

# **Annual accounts 2001**

**Annual accounts Fortis  
Report of the Boards of Directors of  
Fortis SA/NV en Fortis N.V.  
Annual accounts Fortis SA/NV  
Annual accounts Fortis N.V.**



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**Annual accounts 2001**  
**Fortis**

All amounts stated in the tables of these Annual accounts are denominated in millions of euros, unless otherwise indicated.

# Auditors' report

## Introduction

We have audited the annual accounts of Fortis for the year 2001 as included in this report. These annual accounts are the responsibility of the management of Fortis. Our responsibility is to express an opinion on these annual accounts based on our audit.

## Scope

We conducted our audit in accordance with generally accepted auditing standards in the Netherlands and Belgium, respectively. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual accounts. We believe that our audit provides a reasonable basis for our opinion.

## Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Fortis as of 31 December 2001 and of the results for the year then ended, in accordance with applicable legal and regulatory requirements in Belgium as described in the notes to the accounts.

Utrecht, 13 March 2002

Brussels, 13 March 2002

KPMG Accountants N.V.

PricewaterhouseCoopers  
Réviseurs d'Entreprises S.C.C.R.L.  
represented by P. Barbier



# Consolidated balance sheet

(before appropriation of profit)

	Note	31-12-2001	31-12-2000	31-12-1999
<b>Assets</b>				
Cash		5,094.2	6,110.3	3,660.4
Trading securities		19,447.0	13,362.9	9,898.8
Investments		147,676.3	134,203.0	127,382.0
Loans and advances to credit institutions		63,761.9	62,382.8	81,970.1
Loans and advances to customers		176,833.9	162,093.4	139,422.2
Reinsurers' share of technical provisions		6,890.8	4,943.6	4,231.7
Deferred acquisition costs		2,963.6	3,297.7	2,081.4
Prepayments and accrued income		19,844.9	17,037.9	13,156.7
Investments on behalf of policyholders		23,567.4	22,012.7	16,210.0
Other assets		16,889.9	12,638.4	8,096.0
<b>Total assets</b>		<b>482,969.9</b>	<b>438,082.7</b>	<b>406,109.3</b>
<b>Liabilities</b>				
Amounts owed to credit institutions		96,337.3	94,174.3	116,991.9
Amounts owed to customers		179,687.2	145,752.0	134,963.4
Debt certificates		50,895.9	43,760.8	35,943.4
Technical provisions		59,533.4	56,130.2	44,612.7
Technical provisions related to investments on behalf of policyholders		23,084.9	21,690.1	15,824.3
Accruals and deferred income		19,772.6	15,824.0	12,236.4
Other liabilities		23,998.3	31,865.0	19,522.3
Convertible notes		1,257.3	1,257.3	1,255.9
Subordinated liabilities		10,209.1	8,230.3	6,906.4
		<b>464,776.0</b>	<b>418,684.0</b>	<b>388,256.7</b>
Fund for general banking risks		2,216.7	2,042.9	1,861.2
Minority interests in group equity	7	2,132.7	2,159.0	2,483.5
Net equity:				
- Capital		6,084.9	428.4	397.6
- Share premium reserve		11,043.5	16,598.6	13,099.8
- Revaluation reserve		549.2	2,794.0	3,932.9
- Goodwill		( 16,606.8 )	( 15,833.8 )	( 13,035.0 )
- Other reserves		10,175.5	8,442.0	6,796.4
- Net profit for the year 2001		2,598.2	2,767.6	2,316.2
Net equity	1, 8	<b>13,844.5</b>	<b>15,196.8</b>	<b>13,507.9</b>
Group equity		<b>15,977.2</b>	<b>17,355.8</b>	<b>15,991.4</b>
<b>Total liabilities</b>		<b>482,969.9</b>	<b>438,082.7</b>	<b>406,109.3</b>

