chairman of the Compensation and Nominating Committee   |   |  |   |   |   |  |   |  |   |
| Other directorships   | Other directorships   | Other directorships  | Other directorships   | Other directorships   | Other directorships   | Other directorships  | Other directorships   | Other directorships  | Other directorships   |
| Professor of Corporate Governance (University of Amsterdam), Lawyer Van Doorne, Chairman Stichting VSB Fonds, Chairman Supervisory Board Van Melle Nederland Holding N.V., Member Supervisory Board GlaxoSmithKline B.V., Member Supervisory Board Citroën NL B.V., Member Supervisory Board Coca-Cola Enterprises NL B.V., Deputy advisory member Enterprise Section of the Amsterdam Court of Appeal. | Vice-chairman Société Générale de Belgique, Chairman Compagnie Het Zoute, Director Finasucré, Director Groupe Sucrerie, Director Lambert-Brussels Group and Member of Trilateral Commission, Member Board of Directors of Associates of Harvard Business School, Member Harvard Business School European Advisory Council, Member Insead Belgium Council. | Vice-chairman Société Générale de Belgique, Vice-chairman Tractebel, Vice-chairman Umicore, Director Solvay, Director Suez, Director Pechiney, Director BASF, Director Sofina, Director Accor. | Former Chairman Shell Nederland B.V., Member Supervisory Board Samas-Groep N.V., Chairman Supervisory Board TU Delft, Director Stichting Continuïteit Fortis. | Director Geneva Association, Member Management Committee Federation of Belgian Companies, Member International Advisory Council of the American European Community Association, Member Advisory Council Solvay Business School, Member Advisory Council European Securities Industries. | Director Société Générale de Belgique, Director Tractebel, Director Tessenderlo Chemie, Director Electrabel, Director Forelux, Chairman Royal Institute for the Elites of Labour, Chairman Collège Royal des Doyens d'Honneur du Travail, Director Stichting Continuïteit Fortis. | Former Chief Executive Officer Royal Vendex KBB N.V., Chairman Supervisory Board Euronext N.V., Member Supervisory Board Royal Philips Electronics N.V., Member Supervisory Board Laurus N.V., Member Supervisory Board Royal des Doyens d'Honneur du Travail, Director Stichting Continuïteit Fortis. | Member Supervisory Board Van Wijnen Holding, Member Supervisory Board World Wildlife Fund, Chairman Stichting Trésor, Vice-chairman Board University Medical Center Utrecht, Member Supervisory Board Isotis, Member Supervisory Board Sligro, Member Supervisory Board International Market Makers Combination, Member Supervisory Board Rijksmuseum Oudheden, Director Stichting VSB Fonds. | Chairman Solvay, Vice-chairman UCB, Chairman Advisory Board Solvay Business School, Member Steering Committee Trilateral Commission, Member Steering Committee European Round Table of Industrialists. | Executive Vice-president Suez, Member Executive Committee Suez, Director Société Générale de Belgique, Director Tractebel, Director Suez Industries, Director 3I Group plc. |
| Annemieke Roobek<br>(1958)  | Johann Martin Schröder<br>(1931)  | Philippe Speeckaert<br>(1949)  | Baron Piet Van Waeyenberge (1938)   | Klaas Westdijk<br>(1941)  |   |  |   |  |   |
| Independent*  | Independent*  | Independent*   | Independent*  | Independent*  |   |  |   |  |   |
| Nationality   | Nationality   | Nationality  | Nationality   | Nationality   |   |  |   |  |   |
| NL  | NL  | B  | B   | NL  |   |  |   |  |   |
| First appointed   | First appointed   | First appointed  | First appointed   | First appointed   |   |  |   |  |   |
| 1994  | 2001  | 1989   | 1988  | 1996  |   |  |   |  |   |
| Term runs to  | Term runs to  | Term runs to   | Term runs to  | Term runs to  |   |  |   |  |   |
| 2005  | 2003  | 2004   | 2004  | 2003**  |   |  |   |  |   |
| Committees  | Committees  | Committees   | Committees  | Committees  |   |  |   |  |   |
| Member of the Compensation and Nominating Committee   | Member of the Audit Committee   | Member of the Audit Committee  | Member of the Chairmen's Committee  | Chairman of the Audit Committee   |   |  |   |  |   |
| Other directorships   | Other directorships   | Other directorships  | Other directorships   | Other directorships   |   |  |   |  |   |
| Professor of Strategy and Transformation Management University of Nijenrode, Member Supervisory Board PCM Uitgevers N.V., Member Supervisory Board AEDES, Founder and director MeetingMoreMinds, Founder of Social Adventures for Intercultural Networking, Director of Open Dialogue.  | Chairman Supervisory Board Frans Maas Groep N.V., Member Supervisory Board HAL Holding N.V., Chairman Supervisory Board DPA Holding N.V., Member Supervisory Board DAF Trucks N.V., Vice-chairman Supervisory Board Koninklijke Nederlandse Munt N.V.   | Chairman and Chief Executive Officer De Eik Spontin, Director Chevron, Director Controle Technique Automobile, Director Royal Automobile Club de Belgique.                                     | Chairman Immorani, Director Spontin, Director Chevron, Director Controle Technique Automobile, Director Royal Automobile Club de Belgique.                    | Former chairman Royal Pakhoed N.V., Chairman Management Board Connexion Holding N.V., Chairman Supervisory Board Janssen Pharmaceutica N.V., Director Campina N.V., Director Sidmar N.V.  |   |  |   |  |   |

