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Profile

Fortis is an international financial services provider active in the fields of insurance, banking and investment. With a market capitalization of EUR 37.7 billion and some 69,000 employees, Fortis ranks among the twenty largest financial institutions in Europe. In 2001 net operating profit amounted to EUR 2,267 million and at year-end total assets came to EUR 483 billion.

Mission

Fortis provides advice and support in the accumulation, management and protection of customers' financial assets. We offer a broad range of financial services through a variety of distribution channels. 'Solid partners, flexible solutions' - that is our pledge to our customers.

In our home market, the Benelux countries, we occupy a leading position and offer a comprehensive range of financial services to individuals, companies, institutional investors and the public sector. Outside our home market, we concentrate on selected market segments.

Strategy

Fortis' strategy is based on the following objectives:

- to improve our performance in our home market;
- to develop growth platforms in Europe in the field of asset gathering;
- to expand our activities in the United States and Asia that offer strong growth potential or that enable us to develop skills that can be used in our home market.

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

Financial objectives

- Growth of net operating profit per share of at least 12%;
- Return on equity of at least 15%.

This past year was an economically difficult but important year. The financial markets were hit by the traumatic events of 11 September. Preparations for, and the successful introduction of, the euro on 1 January 2002 made us all realize that European integration is here to stay. The integrated market presents a tremendous opportunity for Fortis. Its experience as the first cross-border financial institution and its sound financial structure put Fortis, as a European company, in an excellent position. Fortis continued to strengthen its foundation in 2001 by implementing its corporate strategy. Integration projects at the banking and insurance operations proceeded according to plan. In its home market, Fortis concentrated on improving the level of service to customers.

Economically, 2001 was a turbulent year, one in which Fortis could not dodge the impact of the economic slowdown and weak financial markets. Our results were depressed by the decision to refrain from realizing extra investment return and by additional provisions for the credit and investment portfolios, which were created in accordance with our cautious provisioning policy.

Given the unfavourable market conditions, however, Fortis managed to achieve satisfying results, thanks in part to our deliberately diversified product range, an investment policy that clearly accentuates fixed-income securities, and the geographic spread of activities.

We made great progress with the integration of the banking and insurance activities and the implementation of our strategy, all of which further strengthened our foundation for a successful future. Cost savings and synergies were achieved, as planned, and we created an additional provision for restructuring of those operations that are suffering from weakening financial markets. We firmly believe that Fortis has adapted successfully and has laid a sound foundation for taking on future challenges.

## Strategy

In 2001 Fortis continued to focus on the three pillars of its strategy: (1) to improve performance in our home market, (2) to develop growth platforms in Europe in the field of asset gathering, such as Private Banking, Asset Management and Employee Benefits, and (3) to expand activities in the United States and Asia that offer strong growth potential. The disposal of non-core activities and enhancement of transparency form an integral part of the corporate strategy.

Integration of the banking and insurance activities is a Herculean task. Thanks to the efforts and commitment of our employees, the integration process within the bank is proceeding smoothly.

In Belgium, integration of the IT systems of the former Generale Bank and ASLK-CGER was completed in 2001. Customers now have access to the services of Fortis Bank in all of the bank's branches in Belgium as well as through the Internet. Integration of the insurance activities in the Netherlands at AMEV Stad Rotterdam Verzekeringsgroep (ASR) is on schedule and is starting to bear fruit. Meanwhile, plans are being made for ensuring co-operation among all Fortis companies operating in the Netherlands that provide mortgages.

The integration activities have made great demands not only on our employees, but also on our customers. Customer satisfaction in Belgium declined initially, but has picked up again since the third quarter. A promising signal comes from various surveys, which have revealed that intermediaries rank our insurance businesses in Belgium and the Netherlands among the top service providers. In 2001 our insurance companies demonstrated the success of our multi-channel distribution strategy and our diversified product range. Although premiums in unit-linked products were severely depressed by falling stock markets, income from other insurance products offered compensation.

Cost savings and synergies are proceeding according to plan and will be intensified. The number of bank branches in Belgium has been reduced from 2,110 in early 1999 to 1,916 at the end of 2001. In the next two years, around three hundred branches a year will be closed in Belgium, and 1,332 branches will remain in 2003. In the Netherlands, Fortis decided to once again reduce the number of branches, from 261 at the end of December 2001 to 185 in 2003.

An additional restructuring provision was created in 2001, a quarter of which will be used in the insurance business. Three-quarters will be used within the banking business to flesh out the agreements concluded with the works councils and unions concerning early retirement. Half of this amount is required for this purpose, as in Belgium the existing plan for early retirement is applicable to a larger group of employees. The other half is earmarked for a new plan that provides for the early retirement of employees in the Netherlands who are 56 years of age or older.

Fortis disposed of and acquired a number of important businesses in 2001. We sold off our US insurance company, Fortis Financial Group (FFG), and, more than thirty years after the launch of our insurance operations in Australia, we disposed of our insurance subsidiary, Fortis Australia. In the United States we have added CORE, Inc. to our employee benefits operations and have acquired Protective Life's Dental Benefits Division. We intensified our operations in Asia with an agreement with the China Insurance Group, giving us a substantial stake in Tai Ping Life. This is a unique opportunity, as it gives us access to a national licence for life insurance. Fortis also signed a strategic alliance in investment management with Haitong Securities Co., Ltd. In Malaysia, Fortis entered into a bancassurance joint venture with Maybank, the country's largest financial services provider. Early 2002 we announced the sale of our insurance operations in France and of our subsidiary TOP Lease.

To enhance transparency, in 2001 we published a number of financial indicators for each business for the first time. Fortis presented, among other figures, Return on Risk-Adjusted Capital (RoRAC) for each business and published information on embedded value of the insurance operations for the first time. This information revealed that value was added this past year. In September Fortis announced the unification of the Fortis (B) and Fortis (NL) shares into the new Fortis share. This announcement was received enthusiastically by the market and represents a major step towards transparency. The new Fortis share was traded on the Euronext stock exchange for the first time on 17 December and was later included in the international indices, which enhanced the share's liquidity.

One of Fortis' architects resigns

In December 2001 Mr. Hans Bartelds announced his decision to step down as Chairman of the Fortis Board of Directors as of 1 February 2002. The first merger in the Netherlands between a bank and an insurance company - AMEV and VSB - took place in 1990 under his powerful and enthusiastic leadership. That year saw Europe's first cross-border merger, when AMEV/VSB and AG Group joined forces to become Fortis.

Mr. Bartelds' expansive vision enabled our company to grow into a leading financial services provider in Europe, with solid positions in the United States, the United Kingdom, Spain, France and Asia. Together with Maurice Lippens he built up Fortis, helping the company to become a European player with over 69,000 employees. Our market capitalization has grown from EUR 2.6 billion in 1990 to more than EUR 37 billion today. After a career of over 34 years at Fortis - 12 years of which as a director and, most recently, as Chairman of the Board - Mr. Bartelds wishes to devote more time to his supervisory directorships and his management functions outside Fortis.

## Prospects

The measures we have taken ensure that our operations are better in tune with the changing market conditions. We have every confidence in the quality of our credit and investment portfolios and are convinced that the provisions we have created give us a sound financial basis.

Our diversity and combined range of banking and insurance services are important elements of our strength. Our employees are our most valued asset. Basing their efforts on our core values - stable, caring, innovative and straightforward - they make Fortis what it is. The enormous commitment of our employees gives us confidence in our ability to achieve our goals. Fortis is well positioned to harvest the fruits of an economic recovery, but it is uncertain as to whether the still fragile revival will continue and at what pace. It would therefore be premature to issue a forecast for 2002.


On behalf of the Board of Directors,



Jaap Glasz



Maurice Lippens



Anton van Rossum

# Shareholders' information

## One single share for Fortis

The Fortis share replaces the former Fortis (B) and Fortis (NL) shares. The Fortis share represents one unified share in the Belgian and Dutch parent companies Fortis SA/NV and Fortis N.V. respectively. The Fortis (B) and Fortis (NL) shares were delisted on 14 December 2001 and the new Fortis share was traded from 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 BB	FOR.BR
Euronext Amsterdam	FORA NA	FOR.AS

ISIN code BE0003801181

## Index weighting (1 March 2002)

AEX Index	9.3%	MSCI World	0.2%
BEL20 Index	23.1%	MSCI Europe	0.5%
Euronext 100	2.3%	MSCI EAFE	0.4%

## Major shareholders (at end March 2002)

Société Générale de Belgique	11.2%
Stichting VSB Fonds	5.7%

## Earnings per share and dividend per share

Fortis maintains a dividend payout ratio of between 40% and 45% of the group's net profit.

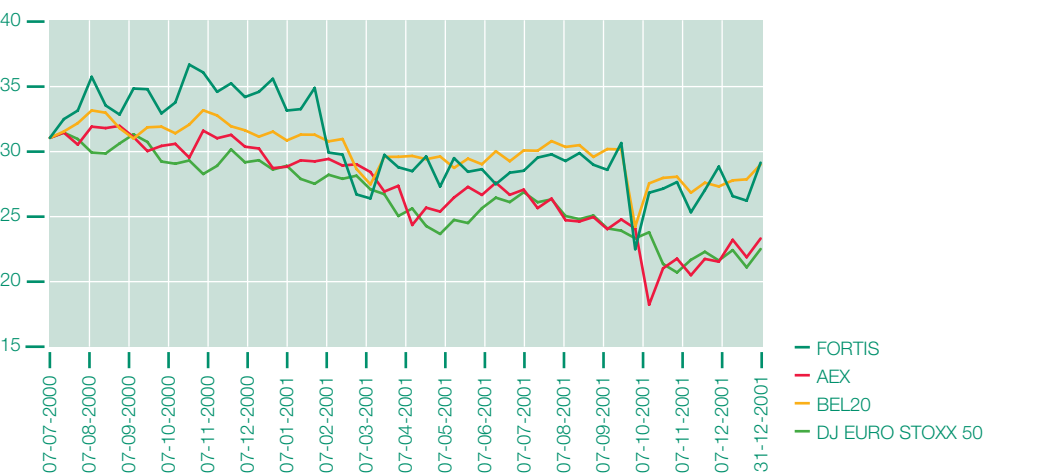
Dividend in 2001: EUR 0.88

Dividend in 2000: EUR 0.88

Stock exchange data (in EUR) <sup>1)</sup>	2001	2000	1999
Highest quotation	36.19	36.91	38.73
Lowest quotation	20.26	24.66	27.15
Year-end quoted market price	29.13	34.60	35.79
Price/earnings ratio <sup>2)</sup>	14.5	15.2	
Price/equity ratio <sup>2)</sup>	2.7	2.9	

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

Compared to BEL20 Index, AEX Index and Dow Jones EURO STOXX 50



<sup>1)</sup> After share split of 4 January 1999 and 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

## Contacts

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

in EUR million

	2001	Difference in %	2000	Difference in %	1999
<b>Profit and loss account</b>					
Operating result before taxation	3,493	( 3 )	3,617	19	3,039
Operating result before taxation Insurance	1,667	( 6 )	1,768	39	1,271
Operating result before taxation Banking	1,999	( 4 )	2,075	7	1,942
Net operating profit	2,267	( 4 )	2,356	20	1,963
Net operating profit Insurance	1,209	( 4 )	1,265	35	936
Net operating profit Banking	1,238	( 6 )	1,313	11	1,185
Net profit	2,598	( 6 )	2,768	19	2,316
Net profit Insurance	1,577	6	1,484	15	1,289
Net profit Banking	1,204	( 20 )	1,506	27	1,185
<b>Employees</b>					
Average FTEs	66,210	5	62,881	3	61,109
Average FTEs Insurance	23,237	11	20,857	3	20,197
Average FTEs Banking	42,791	2	41,870	3	40,782
<b>Balance sheet</b>					
Net equity	13,844	( 9 )	15,197	13	13,508
Total assets	482,970	10	438,083	8	406,109
Assets under management	316,106	1	313,846	13	278,207
<b>Ratios</b>					
<i>Group</i>					
Return on equity (in % )	17.9		20.0		18.7
<i>Banking</i>					
Tier 1 ratio	8.5%		7.3%		7.6%
Total capital ratio	13.5%		11.8%		12.2%
Cost/income ratio	68.3		66.4		66.3
<b>Key figures per share</b>					
Net operating profit	1.75	( 10 )	1.94	13	1.71
Net profit	2.01	( 12 )	2.28	13	2.02
Net profit after full conversion	1.98	( 11 )	2.23	13	1.98
Dividend	0.88	0	0.88	16	0.76
Net equity	10.70	( 9 )	11.78	3	11.46
Net equity after full conversion	10.70	( 9 )	11.74	3	11.41