# Consolidated profit and loss account

	Note	2001	2000	1999
<b>Revenues:</b>				
Insurance premiums		18,162.3	15,783.7	12,526.6
Interest income		23,764.8	25,713.1	20,822.6
Commissions and fees		1,978.4	2,163.6	1,832.0
Results from financial transactions		( 1,306.8 )	489.6	2,731.6
Other revenues		2,659.7	2,917.5	2,665.7
<b>Total revenues</b>		<b>45,258.4</b>	<b>47,067.5</b>	<b>40,578.5</b>
Interest expenses		( 16,914.3 )	( 19,402.9 )	( 14,705.9 )
<b>Total revenues, net of interest expense</b>		<b>28,344.1</b>	<b>27,664.6</b>	<b>25,872.6</b>
Technical charges insurance		( 13,440.2 )	( 13,463.3 )	( 13,797.4 )
Value adjustments		( 625.8 )	( 619.5 )	( 546.9 )
<b>Net revenues</b>		<b>14,278.1</b>	<b>13,581.8</b>	<b>11,528.3</b>
Operating expenses		( 10,784.7 )	( 9,964.5 )	( 8,489.2 )
<b>Operating result before taxation</b>		<b>3,493.4</b>	<b>3,617.3</b>	<b>3,039.1</b>
Taxation	14	( 1,048.9 )	( 1,044.4 )	( 892.9 )
<b>Operating group profit</b>		<b>2,444.5</b>	<b>2,572.9</b>	<b>2,146.2</b>
Minority interests		177.1	217.7	183.0
<b>Net operating profit</b>		<b>2,267.4</b>	<b>2,355.2</b>	<b>1,963.2</b>
<b>Non-operating items:</b>				
Results from financial transactions		433.9	248.6	353.0
Other revenues		108.2	111.4	
Value adjustments			157.5	
Operating expenses		( 342.3 )		
Taxation	14	131.0	( 105.1 )	
<b>Non-operating items after taxation</b>	16	<b>330.8</b>	<b>412.4</b>	<b>353.0</b>
<b>Net profit</b>		<b>2,598.2</b>	<b>2,767.6</b>	<b>2,316.2</b>
Key figures per share (in EUR):				
Net operating profit		1.75	1.94	1.71
Net profit	15	2.01	2.28	2.02
Weighted Average Shares (in thousands)		1,293,282	1,214,964	1,147,199
Key figures per share, diluted (in EUR):				
Net operating profit		1.73	1.90	1.68
Net profit		1.98	2.23	1.98
Weighted Average Shares (in thousands)		1,334,374	1,259,183	1,189,318

## Consolidated statement of comprehensive income

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Net profit	2,598.2	2,767.6	2,316.2
Revaluation of investments	( 1,757.4 )	( 468.3 )	1,294.6
Reversal of revaluations on sale of investments	( 734.2 )	( 662.6 )	( 524.1 )
Related taxation	<u>214.8</u>	<u>65.3</u>	<u>( 118.7 )</u>
Total relating to revaluation after taxation	( 2,276.8 )	( 1,065.6 )	651.8
Goodwill	( 773.0 )	( 2,798.8 )	( 1,927.7 )
Translation difference	<u>94.7</u>	<u>109.0</u>	<u>227.5</u>
Other comprehensive income	<u>( 2,955.1 )</u>	<u>( 3,755.4 )</u>	<u>( 1,048.4 )</u>
<b>Total comprehensive income</b>	<b>( 356.9 )</b>	<b>( 987.8 )</b>	<b>1,267.8</b>

The statement of comprehensive income shows changes in net equity during the course of the year, with the exception of changes arising from share issues and payments to shareholders.