\* A description of "independent" directors is contained on page 53

\*\* Recommended for reappointment until 2005 only by the General Meeting of Shareholders of Fortis SA/NV on 27 May 2003.

The mandate for Mr. J. Glasz as a director of Fortis N.V. terminates in 2004

\*\*\* Recommended for reappointment until 2006 by the General Meeting of Shareholders on 27 May 2003

\*\*\*\* Recommended for reappointment until 2004 by the General Meeting of Shareholders on 27 May 2003

\* A description of “independent” directors is contained on page 53

\*\* A description of independent directors is contained on page 33.  
Recommended for reappointment until 2005 only by the General Meeting of Shareholders of Fortis SA/NV on 27 May 2003.  
The mandate for Mr. J. Glasz as a director of Fortis N.V. terminates in 2004

\*\*\* Recommended for reappointment until 2006 by the General Meeting of Shareholders on 27 May 2003

\*\*\*\* Recommended for reappointment until 2004 by the General Meeting of Shareholders on 27 May 2003

## Executive Committee

|  |  |  |   |  |
|--|--|--|---|--|
| <b>Anton van Rossum (1945)</b><br>CEO<br>Nationality<br>NL   | <b>Herman Verwilst (1947)</b><br>Deputy CEO<br>Nationality<br>B  | <b>Gilbert Mittler (1949)</b><br>CFO<br>Nationality<br>B   | <b>Karel De Boeck (1949)</b><br>Nationality<br>B  | <b>Jozef De Mey (1943)</b><br>Nationality<br>B |
| <b>Other directorships</b><br>Director Geneva<br>Association, Member<br>Management Committee<br>Federation of Belgian<br>Companies, Member<br>International Advisory<br>Council American European<br>Community Association,<br>Member Advisory Council<br>Solvay Business School,<br>Member Advisory Council<br>European Securities<br>Industries. | <b>Other directorships</b><br>Professor Extraordinary<br>University of Ghent, Censor<br>National Bank of Belgium,<br>Director Flemish Economic<br>Association. | <b>Other directorships</b><br>Member Management<br>Committee Federation of<br>Belgian Companies,<br>Chairman European<br>Financial Management and<br>Market Association (EFMA).  | <b>Other directorships</b><br>Member Royal Association<br>of Belgian Actuaries.   |  |
| <b>Filip Dierckx (1955)</b><br>Nationality<br>B  | <b>Joop Feilzer (1949)</b><br>Nationality<br>NL  | <b>Carlo de Swart (1941)</b><br>(until 1 January 2003)<br>Nationality<br>NL  | <b>Jacques van Ek (1945)</b><br>(from 1 January 2003)<br>Nationality<br>NL  |  |
| <b>Other directorships</b><br>Director of companies of<br>Flemish Economic<br>Association, Member<br>General Council of Flemish<br>Economic Association.   | <b>Other directorships</b><br>Chairman Supervisory Board<br>Gemiva-SVG Groep,<br>Director Stichting VSB<br>Fonds.  | <b>Other directorships</b><br>Chairman Dutch Association<br>of Insurers, Member<br>Supervisory Boards of<br>Stadion Feijenoord N.V.,<br>DAP Holding N.V., Proper<br>Stok B.V., ABZ Holding B.V.,<br>Japhet de Jong Holding<br>B.V., Member Supervisory<br>Committee International<br>School of Economics<br>Rotterdam. | <b>Other directorships</b><br>Director Dutch Association<br>of Insurance Companies,<br>Director VNO-NCW,<br>Chairman Chamber of<br>Commerce Gooi- en<br>Eemland, Vice-chairman<br>Supervisory Board Polynorm<br>N.V., Member Supervisory<br>Boards of Arboned N.V. and<br>Soweco N.V. |  |