## Ratings

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

# Consolidated balance sheet before profit appropriation

in EUR million

	31-12-2001	31-12-2000	31-12-1999
<b>Assets</b>			
Cash	5,094	6,110	3,660
Trading securities	19,447	13,363	9,899
Investments	147,676	134,203	127,382
Loans and advances to credit institutions	63,762	62,383	81,970
Loans and advances to customers	176,834	162,093	139,422
Reinsurers' share of technical provisions	6,891	4,944	4,232
Deferred acquisition costs	2,964	3,298	2,081
Prepayments and accrued income	19,845	17,038	13,157
Investments on behalf of policy holders	23,567	22,013	16,210
Other assets	16,890	12,638	8,096
<b>TOTAL ASSETS</b>	<b>482,970</b>	<b>438,083</b>	<b>406,109</b>
<b>Liabilities</b>			
Amounts owed to credit institutions	96,337	94,174	116,992
Amounts owed to customers	179,687	145,752	134,963
Debt certificates	50,896	43,761	35,943
Technical provisions	59,533	56,130	44,613
Liability related to investments on behalf of policy holders	23,085	21,690	15,824
Accruals and deferred income	19,773	15,824	12,236
Other liabilities	23,999	31,865	19,524
Convertible notes	1,257	1,257	1,256
Subordinated liabilities	10,209	8,231	6,906
	<b>464,776</b>	<b>418,684</b>	<b>388,257</b>
Fund for General Banking Risks	2,217	2,043	1,861
Minority interest in group equity	2,133	2,159	2,483
<b>Net equity</b>			
Capital	6,085	428	398
Share premium reserve	11,043	16,599	13,100
Revaluation reserve	549	2,794	3,933
Goodwill	( 16,607 )	( 15,834 )	( 13,035 )
Other reserves	10,176	8,442	6,796
Net profit current financial year	2,598	2,768	2,316
<b>Total net equity</b>	<b>13,844</b>	<b>15,197</b>	<b>13,508</b>
Group equity	15,977	17,356	15,991
<b>TOTAL LIABILITIES</b>	<b>482,970</b>	<b>438,083</b>	<b>406,109</b>

# Consolidated profit and loss account 11

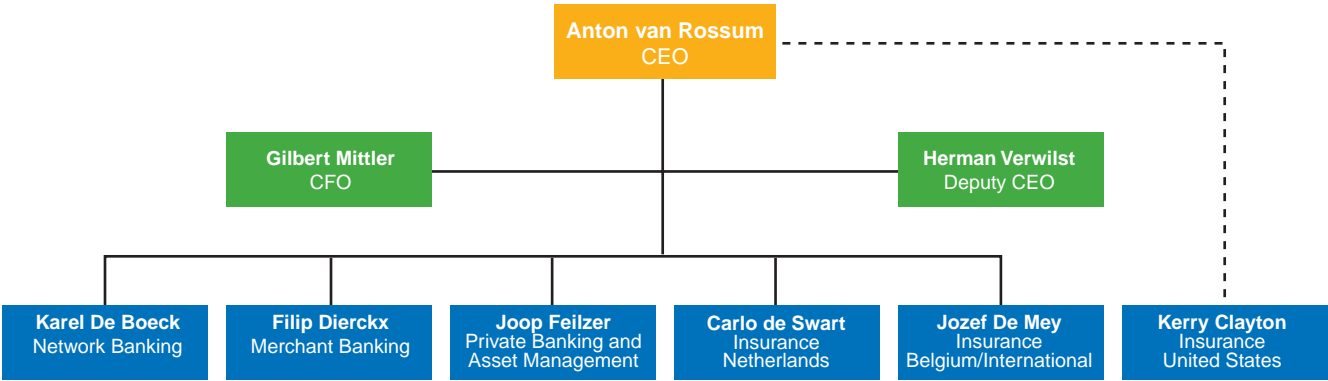
in EUR million

	2001	2000	1999
<b>Revenues</b>			
Insurance premiums	18,162	15,784	12,527
Interest income	23,765	25,713	20,822
Commissions and fees	1,978	2,164	1,832
Results from financial transactions	( 1,307 )	490	2,732
Other revenues	2,660	2,917	2,665
Total revenues	45,258	47,068	40,578
Interest expense	( 16,914 )	( 19,403 )	( 14,706 )
<b>Total revenues, net of interest expense</b>	<b>28,344</b>	<b>27,665</b>	<b>25,872</b>
Technical charges insurance	( 13,440 )	( 13,464 )	( 13,797 )
Value adjustments	( 626 )	( 620 )	( 547 )
Net revenues	14,278	13,581	11,528
Operating expenses	( 10,785 )	( 9,964 )	( 8,489 )
<b>Operating result before taxation</b>	<b>3,493</b>	<b>3,617</b>	<b>3,039</b>
Taxation	( 1,049 )	( 1,044 )	( 893 )
Operating group profit	2,444	2,573	2,146
Minority interests	177	217	183
<b>Net operating profit</b>	<b>2,267</b>	<b>2,356</b>	<b>1,963</b>
<b>Non-operating items</b>			
Results from financial transactions	434	249	353
Other revenues	108	111	
Value adjustments		157	
Operating expenses	( 342 )		
Taxation	131	( 105 )	
<b>Non-operating items after taxation</b>	<b>331</b>	<b>412</b>	<b>353</b>
<b>Net profit</b>	<b>2,598</b>	<b>2,768</b>	<b>2,316</b>

# 12 Description of activities

Business	Activities	Customer focus	Market position
<b>Insurance Netherlands</b>	<ul style="list-style-type: none"> <li>- Life insurance</li> <li>- Pension insurance</li> <li>- Non-life insurance</li> <li>- Employee Benefits</li> <li>- Mortgage and savings products</li> </ul>	<ul style="list-style-type: none"> <li>- Independent intermediaries</li> </ul>	<ul style="list-style-type: none"> <li>- Second-ranking insurer for intermediaries in the Netherlands</li> <li>- Market leader in disability insurance</li> </ul>
<b>Insurance Belgium and International</b>	<ul style="list-style-type: none"> <li>- Life insurance</li> <li>- Pension insurance</li> <li>- Non-life insurance</li> <li>- Employee Benefits</li> </ul>	<ul style="list-style-type: none"> <li>- Independent intermediaries</li> </ul>	<ul style="list-style-type: none"> <li>- Market leader in Belgium</li> <li>- Fortis Corporate Insurance (FCI) market leader in the Benelux region</li> <li>- Strong in employee benefits and investment-linked products</li> <li>- Strong market position of Fortis International's local partners</li> </ul>
<b>Insurance United States</b>	<ul style="list-style-type: none"> <li>- Group long- and short-term disability insurance</li> <li>- Employee Benefits and dental insurance</li> <li>- Individual and small group medical insurance</li> <li>- Affinity group marketing and insurance services</li> <li>- Preneed funeral insurance</li> </ul>	<ul style="list-style-type: none"> <li>- Individuals and small and medium-sized enterprises</li> <li>- Financial and other institutions with large customer databases</li> <li>- Funeral directors</li> </ul>	<ul style="list-style-type: none"> <li>- Fortis, Inc. companies: leaders within their market segments</li> </ul>
<b>Network Banking</b>	<ul style="list-style-type: none"> <li>- Retail banking</li> <li>- Comprehensive package of services to medium-sized and large enterprises</li> <li>- Specialist services to global corporates in industries such as Energy, Shipping, Aviation and Trade and Commodity Finance</li> </ul>	<ul style="list-style-type: none"> <li>- Retail customers, i.e. individuals, small enterprises and professionals</li> <li>- Medium-sized and large enterprises</li> </ul>	<ul style="list-style-type: none"> <li>- Retail bank: leadership position in the Benelux region</li> <li>- Prominent position in bancassurance in Belgium</li> <li>- Dense, pan-European branch network for medium-sized enterprises</li> <li>- Strong position in export and project financing, acquisition financing, cash management, structured finance, leasing and factoring</li> <li>- Market leader in a number of sectors (Shipping, Trade and Commodity Finance)</li> </ul>
<b>Merchant Banking</b>	<ul style="list-style-type: none"> <li>- Financial Markets</li> <li>- Investment Banking</li> <li>- Information Banking</li> <li>- Private Equity</li> </ul>	<ul style="list-style-type: none"> <li>- Institutional customers</li> <li>- Medium-sized and large enterprises</li> <li>- Banks</li> </ul>	<ul style="list-style-type: none"> <li>- Leadership position in the Benelux region</li> <li>- Presence in major financial centres on European continent</li> </ul>
<b>Private Banking and Asset Management</b>	<ul style="list-style-type: none"> <li>- Complete range of tailor-made Private Banking services</li> <li>- Fortis Investment Management (FIM): asset management, development of investment funds</li> </ul>	<ul style="list-style-type: none"> <li>- Individuals</li> <li>- Institutional investors</li> <li>- Associations and foundations</li> </ul>	<ul style="list-style-type: none"> <li>- Leadership position in the Benelux region</li> <li>- One of Europe's top five private banks</li> <li>- FIM: one of Europe's largest asset managers</li> </ul>

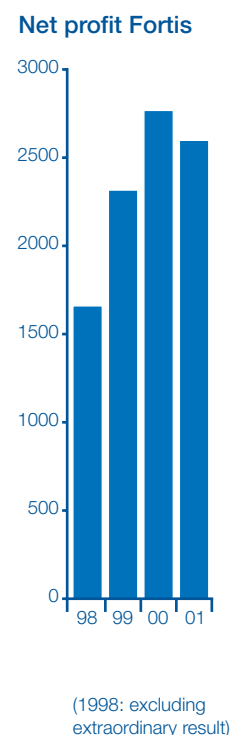
Operational strategy	Developments in 2001	Business
<ul style="list-style-type: none"> <li>- Single-channel distribution strategy (via intermediaries)</li> <li>- Optimum support to intermediaries (e.g. via the Internet)</li> <li>- Cost control</li> <li>- Chain integration</li> </ul>	<ul style="list-style-type: none"> <li>- Good commercial results</li> <li>- Integration projects proceeded according to plan, partially completed</li> <li>- Market position strengthened by focus on service to intermediaries</li> <li>- Improved technical results once again</li> </ul>	<b>Insurance Netherlands</b>
<b>Belgium</b> <ul style="list-style-type: none"> <li>- Retain market leadership</li> <li>- Optimum support to intermediaries</li> <li>- Cost control</li> <li>- Efficiency</li> </ul> <b>International</b> <ul style="list-style-type: none"> <li>- Expand position in Asia</li> </ul>	<ul style="list-style-type: none"> <li>- Good commercial results in Belgium</li> <li>- Excellent results of Fortis Insurance Ltd. in the United Kingdom</li> <li>- Joint venture in bancassurance with Maybank, Malaysia</li> <li>- Insurance subsidiary Fortis Australia sold</li> <li>- Joint venture in Life insurance with China Insurance Group</li> </ul>	<b>Insurance Belgium and International</b>
<ul style="list-style-type: none"> <li>- Expand leadership in niche markets</li> <li>- Cost control</li> </ul>	<ul style="list-style-type: none"> <li>- Results down on 2000, due primarily to lower investment returns</li> <li>- Acquisition of CORE, Inc. and dental insurance business of Protective Life</li> <li>- Strong sales of individual medical insurances via State Farm</li> <li>- Successful integration of AMLIC</li> <li>- Fortis Financial Group sold</li> </ul>	<b>Insurance United States</b>
<ul style="list-style-type: none"> <li>- Multi-channel distribution</li> <li>- Cross-selling of bank, insurance and investment products</li> <li>- Expansion of bancassurance activities</li> <li>- Integration of retail bank</li> <li>- Synergy with other businesses</li> <li>- Use of the Internet to support personal approach to customers</li> <li>- Cost control</li> </ul>	<ul style="list-style-type: none"> <li>- Integration of IT systems in Belgium completed</li> <li>- Streamlining of branch network on schedule</li> <li>- Successful conversion to the euro</li> <li>- New business centres opened in France and Poland</li> </ul>	<b>Network Banking</b>
<ul style="list-style-type: none"> <li>- Creation of value / cost efficiency</li> <li>- Synergy with other businesses</li> <li>- Integrated customer relationship management</li> <li>- Expansion in European countries outside Benelux region</li> </ul>	<ul style="list-style-type: none"> <li>- Satisfactory results despite adverse market conditions</li> <li>- Good performances at Financial Markets and Information Banking</li> <li>- Losses on venture capital</li> <li>- Enhanced focus on integrated customer relationship management</li> </ul>	<b>Merchant Banking</b>
<ul style="list-style-type: none"> <li>- Further expansion and strengthening of leadership position in Europe</li> <li>- (International) fund distribution via third parties</li> </ul>	<ul style="list-style-type: none"> <li>- Strategic alliance between FIM and Haitong Securities, China</li> <li>- FIM representative office opened in Shanghai</li> <li>- Growth in France and Spain</li> <li>- Introduction of investment funds in sustainable sectors</li> </ul>	<b>Private Banking and Asset Management</b>



Fortis achieved a net operating profit of EUR 2,267 million under the difficult conditions of 2001. Including the provisions created, this represents a decline of only 4% compared with the record year of 2000. Organically the decrease came to 10%. Net operating profit per share came down 10%. Results were depressed by the creation of additional provisions for the credit and investment port-folios in the fourth quarter and by lower investment income, mainly on the investment portfolio in the United States due to the deteriorated economy in the third and fourth quarters. In addition, in view of the current market conditions, Fortis decided to refrain from realizing extra investment return in 2001. Public bids for the LIFFE shares and SES Global resulted in non-operating income in the fourth quarter. An additional reorganization provision was also created in the fourth quarter and charged to the non-operating items. Net profit, including non-operating items totalling EUR 331 million, fell by only 6% to EUR 2,598 million. Return on equity was 17.9%, which is higher than the target of 15%. Earnings per share amounted to EUR 2.01 (-12%). A dividend of EUR 0.88, equal to the dividend paid out in 2000, will be proposed to the shareholders of Fortis.

Fortis retained its good solvency position in 2001. Net core capital proved to be adequate amid the difficult market conditions prevailing in 2001, owing in part to the composition and quality of the investment portfolio, which mainly consists of fixed-income securities carrying a limited risk. At the end of the year, core capital amounted to EUR 19.2 billion, which was 16% above the lower limit set by Fortis. As an integrated financial services provider, Fortis developed adequate risk gauging instruments with which credit and investment risks are assessed consistently across all businesses. In its banking business, Fortis uses strict selection and supervision procedures and it has a conservative provision policy.