## Consolidated statement of cash flow

	2001	2000	1999
<b>Cash flows from operating activities:</b>			
Net profit	2,598.2	2,767.6	2,316.2
Adjustment to reconcile net profit to net cash provided by operating activities:			
- Minority interest	177.2	217.7	183.1
- Value adjustments on receivables	625.8	461.9	546.9
- Value adjustments on real estate	9.4	( 20.7 )	45.7
- Depreciation, amortization and accretion	711.2	1,771.4	1,582.7
- Foreign exchange results on debt securities and other fixed-income securities	( 473.4 )	( 206.8 )	( 1,548.5 )
- Result realized on sale of investment securities	( 558.6 )	( 1,150.3 )	( 1,098.4 )
- Result realized on sale of real estate	( 51.6 )	( 73.2 )	( 52.3 )
- Unrealized results on trading portfolio	( 54.0 )	( 219.5 )	( 77.1 )
- Other	68.0	( 43.3 )	78.3
Net change in operating assets and liabilities, excluding effects of acquisitions:			
- Trading securities	( 6,030.2 )	( 3,244.7 )	( 2,710.1 )
- Deferred acquisition costs	89.2	( 1,595.8 )	( 966.0 )
- Prepayments and accrued income	( 2,899.0 )	( 4,686.9 )	( 2,332.1 )
- Investments on behalf of policyholders	( 2,922.4 )	( 4,030.0 )	( 3,112.0 )
- Other assets	( 5,854.1 )	( 3,741.1 )	( 375.9 )
- Technical provisions	6,052.7	4,653.2	4,651.6
- Accruals and deferred income	3,327.9	3,416.6	2,569.2
- Technical provisions related to investments on behalf of policyholders	1,313.6	2,022.8	1,213.3
- Other liabilities	( 6,684.8 )	10,899.2	1,628.7
<b>Net cash provided by operating activities</b>	<b>( 10,554.9 )</b>	<b>7,198.1</b>	<b>2,543.3</b>
<b>Cash flows from investing activities:</b>			
Purchase of investment securities	( 79,973.1 )	( 62,586.2 )	( 106,387.2 )
Proceeds from sale / maturities of investment securities	63,709.3	62,028.2	99,554.5
Net increase in loans and advances to credit institutions	( 911.7 )	19,915.6	( 23,590.7 )
Net increase in loans and advances to customers	( 16,728.8 )	( 12,972.2 )	( 17,274.9 )
Purchase / sale of business, net of cash acquired	78.6	( 365.6 )	( 3,877.8 )
Net purchase of tangible fixed assets and intangible assets	( 354.4 )	( 408.5 )	( 454.1 )
<b>Net cash used in investing activities</b>	<b>( 34,180.1 )</b>	<b>5,611.3</b>	<b>( 52,030.2 )</b>

	<i>2001</i>	<i>2000</i>	<i>1999</i>
<b>Cash flows from financing activities:</b>			
Change in amounts owed to credit institutions	2,162.6	( 23,592.3 )	35,875.9
Change in amounts owed to customers	33,935.2	10,005.9	9,799.0
Change in debt certificates	7,087.8	4,193.1	( 603.0 )
Change in convertible notes			575.3
Change in subordinated liabilities	1,924.8	856.2	584.4
Capital issued by Fortis	9.8	( 1,206.3 )	2,436.3
Capital contribution from other parties		591.1	1,290.0
Dividends paid	( 1,253.1 )	( 818.8 )	( 610.1 )
<b>Net cash provided / used by financing activities</b>	<b>43,867.1</b>	<b>( 9,971.1 )</b>	<b>49,347.8</b>
Net change in cash	( 867.9 )	2,838.3	( 139.1 )
Cash and cash equivalents at 1 January	6,110.3	3,660.4	3,674.8
Effect of exchange rate changes on cash	( 148.2 )	( 388.4 )	124.7
<b>Cash at 31 December</b>	<b>5,094.2</b>	<b>6,110.3</b>	<b>3,660.4</b>
Interest paid	14,291.1	21,493.7	14,486.1
Income taxes paid	974.9	751.6	653.0

### *Non-cash transactions*

As described in note 5 “Changes in the composition of Fortis”, Fortis acquired the 44.7% participating interest in Banque Générale du Luxembourg in March 2000. The acquisition involved the issuance of shares and cash. Fortis took over ASR Verzekeringsgroep in December 2000. This acquisition also involved the issuance of shares and cash. For both acquisitions the consolidated cash flow statements include the net cash paid under the acquisition and exclude non-monetary considerations.