## International Advisory Council

**Viscount Etienne Davignon**, (chairman), Vice-chairman Fortis  
**Jan Slechte**, (chairman), Vice-chairman Fortis  
**Diana Lady Dougan**, Senior Advisor Center for Strategic and International Studies (Washington, D.C.)  
**Hans van Ginkel**, Rector United Nations University (Tokyo)  
**Lord Simon of Highbury**, Member Advisory Boards of Morgan Stanley Dean Witter and LEK Consulting, Director Unilever, Suez Group and Volkswagen  
**Paul Janssen**, Honorary Chairman Janssen Pharmaceutica  
**Rudolf Kellenberger**, Deputy Chief Executive Officer Swiss Reinsurance Company  
**Joseph Kinsch**, President Arcelor  
**Baron Alexandre Lamfalussy**, Chairman Committee of Wise Men on the Regulation of European Securities Markets  
**Luck van Leeuwen**, Professor of Non-monetary Financial Conglomerates, Tilburg University, Chairman Supervisory Board Arcadis, Member Supervisory Board Berenschot  
**Hans-Jürgen Schinzler**, Chairman Management Board Munich Reinsurance Company  
**Chevalier Guy de Selliers de Moranville**, Director Solvay S.A., Chairman HB Advisors, Director Norilsk-Nickel and WimmBilDan  
**José Vilarasau**, Chairman and former CEO "la Caixa"

## Stichting Continuïteit Fortis

**René Mannekens (1940)**, Co-chairman; first appointed 1999. Directorships: Chairman Nutricia Belgium, Chairman Nutricia Spain  
**Johan Steenmeijer (1933)**, Co-chairman; first appointed 1994. Directorships: Former Director KPMG Netherlands, former International Executive Partner KPMG  
**Herman Santens (1934)**, Member; first appointed 1999. Directorship: Delegated Director Wase Verspanningsmaatschappij N.V.  
**Jef Maeijer (1932)**, Member; first appointed 2001. Directorships: Former Professor of Commercial Law, University of Nijmegen, Member University Directorate Van der Heijden Institute  
**Baron Valère Croes (1934)**, Member; first appointed 1999. Directorship: Non-executive Director Fortis  
**Jan Slechte (1937)**, Member; first appointed 1999. Directorships: Non-executive Director and Vice-chairman Fortis

# Report of the Audit Committee

The Audit Committee met on four occasions in 2002. The Audit Committee is made up of six independent non-executive directors of Fortis, two of whom chair the committee. The Audit Committee met with the internal and external auditors and with the management responsible for financial reporting, risk management and legislation compliance. The Committee dealt with the following issues:

- review of quarterly and annual accounts, accounting principles and practices, their relevance and consistency, and discussions with management and auditors on significant issues;
- review of the state of internal control, business operations, risk of and compliance with legislation and regulations, and the financial reporting process; discussions with management and auditors included monitoring and follow-up of audit recommendations and management responses;
- review of the new organizational structure of the compliance function and of the compliance charter for Fortis companies;
- review and reassessment of Audit Committee Charter;
- review and approval of the Charter of Fortis Audit Services and of the audit plan;
- review of the independence of the external auditors under applicable guidelines.