The risk profile is further enhanced by the well-balanced credit portfolio, which is widely spread across sectors and regions. Fortis uses strict investment criteria, not only in lending but also in investments. The investment portfolio of the US insurance business was closely reviewed in the light of the recent economic developments. A number of measures were taken to further strengthen the risk profile of this portfolio. In 2001 Fortis lifted the tier 1 ratio of its banking activities to 8.5% from 7.3%.



Thorough and uniform risk analysis in both banking and insurance allowed Fortis to reduce its economic capital from EUR 17 billion to EUR 16.3 billion. Net Return on Risk-Adjusted Capital (RoRAC) amounted to 14%.

Net profit of the insurance business advanced 6%, to EUR 1,577 million. Total gross premium income increased by 11%, to EUR 21.6 billion (+2% organically). Fortis AG in Belgium and ASR in the Netherlands both upped their market share. Technical results in Life and Non-life improved considerably. As a result of disappointing income from investments, mainly at Fortis, Inc. in the United States, net operating profit fell 4%, to EUR 1,209 million. Excluding the influence of lower investment returns, net operating profit in the insurance business grew by 18%.

Premium income is almost equally divided between Life and Non-life. Gross premiums increased by 2% organically, or in other words disregarding the takeover of ASR and American Memorial Life Insurance Company (AMLIC), the sale of Fortis Financial Group (FFG) and exchange rate differences. Total net revenues of EUR 6,629 million were 6% higher than in 2000. The consolidation of ASR bumped up operating expenses by 11%, but organically the increase was only 2%. Staff costs rose 14% to EUR 1,460 million. Acquisitions and disposals in the insurance business resulted in a slight net increase in the number of FTEs, to 23,803.

In the Life business, Fortis saw its gross premium income increase by 10% to EUR 10.7 billion (+5% organically), underpinned by the consolidation of ASR. Single premiums climbed to EUR 6,724 million (+11%), while regular premiums increased to EUR 3,958 million (+7%). Premiums on unit-linked products declined by 15% owing to poor market conditions. The technical result was up 9%. The deliberately lower investment return brought down net operating profit by 4%.

In line with the desire for more transparency, Fortis has now for the first time published the embedded value of its life insurance business. This information revealed that value was added this past year. Embedded value comprises the sum of the free surplus and the present value of in-force life insurance contracts.

### Key figures Insurance (in EUR million)

(Including FB Insurance)	2001	2000	Difference in %
Gross written premiums Life	10,681.7	9,733.3	+10
Gross written premiums Non-Life	10,932.2	9,693.2	+13
Combined ratio Non-life	103	105	
Costs/Gross Written premiums	12.5%	12.7%	
FTEs (end of period)	23,803	23,755 <sup>1)</sup>	0
Operating result before taxation	1,667.1	1,768.3	-6
Net operating profit	1,209.4	1,265.3	-4
Non-operating Items	368.0	218.9	+68
Net profit	1,577.4	1,484.2	+6

<sup>1)</sup> Includes figures for 2000 of ASR precursor

Embedded value, excluding FFG, amounted to EUR 10.4 billion at year-end 2000. The poor stock market performance in 2001 depressed value creation, but an accrual of EUR 215 million was still achieved.

Anticipating the intended dividend payment to Fortis, embedded value reached EUR 10.3 billion at year-end 2001.

Detailed information on the embedded value of Fortis's life insurance business can be found on [www.fortis.com](http://www.fortis.com).

The Non-life business saw gross premiums increase by 13% to EUR 10.9 billion (-1% organically), underpinned by the consolidation of ASR. The technical result surged 56% to EUR 492 million. The technical result of Accident and Health advanced EUR 139 million to EUR 218 million, largely thanks to Fortis, Inc. (+EUR 110 million) and the consolidation of ASR (+EUR 14 million).

The Motor technical result jumped from EUR 13 million to EUR 57 million, helped by premium hikes in the United Kingdom and improved results in the Netherlands. The Fire technical result increased EUR 14 million to EUR 37 million, driven by the good performance in the Netherlands. Developments at Fortis, Inc. depressed the technical result of Other lines by EUR 20 million to EUR 180 million. As a result of lower investment income net operating profit decreased by 6%.

#### Change in embedded value (in EUR million)

Embedded value year-end 2000 including FFG	11,034
Divestiture of FFG	( 600 )
<b>Embedded value year-end 2000 excluding FFG</b>	<b>10,434</b>
Accrual during the year	215
<b>Accrued value year-end 2001</b>	<b>10,648</b>
Intended dividend payment to Fortis	( 357 )
<b>Embedded value year-end 2001</b>	<b>10,291</b>

Total revenues in the banking business bore up well, rising 3%. Organic growth of operating expenses was confined to 4% and the number of FTEs fell by 2%, to 42,109. The creation of additional provisions for the credit portfolio in the fourth quarter brought down net operating profit by 6% to EUR 1,238 million. Restructuring provisions caused net profit of the banking business to decline 20% to EUR 1,204 million.

Higher interest margin and volume growth drove up net interest income by 6% to EUR 4.4 billion. Net commission income came down mainly in the fourth quarter; the full-year 2001 figure came to EUR 2 billion, though, meaning the decline was relatively limited, to only 9%.

**Key figures Banking** (in EUR million)

	2001	2000	Difference in %
<b>Total revenue, net of</b>			
<b>interest expense</b>	<b>8,282.2</b>	8,022.2	+3
<b>Operating result before taxation</b>	<b>1,998.5</b>	2,074.7	-4
<b>Net operating profit</b>	<b>1,238.3</b>	1,312.5	-6
<b>Non-operating items</b>	<b>( 34.1 )</b>	193.5	
<b>Net profit</b>	<b>1,204.2</b>	1,506.0	-20
<b>Cost/income ratio <sup>1)</sup></b>	<b>66.6%</b>	65.1%	
<b>FTEs (end of period)</b>	<b>42,109</b>	42,960	-2

<sup>1)</sup> Including FB Insurance and excluding revaluation real estate

Commissions on issuance and secondary placements fell 52% to EUR 89 million, while the decline in commissions on security transactions was confined to 10%.

Commissions on asset management remained virtually stable, at EUR 654 million.

Commissions on insurance (-11%) and payment services (+15%) amounted to EUR 148 million and EUR 338 million, respectively.

Results of financial transactions came to EUR 1 billion (-2%). This income managed to remain stable against the level of 2000 thanks largely to capital gains on the fixed-income portfolio. Whereas venture capital brought in high levels of income in 2000, write-offs on the portfolio were recognised in 2001. The 32% increase in Other income (to EUR 897 million) was largely attributable to high income from leasing activities, which advanced 60% to EUR 464 million.

Risk-Weighted Assets (RWA) decreased 7% from the end of the third quarter. RWA came in 4% lower than at the end of 2000.

Harmonization of the credit provisioning policy at Fortis Bank tempered the level of provisions, but this effect was offset by increasing losses on the Fortis credit portfolio mainly in the fourth quarter. In line with its sound and cautious provisioning policy, Fortis booked additional provisions. In accordance with its policy, Fortis added EUR 170 million to the Fund for General Banking Risks (FGBR) in 2001. The FGBR now stands at 1.45% of RWA. From 2002 no further additions will be made to the FGBR.

Taxation, at EUR 693 million, was 8% higher than last year. The effective tax rate consequently increased from 31% to 35%. This difference was largely attributable to the record-high profit from venture capital in 2000, which was tax-exempt, while the losses suffered in the year under review were non-deductible.

Including FB Insurance operating expenses, rose by 5% (+2% organically). The cost/income ratio went up to 66.6% from 65.1% in 2000. Staff costs rose, as expected, by 5%, mainly due to wage inflation. The number of FTEs came down 2% to 42,109. Other costs increased by 1% and depreciation rose by 10%. Increased leasing business resulted in higher costs (+51%), which were accompanied by higher income (+60%).

The newly merged AMEV Stad Rotterdam Verzekeringsgroep (ASR) had a good year in several respects. Commercial results were good and a number of ongoing integration projects were successfully completed. ASR successfully consolidated its market position by focusing on the support it provides to intermediaries. Group companies work through insurance brokers to offer a wide range of life, pension, non-life, care and disability policies, together with mortgage and savings products.

### Key figures Insurance Netherlands

	2001	2000
Net operating profit (EUR million)	472.1	399.5
Gross written premiums Life (EUR million)	3,457.2	1,566.2
Growth of assets under management <sup>1)</sup>	5.0%	n/a
Gross written premiums Non-life (EUR million)	1,701.8	522.4
Combined ratio Non-life	100	103
Costs/Gross written premiums	14.0%	22.4%
FTEs (end of period)	5,269	5,359 <sup>2)</sup>

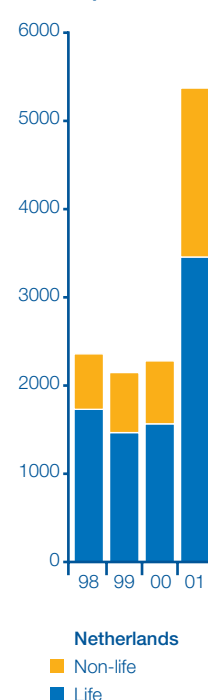
<sup>1)</sup> Change in technical provisions for Life insurance

<sup>2)</sup> Includes ASR precursor figures for 2000

ASR recorded favourable operating results in a year that saw a marked downturn on the financial markets. Net operating profit worked out at EUR 472 million. ASR's RoRAC (not including ASR Bank) was 27%.

Gross premium income was EUR 5,159 million, an increase of EUR 3,071 million over 2000, prior to the creation of ASR.

Gross premium income



Non-life performance was excellent. Gross Non-life premiums climbed EUR 1,180 million to EUR 1,702 million, while the technical result improved considerably. Accident and Health, which account for 46% of gross Non-life premiums, did particularly well, at EUR 789 million against EUR 127 million last year (before the formation of ASR). Gross Life premiums rose EUR 1,891 million to EUR 3,457 million. Although the new tax system dampened growth in individual Life, Single Life premiums continued to perform well. Combined life insurance and investment products were again successful, despite the deterioration in the market. The technical result at Life developed positively, but worked out lower than in 2000 because of the large, one-off gains in that year. The sale of investment-linked mortgages once again proved successful at ASR Bank.

With a market share of about 12% in 2001, ASR was the second largest insurer in the highly competitive Dutch market. The six largest companies together account for 64% of the market (73% in the case of Life and 51% for Non-life). ASR pursues a consistent single-channel distribution strategy, marketing its products exclusively via independent intermediaries. There are around 9,000 of these in the Netherlands, accounting for a total of three-quarters of the Life market and over half of the Non-life market. ASR is market leader (22%) in disability insurance, due in large part to the strong position of group company De Amersfoortse. ASR Bank accounts for just under half (48%) of mortgage lending via intermediaries.

Key elements in the business's strategy are optimizing support to intermediaries and keeping costs as low as possible. ASR works with other parties on supply chain integration, which enables brokers to work directly with insurers' ICT applications via standard interfaces, thereby generating substantial cost savings.

ASR is also investing in the Internet in order to enhance direct contact with intermediaries and to further raise the level of service. The ability to access services via the Internet will help brokers to speed up and simplify the insurance and mortgage transactions they perform on their customers' behalf. A trial involving twenty intermediaries in the vehicle insurance segment was rounded off successfully. The next stage is to expand the product offering and to bring more insurers on board. Unlike other companies, ASR definitely does not see the Internet as an opportunity for cutting out intermediaries from the distribution of its products. Instead, ASR encourages them to use the Internet to optimize contact with their customers.

Integration projects mounted in the first year after the merger of AMEV and ASR Verzekeringsgroep N.V. are now partially complete. ASR has made concrete gains in a number of areas, including attracting capital, purchasing, and reducing externally sourced capacity. Its total number of FTEs fell 2% to 5,269 as at 31 December 2001.

Product development for Life, Non-life, Accident and Health, and Banking operations is performed at Centres of Excellence on behalf of ASR as a whole. Meanwhile, central services have been set up for ICT, Social Affairs, Finance & Investment, Actuarial and Reinsurance. These will enhance the commercial effectiveness of group companies, freeing them to focus entirely on their customers - the intermediaries.

There will be particular gains in the area of ICT thanks to the standardization of applications and infrastructure at all ASR group companies. ASR views ICT as the ideal medium by which to achieve cost savings and to enhance flexibility at all labels.

Progress was also made in terms of collaboration with other parts of Fortis. ASR Bank is, for instance, now using Fortis Bank to attract capital for its mortgage operations, while ASR and Merchant Banking have completed a number of securitization deals, for which elements of ASR's mortgage portfolio are serving as collateral.

Immediate growth opportunities for ASR are offered by Individual Life, group pensions, disability insurance and mortgages. The new tax system is stimulating demand for supplementary and other pension insurance. The pension gap for the Dutch population as a whole has been calculated at around EUR 8 billion, representing a considerable growth opportunity for ASR.

Demand for income insurance, pensions and mortgages will continue to grow over the longer term, too. These products are sensitive to the quality of advice, which means excellent opportunities for intermediaries in terms of integrated advisory services - an area in which ASR intends to provide them with full support.

The outlook for mortgage lending is also good in the longer term. Mortgage interest remains tax-deductible and, given that barely half of all homes in the Netherlands are owner-occupied, the trend towards home ownership is likely to increase. Growth in this market will be particularly important because of the linkage between mortgages and life assurance policies - no less than 40% of new Life production in 2001 was linked to new mortgage lending.