# Notes

## 1 Consolidated equity roll-forward

<b>Net equity at 31 December 1999</b>		<b>13,507.9</b>
Issue of shares	3,726.1	
Repurchase and reissue of shares (on balance)	( 44.9 )	
	<hr/>	
Net profit		3,681.2
Dividend for 1999		2,767.6
		( 931.2 )
Revaluations of investments	( 468.3 )	
Reversal of revaluations on sale of investments	( 662.6 )	
	<hr/>	
	( 1,130.9 )	
Taxation	65.3	
	<hr/>	
		( 1,065.6 )
Goodwill		( 2,798.8 )
Translation differences		109.0
Other changes in net equity		( 73.3 )
		<hr/>
<b>Net equity at 31 December 2000</b>		<b>15,196.8</b>
Issue of shares	101.4	
Reissue of shares	8.6	
	<hr/>	
Net profit		110.0
Dividend for 2000		2,598.2
		( 1,137.4 )
Revaluation of investments	( 1,757.4 )	
Reversal of revaluation on sale of investments	( 734.2 )	
	<hr/>	
	( 2,491.6 )	
Taxation	214.8	
	<hr/>	
		( 2,276.8 )
Goodwill		( 773.0 )
Translation differences		94.7
Other changes in net equity		32.0
		<hr/>
<b>Net equity at 31 December 2001</b>		<b>13,844.5</b>

## 2 Information on segments

Fortis has identified different segments for reporting purposes based on the different products and services. This segmentation is partly prompted by the different reporting requirements for banking and insurance products. The three segments are: insurance, banking, and general. Asset management is included under banking.

The insurance segment derives revenues from a comprehensive range of life and non-life insurance policies and other related products. The banking segment derives revenues from network banking, merchant banking, investment banking, private banking and asset management. The general segment consists of activities not related to the banking or insurance businesses, such as group treasury and finance, and other holding activities. Primary assets in the general segment relate to receivables from group companies. Primary liabilities relate to commercial paper and other short-term borrowings held by Fortis finance companies, and convertible debt securities.

The accounting policies of the different segments are the same and are described in note 4 “Principles of valuation and profit determination”. Segment data include inter-segment transactions.

The following table presents balance sheet information by segment:

	<i>31-12-2001</i>				
	<i>Insurance operations</i>	<i>Banking operations</i>	<i>General operations</i>	<i>Eliminations</i>	<i>Total</i>
<b>Assets</b>					
Cash	1,154.1	4,555.2	10.4	( 625.5 )	5,094.2
Trading securities		19,447.0			19,447.0
Investments	50,487.3	96,866.9	322.1		147,676.3
Loans and advances to credit institutions	1,971.2	62,459.9	5.0	( 674.2 )	63,761.9
Loans and advances to customers	16,121.2	164,089.8	6,371.8	( 9,748.9 )	176,833.9
Reinsurers' share of technical provisions	6,890.8				6,890.8
Deferred acquisition costs	2,963.6				2,963.6
Prepayments and accrued income	1,318.2	18,652.4	244.7	( 370.4 )	19,844.9
Investments on behalf of policyholders	23,567.4				23,567.4
Other assets	5,463.0	11,922.9	3,114.1	( 3,610.1 )	16,889.9
<b>Total assets</b>	<b>109,936.8</b>	<b>377,994.1</b>	<b>10,068.1</b>	<b>( 15,029.1 )</b>	<b>482,969.9</b>
<b>Liabilities</b>					
Amounts owed to credit institutions	378.3	98,273.7	0.1	( 2,314.8 )	96,337.3
Amounts owed to customers		181,324.8		( 1,637.6 )	179,687.2
Debt certificates	4,601.4	42,415.9	8,652.1	( 4,773.5 )	50,895.9
Technical provisions	59,533.4				59,533.4
Technical provisions related to investments on behalf of policyholders	23,084.9				23,084.9
Accruals and deferred income	1,496.9	18,303.8	330.0	( 358.1 )	19,772.6
Other liabilities	10,584.5	15,767.9	334.1	( 2,688.2 )	23,998.3
Convertible notes	1.4		1,255.9		1,257.3
Subordinated liabilities	2,475.6	9,985.6	1,004.8	( 3,256.9 )	10,209.1
	102,156.4	366,071.7	11,577.0	( 15,029.1 )	464,776.0
Fund for general banking risks		2,216.7			2,216.7
Minority interest in group equity	694.5	798.6	639.6		2,132.7
Net equity	7,085.9	8,907.1	( 2,148.5 )		13,844.5
Group equity	7,780.4	9,705.7	( 1,508.9 )		15,977.2
<b>Total liabilities</b>	<b>109,936.8</b>	<b>377,994.1</b>	<b>10,068.1</b>	<b>( 15,029.1 )</b>	<b>482,969.9</b>