The Audit Committee performed its duties supported by the work of external auditors and Fortis Audit Services. Separate meetings with the external auditors were organized, and both chairmen of the Audit Committee met with the General Auditor. Based on the reviews referred to above, the Audit Committee recommended to the Board of Directors that the audited Annual accounts be included in the annual report.

# Auditors' statement

We have audited the financial information contained on pages 8 and 9 of this Annual review, which is derived from the 2002 Annual accounts of Fortis as audited by us. We issued an unqualified auditors' report on these Annual accounts on 12 March 2003.

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.

Utrecht, 12 March 2003  
KPMG Accountants N.V.

Brussels, 12 March 2003  
PricewaterhouseCoopers  
Réviseurs d'Enterprises S.C.C.R.L.  
represented by Ph. Barbier and  
D. Van Woensel

# General information

## Important dates in 2003

|  |                  |
|--|------------------|
| Publication of results first quarter 2003        | 27 May 2003      |
| Publication of results first half-year 2003      | 28 August 2003   |
| Publication of results first three quarters 2003 | 25 November 2003 |
| Ex-dividend listing of Fortis shares             | 29 May 2003      |
| Day one of dividend election period              | 29 May 2003      |
| End of dividend election period                  | 12 June 2003     |
| Payment of Fortis shares dividend                | 18 June 2003     |
| Analysts' meeting*                               | 13 March 2003    |
| Conference call for analysts*                    | 28 May 2003      |
| Analysts' meeting*                               | 28 August 2003   |
| Conference call for analysts*                    | 25 November 2003 |

The latest information on Fortis and its organization, strategy, results and press releases is available at [www.fortis.com](http://www.fortis.com).

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\* All presentations will be held in English and will be webcast (audio or video) live on [www.fortis.com](http://www.fortis.com).

## General Meeting of Shareholders

|                           |                          |
|---------------------------|--------------------------|
| Fortis SA/NV              | Fortis N.V.              |
| 27 May 2003, 9.30 a.m.    | 27 May 2003, 2.30 p.m.   |
| Fortis Bank Auditorium    | Fortis Auditorium        |
| Rue de la Chancellerie, 1 | Archimedeslaan 6         |
| Brussels, Belgium         | Utrecht, The Netherlands |

## Investor Relations

|   |                                  |
|---|----------------------------------|
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# Glossary

## asset-backed securities (ABS)

Securities of which principal and interest are determined by the value of the underlying (portfolio of) financial assets. Those assets may comprise real estate, mortgages, other securities, franchises or leases.

## cash management

The strategy by which a company administers and invests its cash.

## clearing

The verification of information between the two brokers in a securities transaction and the subsequent settlement (delivery of certificates in exchange for payment).

## collateralized debt obligation (CDO)

A financial construction whereby principal and interest are determined by the cash flow generated by the underlying securities. Those underlying securities are generally high-yield bonds and corporate loans.

## embedded value

Net present value of in-force life insurance contracts plus the free surplus.

## employee benefits

Employed persons insurance schemes.

## factoring

The selling of a company's accounts receivable, at a discount, to a factor, who then assumes the credit risk of the account debtors and receives cash as the debtors settle their accounts.

## hedge fund

A fund, usually used by wealthy individuals and institutions, which is allowed to use aggressive strategies that are unavailable to mutual funds, including selling short, leverage, programme trading, swaps, arbitrage, and derivatives.

## prime brokerage

Specialized securities brokerage for customers with special requirements (e.g. customers that frequently place orders for very large trades).

## repo transaction

Repo stands for repurchase agreement. This is an arrangement under which a bank or stock broker sells securities and at the same time concludes an agreement to repurchase the securities at a set price. Interest and duration are likewise laid down in the agreement. This is, in fact, a form of borrowing by banks, using securities as collateral.

## securitization

Restructuring of credits in the form of marketable securities.

## straight-through processing

The seamless electronic processing of financial transactions without manual or visual intervention.

## trust

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

## vehicle transaction

Financing arrangement, e.g. in the case of securitization, under which instruments are issued through a third party (a single purpose vehicle or SPV).