Fortis AG is a leading insurer in the Belgian market. Working through intermediaries, it offers a comprehensive range of policies to consumers and enterprises. It has a 10% share of both the Life and Non-life markets. Fortis AG again recorded good commercial results across the board in 2001, and the Life market in particular continues to grow strongly. Strategy is geared towards consolidating market position and optimizing support to intermediaries. Fortis Corporate Insurance (FCI) provides industrial insurance to large and medium-sized enterprises in the Benelux region, while Fortis International brings together insurance operations outside Belgium, the Netherlands and the United States. In the case of Europe, this relates almost entirely to Fortis subsidiaries active in both the Life and Non-life markets. Fortis International made considerable progress in 2001 with the streamlining of its operations, especially in Asia. This entailed a number of disposals on the one hand, while on the other Fortis expanded its operations, tying up successfully with leading local players.

## Key figures Insurance Belgium (Fortis AG)

	2001	2000
<b>Net operating profit (EUR million)</b>	<b>252.5</b>	248.5
<b>Gross written premiums Life (EUR million)</b>	<b>1,567.6</b>	1,378.4
<b>Growth of assets under management <sup>1)</sup></b>	<b>9.2%</b>	10.3%
<b>Costs/Gross written premiums Non-life (EUR million)</b>	<b>786.1</b>	738.6
<b>Combined ratio Non-life</b>	<b>107</b>	108
<b>Costs/Gross written premiums</b>	<b>10.2%</b>	12.3%
<b>FTEs (end of period) <sup>2)</sup></b>	<b>3,272</b>	3,243

<sup>1)</sup> Change in technical provisions for life insurance

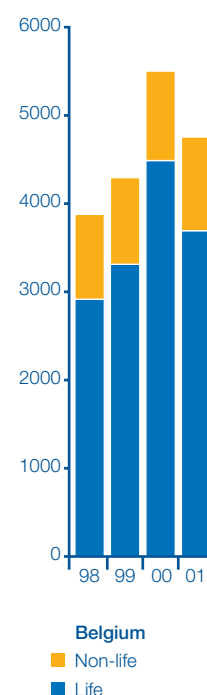
<sup>2)</sup> Including Fortis Corporate Insurance

Fortis AG's net operating profit rose in 2001 by 2% to EUR 253 million, despite lower investment returns. The Life business recorded higher technical results than last year (up EUR 9 million), while the equivalent result at Non-life was more or less constant.

Operating expenses remained stable.

Fortis AG saw a 9% increase in assets under management, despite the weaker equity market. The number of FTEs rose slightly in 2001 to 3,272. RoRAC was 22%.

Gross premium income



Fortis AG achieved good commercial results in 2001. Total gross premium income went up by 11% to EUR 2,354 million. Life, which delivered two-thirds of gross premiums, performed particularly well once again. The overall Life market grew in 2001 and Fortis AG saw its gross premium income advance 14% to EUR 1,568 million. Individual Life developed well, with gross premiums picking up 27% to EUR 1 billion. A further shift occurred among consumers and SMEs away from classic products towards flexible financial ones. The adverse climate of the financial markets caused premiums from investment-related products to dip 31% to EUR 295 million. This was more than offset, however, by the success of short-term investment products, which took in premiums of EUR 537 million. Traditional Life premiums fell slightly to EUR 174 million.

Some 90% of Employee Benefits premiums still derive from classic products. Fortis AG saw its premium income retreat 5% to EUR 562 million, giving it a market share of 20%. After a fairly weak beginning to 2001, premiums picked up again in the second half of the year. All the same, real growth was precluded by the worsening economic situation and uncertainty as to the application of several fundamental modifications to Belgian pension legislation. Although price competition in this market is intense, Fortis AG is well placed to maintain a technically solid pricing policy.

Non-life accounts for one-third of Fortis AG's gross premium income. The figure rose 6% in 2001 to EUR 786 million. This is a satisfactory figure, given the slow growth of the overall Non-life market. Non-life's strategy is geared primarily towards profitability, cost control and innovation, based on moderate growth. Gross premium income at Accident and Health rose 5% to EUR 246 million. Gross premiums climbed to EUR 237 million at Motor (+9%) and EUR 231 million at Fire (+5%). 'Modulis' - a tailored policy for SMEs - provided a strong engine for growth in this segment. Fortis AG continued to invest in innovative positioning in the consumer market.

Fortis Corporate Insurance (FCI) is one of the most important Non-life insurers for medium-sized and large enterprises in the Benelux region. Premiums in the industrial insurance market recovered in 2001 after years of excessively low rates. The events of 11 September accelerated this firming up of the market. The risk of terrorist attack was excluded from the terms of most contracts and can now only be covered on payment of an optional, additional premium. Net operating profit came to EUR 8 million in 2001, while the year 2000 closed with a loss of EUR 10 million.

## Insurance International

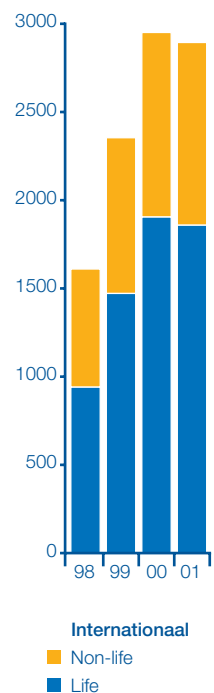
Fortis International is represented in China, France, Luxembourg, Malaysia, Singapore, Spain and the United Kingdom.

Fortis International took a number of strategically important steps in 2001. February saw the creation of a joint venture with Maybank, Malaysia's largest provider of financial services. The new venture, in which Fortis has a 30% interest, sells life and non-life insurance to consumers and businesses, primarily through Maybank's branch network. Fortis also views the tie-up as paving the way for the development of further activities with Maybank.

July saw the sale of Fortis' Australian insurance subsidiary to the British insurer CGNU for EUR 205 million. Although Fortis Australia was a profitable business, its market share was too small for it to meet Fortis' targets for growth.

Fortis subsidiary Seguros BILBAO acquired the Spanish portfolio of the Swiss firm Baloise in October, boosting the premium volume by around 17% to EUR 307 million. The acquisition enhances Seguros BILBAO's presence outside the Basque region. The company sells life and non-life policies through intermediaries to consumers and SMEs. Seguros BILBAO's results were better than in 2000, due primarily to the positive development of the Non-life business.

Gross premium income



In addition to Seguros BILBAO, Fortis is represented in Spain through CAIFOR, its joint venture with "la Caixa", the country's largest savings bank. CAIFOR performed well, but experienced a considerable decline in premium income. Premiums from investment-linked policies in particular were down sharply on 2000, partly because new regulations had boosted premium income in that year. Premiums from group life policies and savings products rose in 2001. Nevertheless, CAIFOR remained market leader in terms of premium volume and assets under management.

Fortis' desire to expand its operations in China was reflected in the life insurance joint venture agreed in October 2001 with China Insurance Group. The alliance entails an initial stake of 24.9% in Tai Ping Life (TPL) and represents a unique opportunity for Fortis. This is the largest interest in a national Chinese insurance company ever granted to an international financial services provider. The collaboration also entails access to a national licence for life insurance.

Early 2002 Fortis reached agreement on the sale of its insurance operations in France.

Fortis International posted a 16% decline in net operating profit to EUR 91 million in 2001. This was mainly due to the sale of Fortis Australia and to less favourable results at Fortis Assurances in France and at Keppel Insurance in Singapore, in which Fortis has a 40% stake. An impressively positive contribution to the results was made by Fortis Insurance Ltd. in the United Kingdom which, despite the economic slowdown, turned in an excellent performance. The company sells non-life insurance through intermediaries to consumers and SMEs, and is Fortis' largest motor insurer. Fortis Insurance Ltd. is exceptionally cost-effective, which enables it to pursue an extremely sharp pricing policy. Insurance Times Industry awarded the company its 'Best Motor Insurer' accolade for 2001.

The companies making up Fortis, Inc. in the United States are leading providers of group long and short-term disability, life and dental insurance, individual and small group medical insurance, credit risk insurance, affinity group marketing and insurance services, and preneed funeral insurance. In accordance with its strategy of building and managing a select portfolio of specialty businesses that are leaders in their respective markets, Fortis, Inc. sold Fortis Financial Group (FFG), its mutual fund and annuity business, and acquired CORE, Inc., a national provider of employee absence management services, and Protective Life's dental insurance business. Net operating profit of Fortis, Inc. decreased by 30% to EUR 209 million, reflecting lower capital gains.

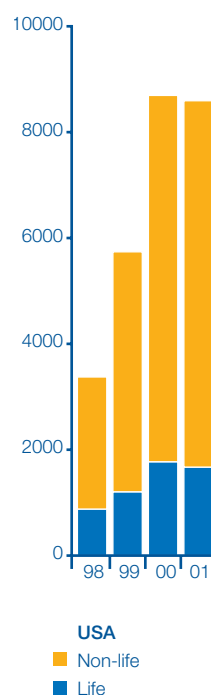
### Key figures Insurance United States

	2001	2000
<b>Net operating profit (EUR million)</b>	<b>209.2</b>	299.6
<b>Costs/Gross written premiums</b>	<b>15.8%</b>	15.7%
<b>FTEs (end of period)</b>	<b>11,120</b>	10,723

Fortis, Inc. posted a net operating profit of EUR 209 million in 2001, a decrease of 30% over 2000, mainly reflecting lower capital gains, partly on investments in Enron. The investment portfolio was negatively impacted mainly in the fourth quarter, due to adverse market conditions, and additional provisions had to be created. Gross Life premiums fell 6% to EUR 1,672 million, despite the contribution of American Memorial Life Insurance Company (AMLIC), which was acquired in 2000.

Life premium income was adversely affected mainly by Assurant Group and the absence of premiums from FFG (as from the second quarter). Gross Non-life premiums remained stable at EUR 6,922 million. RoRAC was 21%.

Gross premium income



We are relieved to report that the events of 11 September 2001 had little significant impact on Fortis, Inc., which is headquartered in Lower Manhattan but suffered no loss of life or property. From a business perspective, the direct net impact was less than EUR 20 million.

### Assurant Group

Assurant Group, which accounted for approximately 40% of Fortis, Inc.'s total net operating profit, has been an affinity marketing company for several decades now.

It leverages relationships to distribute products and services using its technology, processing and marketing capabilities.

In delivering these services, it specializes in insurance products, related services, extended service contracts and membership programmes. These products are sold predominantly through financial institutions, retailers, utilities and manufactured housing and automobile dealers.

A core activity of Assurant is the insourcing of back-office activities relating to the marketing and servicing of various products. Assurant Group's rich customer databases offer direct marketing and cross-selling opportunities on behalf of clients.

Assurant's unique position in the value chain creates insurance and specialty product solutions that help corporate customers maximize the value of their most important assets - their customer portfolios. Assurant constantly creates and offers new solutions to meet the changing needs of customers in a dynamic marketplace.

Assurant Group experienced a loss of momentum across much of its business. The slowdown in revenue growth can be attributed to, among other things, the aftermath of 11 September and waning economic growth. In addition, there was a shift in client focus towards banking solutions for debt management and institutional clients expressed regulatory concerns regarding 'predatory lending'.

Technical results declined in response to unfavourable results from certain credit insurance products and a shift in business from Life to Non-life. Results were also hurt by one-time events like tropical storm Allison and severe winter weather early in the year, which resulted in higher loss ratios. Lastly, Assurant Group's customers - financial institutions - were required to meet new US privacy regulations adopted in December 2000. Compliance with these regulations has added to the costs of both Assurant Group and its customers. More importantly, it has also delayed the marketing of new programmes. In the fourth quarter a provision was created for a restructuring and the termination of certain activities.

## Fortis Health

Fortis Health, which accounted for about 26% of Fortis, Inc.'s net operating profit, offers health insurance to individuals and small companies. The enhanced profitability was due mainly to a significant improvement in the overall loss ratio from 76% to 71%.

Fortis Health has benefited from pricing and administrative actions that have continued since the beginning of 2000. Fortis Health has been very successful in growing its individual medical insurance business, particularly by persistently strong growth in sales via the State Farm distribution channel.

State Farm - the largest individual property and casualty insurance company in the United States - distributes Fortis Health's individual medical insurance products through its network of more than 16,000 exclusive career agents. In addition to individual medical insurance plans, State Farm has also begun to sell Fortis Health's specialty insurance products, including temporary health insurance and Student Select - a guaranteed-renewable, year-round health policy for college and university students.

Fortis Health entered into a partnership in 2001 with the United Services Automobile Association (USAA), for which it will be the exclusive provider of individual medical insurance products to USAA's 4.5 million members within the military community.

## Fortis Benefits

Fortis Benefits delivered around 14% of Fortis, Inc.'s net operating profit. The business offers employee benefits solutions to small and medium-sized enterprises. Its customers are CEOs, presidents and employee benefits specialists at firms wishing to offer their employees non-medical benefits tailored to their specific needs. Contracts in group life, disability and dental insurance can all be customized in this way.

Higher revenues at Fortis Benefits were partially offset by unfavourable mortality rates at its group life business in the first quarter of 2001. Group life mortality improved in subsequent months. The events of 11 September had only a modest impact on life business, with Fortis Benefits experiencing a small increase in disability claims.

In July 2001, Fortis Benefits finalized the acquisition of CORE, Inc., a national provider of employee absence management services in the United States, while in the fourth quarter of 2001, Fortis, Inc. acquired Protective Life's dental insurance business. The latter acquisition makes Fortis Benefits the leader in the rapidly growing voluntary (employee-paid) dental benefits market and the nation's fifth largest provider of dental benefits.

## Fortis Family/AMLIC

Fortis, Inc.'s preneed funeral insurance business, sold through both Fortis Family and AMLIC and representing approximately 19% of Fortis, Inc.'s net operating income, reported higher results in 2001. The companies concentrate on the pre-funding of funerals. Preneed coverage, offered in the form of both insurance and annuities, addresses the desire of customers to arrange and finance the kind of funeral they want without burdening surviving relatives.