31-12-2000

	<i>Insurance operations</i>	<i>Banking operations</i>	<i>General operations</i>	<i>Eliminations</i>	<i>Total</i>
<b>Assets</b>					
Cash	1,249.3	5,342.1	84.1	( 565.2 )	6,110.3
Trading securities		13,362.9			13,362.9
Investments	49,649.8	84,098.8	454.4		134,203.0
Loans and advances to credit institutions	1,632.8	61,159.0		( 409.0 )	62,382.8
Loans and advances to customers	14,837.4	149,840.1	3,575.3	( 6,159.4 )	162,093.4
Reinsurers' share of technical provisions	4,943.6				4,943.6
Deferred acquisition costs	3,297.7				3,297.7
Prepayments and accrued income	1,164.6	15,887.2	138.4	( 152.3 )	17,037.9
Investments on behalf of policyholders	22,012.7				22,012.7
Other assets	6,230.3	7,381.5	4,301.5	( 5,274.9 )	12,638.4
<b>Total assets</b>	<b>105,018.2</b>	<b>337,071.6</b>	<b>8,553.7</b>	<b>( 12,560.8 )</b>	<b>438,082.7</b>
<b>Liabilities:</b>					
Amounts owed to credit institutions	402.0	94,301.6		( 529.3 )	94,174.3
Amounts owed to customers		148,367.6		( 2,615.6 )	145,752.0
Debt certificates	3,345.8	40,680.1	2,730.9	( 2,996.0 )	43,760.8
Technical provisions	56,130.2				56,130.2
Technical provisions related to investments on behalf of policyholders	21,690.1				21,690.1
Accruals and deferred income	452.7	15,667.0	149.2	( 444.9 )	15,824.0
Other liabilities	12,895.0	18,016.9	5,105.9	( 4,152.8 )	31,865.0
Convertible notes	1.4		1,255.9		1,257.3
Subordinated liabilities	1,281.3	8,476.3	294.9	( 1,822.2 )	8,230.3
	96,198.5	325,509.5	9,536.8	( 12,560.8 )	418,684.0
Fund for general banking risks		2,042.9			2,042.9
Minority interest in group equity	729.5	823.2	606.3		2,159.0
Net equity	8,090.2	8,696.0	( 1,589.4 )		15,196.8
Group equity	8,819.7	9,519.2	( 983.1 )		17,355.8
<b>Total liabilities</b>	<b>105,018.2</b>	<b>337,071.6</b>	<b>8,553.7</b>	<b>( 12,560.8 )</b>	<b>438,082.7</b>

	<i>31-12-1999</i>				
	<i>Insurance operations</i>	<i>Banking operations</i>	<i>General operations</i>	<i>Eliminations</i>	<i>Total</i>
<b>Assets</b>					
Cash	959.9	3,206.9	54.6	( 561.0 )	3,660.4
Trading securities		9,898.8			9,898.8
Investments	41,618.0	85,426.5	337.5		127,382.0
Loans and advances to credit institutions	1,673.1	80,393.7	17.4	( 114.1 )	81,970.1
Loans and advances to customers	7,816.9	132,350.7	3,288.6	( 4,034.0 )	139,422.2
Reinsurers' share of technical provisions	4,231.7				4,231.7
Deferred acquisition costs	2,081.4				2,081.4
Prepayments and accrued income	1,175.7	12,067.0	111.6	( 197.6 )	13,156.7
Investments on behalf of policyholders	16,210.0				16,210.0
Other assets	2,720.5	5,775.4	1,240.6	( 1,640.5 )	8,096.0
<b>Total assets</b>	<b>78,487.2</b>	<b>329,119.0</b>	<b>5,050.3</b>	<b>( 6,547.2 )</b>	<b>406,109.3</b>
<b>Liabilities</b>					
Amounts owed to credit institutions	425.4	117,347.8	16.0	( 797.3 )	116,991.9
Amounts owed to customers		135,478.8		( 515.4 )	134,963.4
Debt certificates	1,701.2	32,866.0	2,628.0	( 1,251.8 )	35,943.4
Technical provisions	44,612.7				44,612.7
Technical provisions related to investments on behalf of policyholders	15,824.3				15,824.3
Accruals and deferred income	522.8	11,749.0	128.3	( 163.7 )	12,236.4
Other liabilities	5,349.1	13,205.4	3,084.3	( 2,116.5 )	19,522.3
Convertible notes			1,255.9		1,255.9
Subordinated liabilities	847.9	7,466.1	294.9	( 1,702.5 )	6,906.4
	69,283.4	318,113.1	7,407.4	( 6,547.2 )	388,256.7
Fund for general banking risks		1,861.2			1,861.2
Minority interest in group equity	740.2	1,743.3			2,483.5
Net equity	8,463.6	7,401.4	( 2,357.1 )		13,507.9
Group equity	9,203.8	9,144.7	( 2,357.1 )		15,991.4
<b>Total liabilities</b>	<b>78,487.2</b>	<b>329,119.0</b>	<b>5,050.3</b>	<b>( 6,547.2 )</b>	<b>406,109.3</b>

The following table presents profit and loss account information by segment:

	<i>2001</i>				
	<i>Insurance operations</i>	<i>Banking operations</i>	<i>General operations</i>	<i>Eliminations</i>	<i>Total</i>
<b>Revenues:</b>					
Insurance premiums	18,162.3				18,162.3
Interest income	3,158.4	20,818.6	480.3	( 692.5 )	23,764.8
Commissions and fees		1,978.4			1,978.4
Results from financial transactions	( 2,309.3 )	1,002.5			( 1,306.8 )
Other revenues	1,745.8	897.3	17.5	( 0.9 )	2,659.7
<b>Total revenues</b>	<b>20,757.2</b>	<b>24,696.8</b>	<b>497.8</b>	<b>( 693.4 )</b>	<b>45,258.4</b>
Interest expense	( 688.2 )	( 16,414.6 )	( 504.9 )	693.4	( 16,914.3 )
<b>Total revenues, net of interest expense</b>	<b>20,069.0</b>	<b>8,282.2</b>	<b>( 7.1 )</b>	<b>0.0</b>	<b>28,344.1</b>
Technical charges insurance	( 13,440.2 )				( 13,440.2 )
Value adjustments		( 625.8 )			( 625.8 )
Net revenues	6,628.8	7,656.4	( 7.1 )		14,278.1
Operating expenses	( 4,961.7 )	( 5,657.9 )	( 165.1 )		( 10,784.7 )
<b>Operating result before taxation</b>	<b>1,667.1</b>	<b>1,998.5</b>	<b>( 172.2 )</b>		<b>3,493.4</b>
Taxation	( 396.0 )	( 693.0 )	40.1		( 1,048.9 )
Operating group profit	1,271.1	1,305.5	( 132.1 )		2,444.5
Minority interests	61.7	67.1	48.3		177.1
<b>Net operating profit</b>	<b>1,209.4</b>	<b>1,238.4</b>	<b>( 180.4 )</b>		<b>2,267.4</b>
<b>Non-operating items:</b>					
Results from financial transactions	343.6	90.3			433.9
Other revenues	108.2				108.2
Operating expenses	( 99.4 )	( 239.9 )	( 3.0 )		( 342.3 )
Taxation	15.6	115.4			131.0
<b>Non-operating items after taxation</b>	<b>368.0</b>	<b>( 34.2 )</b>	<b>( 3.0 )</b>		<b>330.8</b>
<b>Net profit</b>	<b>1,577.4</b>	<b>1,204.2</b>	<b>( 183.4 )</b>		<b>2,598.2</b>