The substantial growth in Fortis, Inc.'s preneed operations is due primarily to the acquisition of AMLIC. Co-operation with AMLIC is on schedule and progressing favourably. The two preneed operations are run separately as the business models and market focuses remain distinct.

In marketing preneed coverage, Fortis Family works closely with independent funeral directors in scores of locations across the United States. These relationships allow Fortis to increase its market penetration while simultaneously providing funeral directors with a product that helps them serve their community.

The marketing agreement between Fortis Family and Service Corporation International (SCI) that was entered into as part of the acquisition of AMLIC from SCI is working out well. Fortis Family has begun to market its products through SCI-Canada and anticipates a further increase in sales as a result.

Network Banking provides financial services to retail customers and to small and medium-sized enterprises and corporates. It is primarily active as a retail bank in the Benelux countries, where it has built up a leadership position in the Belgian and Dutch markets, and in France, Poland and Hong Kong. Medium-sized enterprises can choose from a comprehensive product and service offering at around one hundred business centres in Europe. Network Banking also offers specialist services to global corporates in a number of selected industries. A specific approach has been developed to enable Network Banking to serve each of its target groups better, faster and more cost-effectively. Important advances were made in 2001 in the integration process underway in the Benelux region, while services and collaboration with other Fortis businesses were expanded. Network Banking recorded a net operating profit of EUR 868 million in 2001. RoRAC was 8%.

### Key figures Network Banking

(Including FB Insurance)	2001	2000
<b>Net operating profit (EUR million)</b>	<b>868</b>	853
<b>FTEs (end of period)</b>	<b>22,604</b>	22,906
<b>Number of branches (Benelux) <sup>1)</sup></b>	<b>2,662</b>	2,871
<b>Automation rate (Belgium) <sup>2)</sup></b>	<b>80%</b>	76%

### Key figures FB Insurance

<b>Gross written premiums Life (EUR million)</b>	<b>2.350,3</b>	3.260,7
<b>Growth of Assets under management <sup>3)</sup></b>	<b>8.4%</b>	24.3%
<b>Gross written premiums Non-life (EUR million)</b>	<b>151.8</b>	143.9
<b>Combined ratio Non-life</b>	<b>86</b>	94
<b>FTEs (end of period)</b>	<b>756</b>	756
<b>Penetration of insurance (Belgium) <sup>4)</sup></b>	<b>43%</b>	42%

<sup>1)</sup> Including branches of Krediet aan de Nijverheid/Crédit à l'Industrie

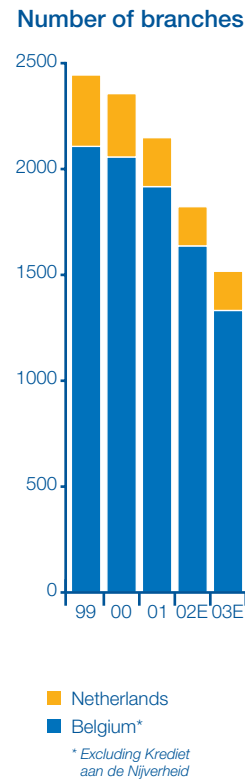
<sup>2)</sup> Automation rate: number of electronic transactions (three month figures) as a percentage of total transactions on behalf of customers

<sup>3)</sup> Change in Life insurance technical provisions

<sup>4)</sup> Penetration rate: number of active customers with at least one insurance contract as a percentage of the total number of active customers

### Individuals, Professionals & Small Enterprises (IPS)

The IPS business line offers a complete range of financial services to retail customers with assets less than EUR 1 million and to small businesses with turnover below EUR 2.5 million. The offering takes in everyday banking services, such as saving, investment, borrowing and asset protection. IPS also offers products from FIM (Fortis Investment Management) and Fortis insurance companies, and acts as service provider (basic transactions) for MEC customers (medium-sized enterprises and corporates) and Private Banking customers. Priority will be given in 2002 to collaboration with other Fortis businesses, with particular emphasis on the cross-selling of banking, insurance and investment products.



The IT systems of the former Generale Bank and ASLK-CGER in Belgium were fully integrated with Fortis in 2001. Integration within Network Banking is ultimately designed to enhance the service provided to customers. Customer satisfaction declined initially due to integration activities, but has picked up again strongly since the third quarter. Since the weekend of 15 and 16 September, retail customers at all Belgian branches have had straightforward access to Network Banking's services. Integration of IT systems has been another important step towards the establishment of a single bank, following on from the new name and logo, and the harmonization of the product range. The final step - the merging of bank branches - was also speeded up in 2001. By the end of December, the number of Fortis branches had been reduced to 1,916, compared to 2,110 at the end of 1998 (excluding branches of Krediet aan de Nijverheid/Crédit à l'Industrie).

In the Netherlands, meanwhile, good progress was made with the streamlining of IPS operations and improvement of service quality. This has been accompanied by an additional decline in the number of branches from 261 at the end of December 2001 to a projected 185 in 2003. Fortis also intends to refurbish the remaining branches, to improve its direct sales channels and to position itself clearly as an advice bank. The operations and systems of the various entities active in Luxembourg are concentrated within a single bank and under a single name - Banque Générale du Luxembourg (BGL), an important bank in that country.

The Internet is an important element in the distribution strategy. The systems of the former Generale Bank and ASLK-CGER in Belgium have been converted to a new PC banking system for Fortis Bank. Fortis customers can find up-to-date information about investment products at the new Dutch Internet site [www.beurstour.nl](http://www.beurstour.nl). Internaxx, which provides high net-worth clients with the ability to spread their investments over several stock markets, was launched in Luxembourg in collaboration with TD Waterhouse. The lack of a partner with its own branch network or existing customer base prompted Fortis to close 'ebanking.fr' in France, six months after launch.

Fortis Bank developed a number of new products and services in 2001. The New Personal Banking project, which was launched in Belgium, consists of a new offering of tailored investment products. In the Netherlands, meanwhile, Fortis Bank added to its range of services with the creation of 'Fortis Groenbank' (Green Bank), which offers ecologically responsible project finance and enables private investors to put their money in low-risk, fixed-return and tax-effective products. Other new products launched in the Netherlands include a 'guaranteed investment' product, 'euro loans' for people living in border areas and a new type of continuous loan for retail customers.

A great deal of time and energy were devoted in 2001 to preparing for the euro changeover. Thanks to the immense efforts of all our staff, the process was completed successfully.

## Medium-sized Enterprises & Corporates: MEC

Network Banking pursues a consistent approach towards medium-sized and large enterprises. This is based on a common Customer Relationship Management Tool and a comprehensive product offering, ranging from classic credit and payment facilities to services offered by other Fortis businesses like Private Equity, Corporate Finance, Money Markets, Employee Benefits and Private Banking.

Fortis can create added value for medium-sized businesses thanks to its dense branch network and pan-European presence.

Companies with a turnover of EUR 2.5 million or more and public sector bodies can turn to some hundred business centres in Belgium, the Netherlands, France, Luxembourg, the United Kingdom, Germany, Spain, Portugal, Italy and Poland. Fortis also has representatives in Hong Kong, Taiwan and China.

Business centres offer all the services needed for successful cross-border operation. Fortis opened new branches in 2001 in France (Bordeaux and Orléans) and in Poland (Gdansk). The network in Belgium and the Netherlands was concentrated, with the number of business centres falling from 61 to 49. Fortis strengthened its position in the border region between Luxembourg, France and Germany by acquiring Strasbourg-based Groupe Sade.

Global corporates - large enterprises with worldwide operations - and businesses with specific needs can turn to Network Banking for service geared specifically to their sector. Network Banking offers specialist services in fields like Energy, Shipping, Aviation, Commodities, Metals, Chemicals and ICT.

Fortis occupies a prominent or even leadership position in several of these markets. In 2001, Euromoney declared the Global Commodities Group the 'Best Commodity Bank' for the fourth time in a row. The Global Shipping Finance Group, meanwhile, is one of the world top five in its field.

Network Banking enjoys a strong position in several specific fields. Global Cash Management offers payment-flow and balance-management products and services, while Fortis is one of Europe's top five banks in the field of cross-border account pooling. Fortis Commercial Finance is the eighth largest factoring company in Europe by volume. Fortis Lease, which specializes in the financial leasing of capital goods, has a 25% share of the Belgian market, making it that country's largest lease company. The acquisition of Lombard North Central's French subsidiary enabled Fortis Lease to extend its service provision to France in 2001. Fortis is also an important provider of Trade Finance services to European companies.

The bank has a share of almost 30% of the Belgian market for documentary credits. Structured Finance incorporates specialist services with a high added value, such as the structuring of tax-effective and environmentally friendly projects. Global Export & Project Finance is present in seven countries. It acts as Fortis' knowledge centre for export and project finance transactions in emerging markets, while offering innovative financial solutions to its clients. Fortis Global Acquisition Finance intensified its operations in Europe in 2001, especially in the mid-cap market. In addition to existing teams in Rotterdam, Brussels, London and Stamford, new teams were set up in Madrid and Paris. In February 2002 Fortis announced the sale of TOP Lease, which is specialized in operational car leasing activities.

As with retail banking, personal contact with customers is paramount, with the Internet becoming an increasingly important instrument in supporting service provision to companies. Fortis Bank launched its FortisBusiness.com site in Belgium in March 2001 to offer financial and non-financial services to entrepreneurs. The portal was judged 'Best Business Site of the Year' by Inside Internet in Brussels. Fortis Bank also won the 'Best Internet Bank of the Year in Belgium' award from Global Finance in Washington.

## Bancassurance

Bancassurance - selling Fortis' insurance products through the group's own bank branches or via exclusive agents - is one of the bank's key operations. Fortis Bank's branches are the exclusive distribution channel for FB Insurance in Belgium, with products aimed chiefly at retail customers. With its share of over 40% of the Belgian market, FB Insurance has been prominent in bancassurance for many years now. Premium income stood at EUR 2.5 billion in 2001. Sales of unit-linked insurance products declined in the course of the year, due to the uncertain market conditions. Non-life premiums came to EUR 152 million.

FB Insurance launched four new insurance savings plans in the Belgian market in 2001: Junior Invest Plan, Home Invest Plan, Pension Invest Plan and Free Invest Plan. These new life products arose from the harmonization of the various policies offered by the former Generale Bank and ASLK-CGER.

Fortis Bank's branch network in the Netherlands is used to distribute insurance products from both Fortis companies and third parties. Following the successful launch of the 'Bedrijf Zeker Pakket', Fortis introduced its 'Privé Zeker Pakket' - a package of six non-life policies for retail customers - in June 2001.

Merchant Banking has had a satisfactory year, despite the worsening economic climate. Net operating profit came to EUR 416 million. The business provides Financial Markets, Investment Banking, Information Banking and Private Equity services to institutional customers, medium-sized and large enterprises, banks and individuals. A key objective in 2001 was to increase cross-selling between the four main operations. Meanwhile, clear synergy benefits emerged thanks to strategic collaboration with other banking and insurance activities. Merchant Banking enjoys a leadership position in the Benelux region, and continued to extend its operations in all continental Europe's major financial centres in 2001, reflecting its ambition to carve out a position as a medium-sized European player in specifically defined areas.

Key figures Merchant Banking

	2001	2000
Net operating profit (EUR million)	416	413
FTEs (end of period)	2,735	2,643

Merchant Banking's results in 2001 represented an advance on the previous year, which had itself seen record earnings, due primarily to high venture capital income. This year's positive results are attributable to Financial Markets and Information Banking. In what proved to be a difficult year, Investment Banking nevertheless managed to

turn in a positive performance, whereas Private Equity posted a considerable loss. Results proved less sensitive to the worsening economic conditions, thanks to the deliberate pursuit of a more diverse product offering, with a strong emphasis on fixed income. Merchant Banking recorded a net operating profit of EUR 416 million in 2001.

Banking and Asset Management customers. Collaboration also occurred in 2001 on securitization deals, for which elements of ASR's mortgage portfolio served as collateral. Merchant Banking acted as global coordinator in the successful placement of the Fortis Hybrid Tier-1 issue amounting to EUR 1 billion.

Merchant Banking continued to extend its services outside Benelux in 2001 and operations in Spain and Luxembourg were further integrated.

## Financial Markets

Financial Markets and Investment Banking have a presence in all continental Europe's major financial centres. Their chief focus is on customers that operate primarily from the Benelux region. Financial Markets performed particularly well with its fixed income activities, which include trading and the issue of new bond loans. Fortis acted as co-lead manager for a number of Eurobond issues and for numerous Reverse Convertible Bonds. Financial Markets' Scandinavian currency issuance once again earned Fortis Bank the title of 'Nordic Currency Bond House of the Year' from IRF magazine. Merchant Banking, meanwhile, was number two in the secondary market for Dutch government securities. Fortis closed its bond desk in London as part of the concentration of fixed income services. Financial Markets also performed well with interest-rate derivatives, forex trading and money market products, and in securitized bonds and credit derivatives trading.

An international trend is apparent whereby the prices of both products and services have been adjusted, while efforts have been made to optimize economic capital utilization. These factors contributed strongly to the increase in RoRAC and to the decline in the cost-income ratio. Merchant Banking's RoRAC was 36% in 2001.

The launch of an integrated relationship management team will enhance service provision to business customers of all Merchant Banking's key operations. Meanwhile, the introduction of more effective information systems will further boost synergy and cross-selling with other activities. Merchant Banking's products and services are increasingly finding their way to commercial customers of Network Banking and to Private

Over 75% of all professional forex and bond deals are now executed electronically. The Click 'n Deal system enables customers to complete foreign currency and money market transactions with Fortis Bank on-line.