	<i>2000</i>				
	<i>Insurance operations</i>	<i>Banking operations</i>	<i>General operations</i>	<i>Eliminations</i>	<i>Total</i>
<b>Revenues:</b>					
Insurance premiums	15,783.7				15,783.7
Interest income	2,533.3	23,300.9	304.6	( 425.7 )	25,713.1
Commissions and fees		2,163.6			2,163.6
Results from financial transactions	( 535.5 )	1,025.1			489.6
Other revenues	2,227.9	677.5	12.1		2,917.5
<b>Total revenues</b>	<b>20,009.4</b>	<b>27,167.1</b>	<b>316.7</b>	<b>( 425.7 )</b>	<b>47,067.5</b>
Interest expense	( 314.2 )	( 19,144.9 )	( 369.5 )	425.7	( 19,402.9 )
<b>Total revenues, net of interest expense</b>	<b>19,695.2</b>	<b>8,022.2</b>	<b>( 52.8 )</b>	<b>0.0</b>	<b>27,664.6</b>
Technical charges insurance	( 13,463.3 )				( 13,463.3 )
Value adjustments		( 619.5 )			( 619.5 )
Net revenues	6,231.9	7,402.7	( 52.8 )		13,581.8
Operating expenses	( 4,463.6 )	( 5,328.0 )	( 172.9 )		( 9,964.5 )
<b>Operating result before taxation</b>	<b>1,768.3</b>	<b>2,074.7</b>	<b>( 225.7 )</b>		<b>3,617.3</b>
Taxation	( 444.7 )	( 640.5 )	40.8		( 1,044.4 )
Operating group profit	1,323.6	1,434.2	( 184.9 )		2,572.9
Minority interests	58.3	121.7	37.7		217.7
<b>Net operating profit</b>	<b>1,265.3</b>	<b>1,312.5</b>	<b>( 222.6 )</b>		<b>2,355.2</b>
<b>Non-operating items:</b>					
Results from financial transactions	149.3	99.3			248.6
Other revenues	111.4				111.4
Value adjustments		157.5			157.5
Taxation	( 41.8 )	( 63.3 )			( 105.1 )
<b>Non-operating items after taxation</b>	<b>218.9</b>	<b>193.5</b>			<b>412.4</b>
<b>Net profit</b>	<b>1,484.2</b>	<b>1,506.0</b>	<b>( 222.6 )</b>		<b>2,767.6</b>