Professional market participants can use the electronic trading platforms of Bloomberg, Bondvision (of which Fortis Bank was co-founder) and Currenex to trade in bonds and foreign currency with the dealing room.

The rating advice desk that Financial Markets set up in 2001 is a valuable addition to the business's service offering. It has also developed a European reference model for non-listed enterprises in collaboration with the rating agency Moody's.

## Investment Banking

Investment Banking closed 2001 in profit, despite the poor market conditions. The acquisition of the investment companies Calvé-Delft and Beurshave made a positive contribution to results. Investment Banking mediated in the issue of new share warrants to Personal and Private Banking customers. IPO and M&A activity was down, while market volumes also fell sharply.

Investment Banking launched greenfield operations in Germany and Italy. It now has over 80 analysts tracking more than 500 European shares from a variety of locations across the continent. In addition to the Benelux countries, analysts are active in France, Spain, Italy and Germany. Research and dealing operations were intensified last year in France, where Investment Banking was already well represented. The same applied to Spain, where Fortis also initiated Corporate Finance operations.

Fortis has used the creation of Euronext as an opportunity to begin the implementation of a single, cross-border infrastructure for managing client order books and market access for listed instruments like shares and warrants. Investment Banking's various local operations now have efficient access to equity markets worldwide. The new, joint infrastructure also represents an important step towards the streamlining of administrative processes through a single central clearer and custodian.

## Information Banking

Information Banking had an excellent year, thanks not least to its strong performance in Global Securities Lending and Arbitrage (GSLA) and derivatives clearing. This makes Fortis one of the European top five players in the relevant field, and the world number fifteen.

Information Banking has rapidly built up an outstanding reputation and successfully attracted a large number of new customers in 2001. After Financial Markets, Information Banking was the chief contributor to Merchant Banking's strong results and is the first in Europe to offer its customers a complete service package. In addition to traditional services like custody, derivatives clearing and GSLA, customers can also avail themselves of fund administration and Prime Banking services. The latter, which focus on hedge funds and small, specialist asset managers, were already represented in New York and London. In 2001, Prime Banking opened a branch in Amsterdam, where a sales/service desk was also set up for customers of continental European hedge funds.

Information Banking's market share grew in all the segments in which it operates. A total of around EUR 400 billion in securities is currently held in custody, chiefly on behalf of medium-sized European institutional investors. Particular growth was recorded in Information Banking's share of the European derivatives clearing market. The acquisition of Chicago-based Transmarket Group's operations means that Fortis Clearing now has a presence in all the major trading zones. Fortis already had branches in Amsterdam, Frankfurt, London, Hong Kong and Sydney. Its share of the derivatives clearing market now ranges from 4% in Chicago to 30-35% in Amsterdam. GSCS Benchmarks awarded Fortis Fund Services the accolade of 'Best Service Provider' for the third time in a row.

## Private Equity

Fortis regrouped its venture capital activities at Private Equity in the course of 2001. The group approaches the markets in the Benelux region and France through a number of channels: Fortis Private Equity (Belgium), NeSBIC (Benelux) and Robertsau (France and Luxembourg). Existing operations provided a platform from which to launch new initiatives, both geographically and in terms of sector. The aim is to become a significant player in the European private equity market.

It was in this context that Fortis Private Equity set up the investment fund NAZCA Inversiones in Spain. NAZCA, which is designed to exploit the growing Iberian venture capital market, provides growth capital to medium-sized enterprises.

Fortis collaborated with British institutional investors to set up the Penta I Fund, which is specifically targeted at the British midcap buy-out market.

Fortis Private Equity extended its operations in Belgium by setting up Fagus in conjunction with the European Investment Fund (EIF). Fagus invests primarily in innovative and rapidly growing Belgian and European SMEs. The initiative dovetails perfectly with the existing network of venture capital funds in which Fortis Private Equity plays an active role.

Private Banking and Asset Management are twin pillars of Fortis' asset gathering strategy. Private Banking operations are carried out under the 'MeesPierson' name, while Asset Management's activities have been brought together at Fortis Investment Management (FIM). MeesPierson has over 2,300 employees and is one of Europe's top ten private banks by assets under management. Strategy is geared towards growth in markets where MeesPierson has a strong presence and those in which support can be provided by a strong Fortis network. FIM is one of Europe's largest asset managers, with a staff of 700. The company pursues an ambitious growth strategy, underpinned by the development of fund distribution via third parties and the growth of institutional assets under management.

Total assets under management at Fortis amounted to EUR 316 billion at the end of 2001, a 1% increase compared with 31 December 2000. Investments for own account increased by 10% to EUR 148 billion. Total funds under management came to EUR 145 billion (-8%). Investments on behalf of policy holders advanced 7% to EUR 24 billion.

**Assets under management** (in EUR billion)

	31 December 2001	31 December 2000
Investments for own account	147.6	134.2
Investments on behalf of policy holders	23.6	22.0
Funds under management	144.9	157.6
Assets under management	316.1	313.8

**Key figures Private Banking and Asset Management**

	Private Banking and Asset Management		Private Banking		Asset Management	
	2001	2000	2001	2000	2001	2000
Asset under management (EUR billion)	144.9	157.6	60.2	66.8	84.7	90.8
Net operating profit (EUR million)	131	266	85	176	45	90
FTEs (end of period)	3,034	3,192	2,346	2,431	688	761

## Private Banking

Following its acquisition of MeesPierson in 1997, Fortis started to reorganize its private banking activities under that brand. The integration has now been completed. Private Banking focuses on High Net Worth Individuals (HNWIs) with assets in excess of EUR 1 million available for investment. The highly specialized and comprehensive offer of tailored wealth management services ranges from asset management, investment, legal and financial planning (including insurance services) to full family office services.

The economic slowdown caused net operating profit to slip 52% year-on-year in 2001 to EUR 85 million. Total private assets under management at 2001 year-end were EUR 60.2 billion, down 10% on the previous year. The stable income from interest earnings and trust operations counterbalanced the overall negative impact of the general downturn in the financial markets. Further compensation was furnished by the fact that MeesPierson acted immediately to cut its expenses in 2001.

MeesPierson continued to build on its Benelux leadership position in 2001. New alternative investment products were launched in areas like sustainable sectors and hedge funds. Outside the Benelux countries, MeesPierson continued to grow in France, Switzerland, Hong Kong, Guernsey, The Bahamas and especially in Spain.

The French market was served by the launch of MeesPierson Fortis Patrimoine, while Béta Capital MeesPierson is one of the leading players in Spain, which is among Europe's fastest growing private banking markets.

A whole range of developments, including tax harmonization, are leading to less intense competition from offshore centres. Following its policy of focusing activities in markets in which it has a substantial presence, MeesPierson closed a number of offices in 2001, in countries like Germany, Italy, Denmark and Austria, while successfully integrating its activities with those of Fortis subsidiary Banque Générale du Luxembourg (BGL) in Switzerland and Luxembourg.

Fortis views Private Banking as a growth market for the future. Potential for growth is chiefly to be found at the higher end of the market and in the efficient distribution of high value-added services between Fortis businesses. Operating in a highly competitive market, Private Banking clearly draws significant benefits from the support of Fortis, especially Network Banking and Investment Banking, Fortis insurance companies and Fortis Investment Management.

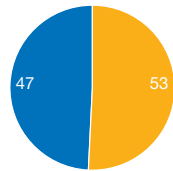
## Asset Management

Fortis Investment Management (FIM) administers financial assets for private investors (through investment funds and unit-linked products) and for institutional customers (through individual mandates). It also manages assets on behalf of Fortis' insurance business.

Although FIM was adversely affected by the intense volatility of the financial markets in 2001, it still achieved a positive inflow of new capital for the year as a whole, in both the institutional and retail markets. Market volatility meant that net operating profit worked out at EUR 45 million - down 50% on 2000. Total assets under management lost 7% to EUR 84.7 billion for the same reason.

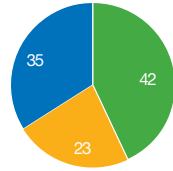
FIM manages assets worth EUR 34 billion on behalf of institutional investors - especially pension funds. A total of EUR 51 billion is managed for distributors.

The asset management market has changed dramatically within a relatively short space of time. Until a few years ago, the Benelux market was dominated by local players. Now, however, competition from international financial groups is intensifying. The outlook for asset management over the coming years is good. Europe's growing market for supplementary pensions, for instance, is expected to boost service provision to pension funds. Fortis Investment Management is one of Europe's largest asset managers by total assets under management.



Funds under management by type of investment in %

- Shares
- Real estate
- Fixed income



Funds under management by type of client in %

- Investment funds
- Private clients
- Institutional client

Within Europe, FIM is chiefly active in Benelux and France, while outside the continent, it has branches in the United States and Hong Kong. FIM pursues an active investment policy and was selected at the beginning of 2001 as best fund manager over a five-year period by the Belgian financial newspaper *De Financieel Economische Tijd*.

Investment funds, of which FIM manages over 500, remain popular among private investors. FIM successfully launched a variety of new funds in 2001, including ones offering guaranteed capital. The latter proved a great success because of the pronounced volatility of the equity markets. FIM collaborates with Private Banking, Network Banking and with third parties on the sale of funds to private investors. A recent development has been the shift towards a multi-distribution model, in which an asset manager supplies products to different distributors and vice versa.

FIM has responded to this trend by developing a distribution strategy for the Fortis L Fund - the flagship fund of the FIM product offering. Dozens of external distribution contracts were signed in 2001, a good example of which is the distribution contract via the worldwide network of Swiss financial group UBS.

Another key element in the strategy is to explore the possibilities that the Chinese market offers for investment funds. FIM opened a representative office in Shanghai in March 2001, while November saw a strategic alliance with Haitong Securities, one of China's leading brokerages. The purpose of the alliance is to set up a joint venture to distribute investment funds as soon as China has created the necessary legal framework. The Chinese market has immense potential for growth, the fruits of which FIM hopes to be able to harvest in the longer term.

Sustainable economic growth and social and environmental responsibility are important considerations for the way in which Fortis operates. Group companies have a large degree of autonomy and are deeply rooted in the local communities of the countries in which they are active. The combined knowledge and experience of these businesses make Fortis strong and help it to support its customers around the world. With a total workforce of around 69,000, people are our most important asset. Human Resources policy is based on the principle that their knowledge, professional skills and capacity for constant personal development are crucial to Fortis' lasting success.

Fortis is very much part of society too and is committed to conducting its business in a responsible manner towards its customers, its employees and society as a whole. Against this background, the organization has drawn up a company-wide code of conduct, which will be introduced at all Fortis businesses in the early part of 2002. It sets out the principles for dealing responsibly with everyone involved with the company and is based on Fortis' four key values - stable, caring, innovative and straightforward. By co-operating and by acting in accordance with these values, Fortis creates sustainable economic value for its shareholders, its customers and its employees. Fortis also recognizes the need to protect the environment and takes great care with its handling of natural resources like power and water. The company also pursues a well-thought-out policy towards the disposal of waste.

In Belgium, Fortis expresses its social engagement through Fortis Foundation Belgium, which was set up in 1996. Most activities relate to children and teenagers, but there is also a strong focus on promoting solidarity between the generations.

Examples of projects for which Fortis Foundation Belgium has provided financial support include the purchase of teaching materials, setting up playgrounds and activity centres, contributing to the purchase of furniture, and financing holidays and sporting activities for sick and deprived youngsters. Fortis Foundation Belgium lent its support to over ninety new projects in 2001, contributing a total of almost EUR 1 million.

In the Netherlands, Fortis Foundation Nederland has assumed responsibility for the former 'Fortis Stimulans' programme. The Foundation sets out to organize and facilitate social programmes and to stimulate and support the social involvement of Fortis personnel. Some 1,900 Fortis employees took part in voluntary projects in 2001 - the International Year of Volunteers - in areas like nature and the environment, sport and recreation, art and culture, care and welfare, and education and science. Fortis Foundation Nederland was awarded second prize for its activities at the national ceremony to mark the end of the International Year of Volunteers.

In the United States, Fortis, Inc. and its subsidiaries actively support local communities through employee-sponsored volunteer programmes and charitable-giving programmes. Fortis companies are also very involved with the United Way, a philanthropic organization that distributes funds to thousands of local health and human services organizations. Meanwhile, Fortis insurance companies in the US have supported their communities for many years through separate charitable-giving programmes. In the wake of 11 September, the companies rallied round to support victims' families and rescue workers through fundraising activities, blood drives and food and clothing collections. Together, employee fundraising and company matches enabled Fortis to donate USD 100,000 to a number of US charities.

### Investing in sustainability

Social commitment also plays a role in Fortis' financing and investment policies. In the year under review, Fortis Bank in the Netherlands expanded its range of services with the creation of 'Fortis Groenbank' ('Green Bank'), which offers ecologically responsible finance and enables private investors to put their money in low-risk, fixed-return and tax-effective products. Fortis Groenbank acts as an intermediary between companies that invest in government-approved environmental projects and savers and investors.

MeesPierson, Fortis' private bankers, offers its customers the opportunity to invest sustainably in either individual equities or sustainable investment funds. In the case of individual equity investments, MeesPierson works closely with the research department of Triodos Bank, which has a great deal of knowledge and experience of research into sustainable businesses. MeesPierson, the PGGM pension fund and Triodos Bank have jointly founded an independent research centre into socially responsible investing in the Netherlands - Dutch Sustainability Research B.V. (DSR). DSR gathers information on the sustainability of listed companies and provides its clients with specialist background information regarding developments and debates in the field of sustainable investment and socially responsible enterprise. This unique collaboration has considerably improved the reliability of the social and environmental information available on the companies under scrutiny.

## People at Fortis

With a total workforce of 69,000 people are Fortis' most important asset. Human Resources policy is based on the principle that their knowledge, professional skills and capacity for constant personal development are crucial to Fortis' lasting success. It is an important principle at Fortis that management of the businesses is responsible for its own HR policy. The Fortis HR Board is the platform within which the HR managers formulate Fortis-wide HR policy. Shared HR services are also being set up in the Benelux countries in areas such as labour market communication, administration, IT, and tax and legal expertise.

Fortis launched a number of important HR projects in 2001, including the 'Next Generation Leadership Programme'. The programme's purpose is to provide an additional stimulus to the development of a select group of promising managers. The individuals in question are in their thirties and come from the different Fortis businesses. These are the people who will go on to join the senior management of our organization. They are directly nominated by current senior executives according to their track record, potential for further growth and ability to look beyond the limits of their own professional field. Every year nominated employees are selected to take part in an intensive programme, geared towards developing and strengthening leadership skills and nurturing understanding of business management.

Current senior managers at Fortis enjoy a coaching role in this process, while also acting as sparring partners for participants in the programme. The aim is to help create and develop networks, to give promising employees the opportunity to show what they are made of, and to provide an extra boost to their career within the Fortis organization.

The purpose of the 'Fortis Venturing' programme launched in 2001 is to tap and to foster the enterprise of Fortis employees. This innovative concept encourages enterprising staff members to propose business initiatives with the potential to bear rapid fruit. Fortis then acts in the manner of a venture capitalist to help them and their managers develop their ideas. The initial results of Fortis Venturing have been promising and a number of further initiatives will be developed in 2002.

Fortis distinguishes different types of risks. The insurance and banking activities are both exposed to credit risks, market risks, liquidity risks and operational risks. The insurance business is also exposed to the underwriting risk. In 2001 Fortis published its return on risk-adjusted capital (RoRAC) for the first time. In 2002 the emphasis will be on further fine tuning of its tool kit and on improving the risk reporting process<sup>1)</sup>.

## Organization

In 2001 the focus was mainly on the organizational aspects of risk management within Fortis. The new organizational structure, which reports directly to the CFO, enables Fortis to implement central risk management on a group level.

Fortis has established the following committees to make decisions on matters relating to risk management. The Fortis Board ensures the capital adequacy and agrees on the overall risk/return appetite. The Executive Committee provides a group-wide view and strategic guidance on risk, it allocates economic capital to the businesses and acts as the Risk Committee of Fortis worldwide.

On the level of the bank, the responsibility of the Fortis Board and the Fortis Executive Committee is assumed by the Bank Board and the Bank Management Committee respectively.

For the insurance activities, the responsibility for risk management lies with the individual operating companies, as these are closest to the source of the various risks. Fortis Insurance is developing common principles, procedures and standards in order to gain insight into the insurance group's worldwide risk exposure. The risk data are then consolidated at a higher level within the group.

## Credit risk

For the insurance operations the main source of credit risk is the counterparty risk inherent in investment portfolios. This type of risk is minimized by applying strict creditworthiness criteria with respect to the investments made by Fortis and by diversifying these investments geographically and across businesses and sectors.

The credit risk to which Fortis is exposed through its banking operations is managed by applying strict control procedures under the - fully independent - credit approval process and a credit policy aimed essentially at spreading risks over different sectors, countries and markets.

<sup>1)</sup> For further information about risk management we refer to the Fortis Annual accounts

The internal rating system that Fortis is currently rolling out to cover the entire credit portfolio allows for risk-adjusted pricing of individual credits and in addition delivers the type of information that is required to calculate economic capital and risk-adjusted returns.

Fortis is actively pursuing a policy of improving the risk/return profile of its credit activities. In addition, Fortis aims to stabilize its risk-weighted liabilities, partly through securitization of its existing portfolio of retail as well as corporate loans.

### Market risk

Market risk is the potential for loss resulting from unfavourable market movements which can arise from trading or holding positions in financial instruments. In the insurance business, market risk refers to the impact of financial changes on structural positions. This means that for many life insurance products with a savings element, it is necessary to determine the influence of shifts in the financial markets on benefits paid to policy holders. Fortis reduces the potentially negative impact of market fluctuations by carefully considering the projected benefit payments to policy holders when selecting its investments.

The tools that Fortis uses to monitor market risks include simulation models, scenario analyses and stress tests. The potential impact of changes in interest rates, share prices and real estate prices on solvency, earnings and embedded value is calculated regularly.

Fortis uses derivatives to limit its market risk.

Fortis continuously assesses the sensitivity of its result before taxation to shifts in the yield curve. In 2001 this sensitivity was very limited.

Regarding the insurance sector's sensitivity to changes in the prices of shares and real estate, the sensitivity tests show that a 40% decline in the prices of shares held in the insurance sector's investment portfolios would reduce the sector's net equity by 43%. A 10% decline in real estate prices would reduce the insurance sector's net equity by 3%.

The chief market risks to which the banking operations are exposed are interest rate, currency and share price risks. These risks can be broken down into (1) risks affecting the structural positions (ALM risk), (2) risks arising from trading positions (trading risk), and (3) the liquidity risk.

The market risks to which Fortis' structural (non-trading) position is exposed are the interest rate risk and, to a lesser extent, the share price risk. To monitor and control the interest rate risk, Fortis Bank uses risk indicators based on value calculations and/or risk indicators based on profit calculations.

The indicators based on value calculations include basis point sensitivity, Value-at-Risk (VaR) and the duration of net equity.

- Basis point sensitivity 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 VaR model for the bank's structural position is used to calculate the potential shift in market value resulting from a change in interest rates, based on the historical volatility of interest rates, a holding period of two months and a reliability interval of 99%.
- The duration of net equity serves as a general measure of interest rate risk. The duration and real value of all products is calculated from the cash flow (redemption and interest). The duration of net equity is such that the duration of the sum of the assets is equal to that of the sum of the liabilities, including net equity.

The risk indicator based on earnings calculation simulates the impact of an interest rate movement on future earnings. Using a central interest rate scenario and four other standard interest rate scenarios (parallel shift + 100 bp, parallel shift - 100 bp, steeper yield curve: short - 100 bp/long + 100 bp or a flatter yield curve: short + 100 bp/long - 100 bp), net interest income (including the impact of volume changes) under each of the scenarios is calculated for the next three years. The sensitivity of profit to shifts in interest rate levels consists of the difference between the highest and the lowest level of net interest income calculated using this method as compared to net interest income under the central scenario (i.e. Earnings at Risk).

Fortis Bank uses qualitative controls and quantitative models based on sensitivity and probability analyses to monitor the risks arising from its trading activities. There is daily VaR reporting based on an adaptation of two methods: the variance/covariance model and the historical simulation model. This VaR reporting is based on a 1-day holding period and a 99% probability. Back tests on the VaR method used are performed daily, supplemented by stress tests.

Because of the importance of the capital markets as a potential source of funding, the liquidity risk is closely linked to solvency and the confidence that creditors have in Fortis' ability to meet its commitments. Fortis uses stress tests and other contingency analyses to monitor the solvency of the insurance sector. Similarly, Fortis Bank manages its liquidity risk in such a way that it is able to meet customer demand, redemption commitments and capital requirements even under adverse market conditions.

Operational risk

The different legal entities of the insurance sector and the different business lines and countries within the banking sector are responsible for managing their own operational risks. For the banking activities, a separate Central Risk Management unit co-ordinates the manner in which the individual businesses handle operational risk management and deals with risks that cross the business lines.

Underwriting risk

Fortis' actuarial departments regularly assess the adequacy of premium rates and technical provisions. In order to lower its insurance risk, Fortis also uses reinsurance contracts, especially for non-life policies. Reinsurance companies are selected based on criteria relating to solvency and reliability and, to a lesser extent, the spread of risk over several counterparties. In order to ensure that the benefits of spreading risk across different industries and geographical regions are felt throughout the entire group, Fortis Reinsurance acts as the exclusive external and internal counterparty.

RoRAC

Return on Risk-Adjusted Capital (RoRAC) is a performance measure that can be used to measure the relationship between the risks and returns of the activities in a consistent manner. RoRAC is calculated by dividing the Risk-Adjusted Return by the amount of economic capital. The Risk-Adjusted Return is calculated on the basis of the net operating profit, with average expected losses replacing provisions for credit risks. The calculation of economic capital is based on a method developed by Fortis itself.

Return on Risk-Adjusted Capital

	Economisch capital		RoRAC in %	
	(in EUR billion)		(after taxation)	
	2001	2000	2001	2000
ASR <sup>1)</sup>	1.9	1.2	27	30
Fortis AG	1.0	1.6	22	14
Fortis International	0.4	0.6	24	18
Fortis, Inc.	0.9	0.6	21	46
Network Banking	9.8	11.6	8	8
Merchant Banking	1.2	1.2	36	37
Private Banking and Asset Management	0.2	0.2	54	133
General	0.9			
Total Fortis	16.3	17.0	14	15

<sup>1)</sup> 2000: Amev only

Fortis attaches a great deal of importance to sound management, effective supervision, transparent reporting and an appropriate balance between the interests of its different stakeholders. Following the simplification of the management structure in 2000, Fortis took another important step - for both the group itself and its shareholders - with the replacement of listed Fortis (B) and Fortis (NL) shares by a single new Fortis share.

## Fortis share

The new Fortis share is a 'twinned' equity holding in each of what are now the parent companies, Fortis SA/NV and Fortis N.V., with the associated voting, dividend and other rights.

Holders of the Fortis stock are shareholders in both the Belgian corporation Fortis SA/NV and the Dutch corporation Fortis N.V., and as such are entitled to attend General Meetings of Shareholders of both companies and to vote at those meetings, either in person or by proxy. The meetings will deal with the same business and will be held one after the other to enable shareholders to attend both of them. Resolutions must be passed by both meetings in order to be enacted.

An important feature of the 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.

## Board of Directors

The Fortis Board of Directors is made up of fifteen members, fourteen of whom are non-executive members and one of whom is an executive member, the Chief Executive Officer (CEO).

The Board is responsible for general group business and for supervising and monitoring the group's financial status. In principle, it meets ten times a year, according to a fixed timetable, and on as many other occasions as the group's interests require. The Board of Directors met on ten occasions. The Board of Directors' working methods, meetings and decision-making process are specified in a set of rules.

In the year under review, the Board of Directors discussed, among other things, the unification of the Fortis (B) and Fortis (NL) shares, budget, strategy, employee and management stock option plan, partnerships with Maybank, Tai Ping Life and Haitong Securities, the acquisitions of CORE, Inc. and of the Spanish portfolio of Baloise, and the sale of the insurance subsidiary in Australia.

The Board also devoted a great deal of attention to the further development of Board governance and Board guidelines, mainly the composition, functioning and remuneration of the Board and its members. The chairmen worked together intensively with the individual members and with the Board as a whole on these matters in an ongoing process.

The CEO is responsible for the day-to-day management of Fortis and for formulating strategic priorities for the development of the company. These are then presented to the Board of Directors for approval.

Four committees are active within the Board of Directors, the composition and responsibilities of which are also specified in the aforementioned set of rules. Each committee was chaired by both Chairmen of the Board in 2001. From 2002 the Audit Committee will be chaired by two other non-executive members. The CEO is a member of all the committees, apart from the Audit Committee.

The Audit Committee supports the Board of Directors in its duty to ensure the quality of financial and management information and that of internal auditing. It also oversees the provision of information to shareholders, management bodies and external regulators. The Audit Committee met on four occasions in 2001.

The Capital Committee advises the Board on matters relating to Fortis' capital availability and asset allocation. The committee met on two occasions in 2001.

The Chairmen's Committee is responsible for preparing meetings of the Board of Directors.

The Compensation and Nominating Committee advises the Board on matters concerning remuneration and appointment policy for members of the Board and the Executive Committee. The committee met on four occasions in 2001.

## Executive Committee

The Executive Committee has eight members and is responsible for day-to-day management of Fortis and for formulating and implementing group strategy. It makes proposals in this regard for acquisitions, divestitures and capital allocation. The Executive Committee meets twice a month according to a fixed timetable, and on as many other occasions as the group's interests require.

With the exception of the CEO, Deputy CEO and Chief Financial Officer, the individual members of the Executive Committee are responsible for the organization and development of their specific businesses. It is also the job of each member to assemble his own management team and to allocate tasks and responsibilities within it.

## International Advisory Council

Fortis set up an International Advisory Council in early 2001. The council, which is a general advisory body for the Board of Directors, is comprised of people from a variety of backgrounds and from the different geographical areas in which Fortis is active. The council has met twice since its inauguration to discuss matters such as globalization and Fortis' place within it.

### Auditing

Fortis Audit Services reports to the Audit Committee and issues a twice-yearly opinion regarding Fortis' internal audit systems. It also reports annually on legal compliance. In addition to the regular audits, specific topics are audited every year.

External auditing is done jointly by KPMG and PricewaterhouseCoopers.

### Supervision

As a bi-national, integrated financial services provider, Fortis is subject to different forms of internal and external supervision. For sector-specific supervision, De Nederlandsche Bank (DNB) and the pensions and insurance supervisory authority (PVK) in the Netherlands and the Commission Bancaire et Financière (CBF) and Office de Contrôle des Assurances (CDV) in Belgium are of the opinion that, based on European and national legislation, cross-border, supplementary supervision at group level is necessary. These four supervisory bodies laid down co-ordination of their respective regulatory scope in an agreement in 1996, and this agreement was renewed in 2002.

The agreement between these four regulatory bodies stipulates that each body continues 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, the regulator that - in terms of total assets and solvency requirements - monitors the majority of Fortis' activities, acts as co-ordinator. Supplementary supervision and the related obligations for Fortis includes supervision of the share structure of the parent companies, the group's organizational structure, risk concentration and intra-group activities. The supervision of shareholdings in the parent companies is based on the applicable obligation to report major acquisitions or disposals of Fortis shares. Fortis is obliged to notify the regulators forthwith if it has knowledge of such acquisitions or disposals.

Fortis' banking activities and investment services are under the consolidated supervision of the CBF. However, these activities are organized in cross-border business lines, whereby the commercial core is in Belgium, the Netherlands or Luxembourg, depending on the business line. To ensure proper supervision of these activities, the relevant regulators (CBF, DNB and the Luxembourg Commission de Surveillance du Secteur Financier) signed a Memorandum of Understanding on 29 March 2001.

The different insurance businesses are not cross-border and are thus subject to the supervision of the respective national bodies. Supplementary supervision of the insurance companies within the Benelux countries is exercised jointly by PVK and CDV.

Fortis entities outside the Benelux countries are supervised by the authorized local regulators.

## Remuneration

The non-executive members of the Board of Directors receive a fixed sum independent of the company's results. Remuneration of the CEO and the other members of the Executive Committee is dependent on the company's results. These members receive a base salary, a results-related bonus and option rights. Details of the remuneration of Board members can be found in note 18 of the Annual accounts.

## Works Council

In addition to the various works councils at group, national and company level, Fortis has an international consultative body in the shape of its European Works Council. The body has 38 members, who represent a total of 40,000 employees at Fortis companies in 10 European countries. The Council discusses matters that affect employees at European level.

# Composition of the Board of Directors, Executive Committee and International Advisory Council

## Board of Directors

- Jaap Glasz** <sup>1) 2) 3) 4)</sup>  
Chairman
- Count Maurice Lippens** <sup>1) 2) 3) 4)</sup>  
Chairman
- Viscount Etienne Davignon** <sup>1) 2)</sup>  
Vice-chairman
- Jan Slechte** <sup>1) 2)</sup>  
Vice-chairman
- Anton van Rossum** <sup>1) 2) 4)</sup>  
CEO
- Baron Valère Croes** <sup>3)</sup>
- Jan-Michiel Hessels** <sup>4)</sup>
- Henjo Hielkema** <sup>1) 4)</sup>
- Baron Daniel Janssen** <sup>2)</sup>
- Christine Morin-Postel** <sup>4)</sup>
- Annemieke Roobeek** <sup>2)</sup>
- Johann Martin Schröder** <sup>3)</sup>
- Philippe Speeckaert** <sup>3)</sup>
- Baron Piet Van Waeyenberge** <sup>1) 4)</sup>
- Klaas Westdijk** <sup>3)</sup>

<sup>1)</sup> Member Chairmen's Committee  
<sup>2)</sup> Member Compensation and Nominating Committee  
<sup>3)</sup> Member Audit Committee  
<sup>4)</sup> Member Capital Committee

## Executive Committee

- Anton van Rossum** (CEO)
- Herman Verwilt** (Deputy CEO)
- Gilbert Mittler** (CFO)
- Karel De Boeck**
- Jozef De Mey**
- Filip Dierckx**
- Joop Feilzer**
- Carlo de Swart**

## International Advisory Council

- Viscount Etienne Davignon** (chairman)  
Vice-chairman Fortis
- Jan Slechte** (chairman)  
Vice-chairman Fortis
- Ambassador 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, LEK and Unilever
- Paul Janssen**  
Honorary Chairman Janssen Pharmaceutica
- Rudolf Kellenberger**  
Deputy Chief Executive Officer  
Swiss Reinsurance Company
- Joseph Kinsch**  
Co-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
- Hans-Jürgen Schinzler**  
Chairman Management Board  
Munich Reinsurance Company
- Chevalier Guy de Selliers de Moranville**  
Director Solvay S.A.
- José Vilarasau**  
Chairman and former CEO "la Caixa"

## Board of Directors

### **Jaap Glasz (1935)**

Dutch nationality

First appointment 1989, term runs to 2004

*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.*

### **Maurice Lippens (1943)**

Belgian nationality

First appointment 1981, term runs to 2002\*

*Vice-chairman Société Générale de Belgique, Chairman Compagnie Het Zoute, Director Finasucrer, Director Groupe Sucrier.*

### **Etienne Davignon (1932)**

Belgian nationality

First appointment 1989, term runs to 2002\*\*

*Vice-chairman Société Générale de Belgique, Vice-chairman Tractebel, Vice-chairman Umicore, Director Solvay, Director Suez, Director Pechiney, Director BASF, Director Sofina, Director Accor.*

### **Jan Slechte (1937)**

Dutch nationality

First appointment 1996, term runs to 2003

*Former Chairman Shell Nederland B.V., Member Supervisory Board Samas-Groep N.V., Chairman Supervisory Board TU Delft, Chairman Supervisory Board Delta Deelnemingenfonds, Chairman Dutch Institute for Directors, Director Stichting Continuïteit Fortis.*

### **Anton van Rossum (1945)**

Dutch nationality

First appointment 2000, term runs to 2003

*Member International Advisory Council of the American European Community Association.*

**Valère Croes (1934)**

Belgian nationality

First appointment 1987, term runs to 2003

*Vice-chairman Compagnie Immobilière de Belgique, Director Société Générale de Belgique, Director Tractebel, Director Tessenderlo Chemie, Director Electrabel, Director Stichting Continuïteit Fortis.*

**Jan-Michiel Hessels (1942)**

Dutch nationality

First appointment 2001, term runs to 2004

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

**Henjo Hielkema (1943)**

Dutch nationality

First appointment 1988, term runs to 2003

*Member Supervisory Board Van Wijnen Holding, Treasurer World Wildlife Fund, Chairman Stichting Trésor, Vice-chairman Board University Medical Center Utrecht, Member International Advisory Board University of Nijenrode, Member Supervisory Board Isotis N.V., Member Supervisory Board Sligro, Member Supervisory Board International Market Makers Combination, Member Supervisory Board Rijksmuseum Oudheden, Director Stichting VSB Fonds.*

**Daniel Janssen (1936)**

Belgian nationality

First appointment 1999, term runs to 2002\*

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

**Christine Morin-Postel (1946)**

French nationality

First appointment 1998, term runs to 2003

*Executive Vice-president Suez, Member Executive Committee Suez, Director Société Générale de Belgique, Director Tractebel, Director Suez Industries, Director The Rank Group Plc, Director Trigen (US).*

### **Annemieke Roobeek (1958)**

Dutch nationality

First appointment 1994, term runs to 2002\*

*Professor University of Amsterdam, Professor University of Nijenrode, Member Supervisory Board PCM Uitgevers N.V., Member Supervisory Board AEDES, Executive Director Escador, Founder and director MeetingMoreMinds, Chairperson National Committee on Urban Renewal.*

### **Johann Martin Schröder (1931)**

Dutch nationality

First appointment 2001, term runs to 2003

*Chairman Supervisory Board Royal 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.*

### **Philippe Speeckaert (1949)**

Belgian nationality

First appointment 1989, term runs to 2004

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

### **Piet Van Waeyenberge (1938)**

Belgian nationality

First appointment 1988, term runs to 2004

*Chairman and Chief Executive Officer De Eik N.V., Chairman Fortales N.V., Director Société Générale de Belgique, Director Janssen Pharmaceutica N.V., Director Campina N.V., Director Sidmar N.V.*

### **Klaas Westdijk (1941)**

Dutch nationality

First appointment 1996, term runs to 2003

*Former chairman Royal Pakhoed N.V., Chairman Connexxion N.V., Chairman Supervisory Board ENECO Energie N.V., Member Supervisory Board Wolters Kluwer N.V., Member Supervisory Board VastNed Groep, Chairman Rotterdam Port Federation Deltalings.*

\* Recommended for reappointment until 2005 by the General Meeting of Shareholders on 29 May 2002

\*\* Recommended for reappointment until 2004 by the General Meeting of Shareholders on 29 May 2002

## Executive Committee

**Anton van Rossum (1945)**

Dutch nationality

*Member International Advisory Council of the American European Community Association.*

**Herman Verwilt (1947)**

Belgian nationality

*Professor extraordinary University of Ghent, Censor National Bank of Belgium, Director Flemish Economic Association.*

**Gilbert Mittler (1949)**

Belgian nationality

**Karel De Boeck (1949)**

Belgian nationality

*Chairman Management Committee Belgian Banking Association, Member Management Committee Federation of Belgian Companies, Member Board of Directors Federation of Belgian Companies, Member Management Committee Protection Fund for Deposits and Financial Instruments, Chairman Board of Management Stichting Dirk Brossé.*

**Jozef De Mey (1943)**

Belgian nationality

*Member Royal Association of Belgian Actuaries.*

**Filip Dierckx (1955)**

Belgian nationality

*Director of various companies of Flemish Economic Association, Member General Council of Flemish Economic Association, Director Nasdaq Europe.*

**Joop Feilzer (1949)**

Dutch nationality

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

**Carlo de Swart (1941)**

Dutch nationality

*Member Supervisory Board Stadion Feyenoord N.V., Member Supervisory Board DAP Holding N.V., Member Supervisory Board Proper Stok B.V., Member Supervisory Board ABZ Holding B.V., Member Supervisory Board Japhet de Jong Holding B.V., Lid Supervisory Board International School of Economics Rotterdam, Director Dutch Association of Insurers.*

The Audit Committee met on four occasions in 2001. The Committee dealt with the following issues:

- review of quarterly accounts, including discussions with management and auditors on significant issues regarding accounting principles, practices and decisions;
- review of state of internal control and the financial reporting process, including discussions with management and auditors on monitoring and follow-up of audit recommendations and management responses;
- review of state of legal and regulatory compliance, including discussions with management on recommendations of the compliance officer;

- review of the independence of the external auditors under applicable guidelines;
- review of the benchmark and restructuring of Fortis Audit Services;
- review and approval of the 2002 audit plan of Fortis Audit Services.

The Audit Committee performed its duties based on the work of the independent external auditors and Fortis Audit Services. Based on the reviews referred to above, the Committee recommended to the Board of Directors that the audited Annual accounts be included in the Annual report.

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## Auditors' statement

We have audited the financial information, contained on pages 10 and 11 of this Annual review, which is derived from the 2001 Annual accounts of Fortis as audited by us. We issued an unqualified auditors' report on these Annual accounts on 13 March 2002.

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 Fortis 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, 13 March 2002  
KPMG Accountants N.V.

Brussels, 13 March 2002  
PricewaterhouseCoopers  
Réviseurs d'Entreprises S.C.C.R.L.  
represented by P. Barbier

### Important dates in 2002

Publication of results first quarter 2002	29 May 2002
Publication of results first half-year 2002	28 August 2002
Publication of results first three quarters 2002	22 November 2002
Ex-dividend listing of Fortis shares	31 May 2002
Day one of dividend election period	31 May 2002
End dividend election period	14 June 2002
Payment of Fortis shares dividend	20 June 2002
Analysts' meeting, Brussels/Utrecht*	28 August 2002
Analysts' meeting, London	29 August 2002
Analysts' meeting, Brussels/Utrecht*	22 November 2002

*\*The analysts' meetings will be held alternatively in Brussels or Utrecht.  
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.
29 May 2002, 3.30 p.m.	29 May 2002, 10.30 a.m.
Fortis Bank Auditorium	Fortis Auditorium
Rue de la Chancellerie, 1	Archimedeslaan 6
Brussels, Belgium	Utrecht, The Netherlands

### Investor Relations

For further information about Fortis, please contact the Investor Relations department:	
Rue Royale 20	Archimedeslaan 6
1000 Brussels, Belgium	3584 BA Utrecht, The Netherlands
Tel.: 32 (0)2 510 53 38	Tel.: 31 (0)30 257 65 71
Fax: 32 (0)2 510 56 30	Fax: 31 (0)30 257 79 33

E-mail: [investor.relations@fortis.com](mailto:investor.relations@fortis.com)

### Assets under management

The sum of the investments for own account, investments for the account and risk of policy holders, and assets managed for clients.

### Buy-out

The purchase of controlling interest in one corporation by another corporation, in order to take over assets and/or operations.

### 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).

### Cost/income ratio

The ratio of costs plus other operating charges to net revenues.

### Cross-selling

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

### Custodian

An agent, bank, trust company, or other organization which holds and safeguards an individual's, mutual fund's, or investment company's assets for them.

### Economic capital

The amount of capital required to guarantee that the solvency remains within a 99.97% reliability interval, given the risks involved in the activities.

### 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.

**Lease**

A written agreement under which a property owner allows a tenant to use the property for a specified period of time and rent.

**Midcap**

Companies with EUR 1 billion to EUR 5 billion market capitalization.

**Offshore company**

A company incorporated in a country with a friendly tax-regime.

**Operating profit**

A measure of a company's earning power from ongoing operations.

**Reinsurance**

The sharing of insurance policies among multiple insurers, to reduce the risk for each insurer.

**RoRAC**

Return on Risk-Adjusted Capital (RoRAC) is a performance measure that can be used to measure the relationship between the risks and returns of the activities in a consistent manner. RoRAC is calculated by dividing the Risk-Adjusted Return by the amount of economic capital. The Risk-Adjusted Return is calculated on the basis of the net operating profit, with average expected losses replacing provisions for credit risks. The calculation of economic capital is based on a method developed by Fortis itself.

**Securitization**

Restructuring of credits in the form of marketable securities.

**Technical result**

That part of the operating result which is exclusively related to insurance activities, including the investment income which is attributable to technical provisions.

**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.