1999

	<i>Insurance operations</i>	<i>Banking operations</i>	<i>General operations</i>	<i>Eliminations</i>	<i>Total</i>
<b>Revenues:</b>					
Insurance premiums	12,526.6				12,526.6
Interest income	2,275.4	18,588.9	120.6	( 162.3 )	20,822.6
Commissions and fees		1,838.2		( 6.2 )	1,832.0
Results from financial transactions	2,025.0	704.1	2.5		2,731.6
Other revenues	1,930.1	677.4	115.4	( 57.2 )	2,665.7
<b>Total revenues</b>	<b>18,757.1</b>	<b>21,808.6</b>	<b>238.5</b>	<b>( 225.7 )</b>	<b>40,578.5</b>
Interest expense	( 200.6 )	( 14,419.3 )	( 305.5 )	219.5	( 14,705.9 )
<b>Total revenues, net of interest expense</b>	<b>18,556.5</b>	<b>7,389.3</b>	<b>( 67.0 )</b>	<b>( 6.2 )</b>	<b>25,872.6</b>
Technical charges insurance	( 13,797.4 )				( 13,797.4 )
Value adjustments		( 546.9 )			( 546.9 )
Net revenues	4,759.1	6,842.4	( 67.0 )	( 6.2 )	11,528.3
Operating expenses	( 3,488.2 )	( 4,900.0 )	( 107.2 )	6.2	( 8,489.2 )
<b>Operating result before taxation</b>	<b>1,270.9</b>	<b>1,942.4</b>	<b>( 174.2 )</b>	<b>0.0</b>	<b>3,039.1</b>
Taxation	( 297.7 )	( 612.0 )	16.8		( 892.9 )
Operating group profit	973.2	1,330.4	( 157.4 )		2,146.2
Minority interests	37.2	145.8			183.0
<b>Net operating profit</b>	<b>936.0</b>	<b>1,184.6</b>	<b>( 157.4 )</b>		<b>1,963.2</b>
<b>Non-operating items:</b>					
Results from financial transactions	353.0				353.0
<b>Non-operating items after taxation</b>	<b>353.0</b>				<b>353.0</b>
<b>Net profit</b>	<b>1,289.0</b>	<b>1,184.6</b>	<b>( 157.4 )</b>		<b>2,316.2</b>

The table below shows selected financial and other information by geographic area, presented on the basis of the country in which the Fortis company is located.

	<i>2001</i>							
	<i>Belgium</i>	<i>The Netherlands</i>	<i>Luxembourg</i>	<i>Benelux</i>	<i>United States</i>	<i>Rest of the world</i>	<i>Eliminations</i>	<i>Total</i>
<b>Total assets</b>								
Insurance	32,060.4	42,349.0	1,283.8	75,684.9	25,736.3	8,815.4	( 308.1 )	109,936.8
Banking	223,612.7	66,892.2	38,765.3	329,270.2	16,451.4	32,276.1	( 3.6 )	377,994.1
General								10,068.1
Eliminations								( 15,029.1 )
								482,969.9
<b>Loans and advances</b>	117,368.3	67,336.7	22,621.1	207,326.1	17,630.9	27,639.6	( 12,000.8 )	240,595.8
<b>Technical provisions, net <sup>1)</sup></b>	19,630.9	17,796.9	377.4	37,805.2	8,516.3	6,429.0		52,750.5
<b>Total revenues, net of interest expenses</b>								
Insurance	5,452.7	5,790.2	403.4	11,646.3	5,869.5	2,553.2		20,069.0
Banking	3,750.1	2,073.2	757.8	6,581.1	207.0	1,494.1		8,282.2
General								( 7.1 )
Eliminations								
								28,344.1
<b>Insurance premiums (gross)</b>								
Life	3,693.3	3,457.2	455.3	7,605.8	1,671.6	1,404.3		10,681.7
Non-life	1,061.2	1,914.9	14.7	2,990.8	6,921.6	1,019.8		10,932.2
								21,613.9
<b>Net interest income <sup>2)</sup></b>								
Banking	2,230.6	1,136.7	325.0	3,692.3	147.7	564.0		4,404.0
<b>Operating result before taxation</b>								
Insurance	554.3	675.9	8.3	1,238.5	300.0	128.6		1,667.1
Banking	798.2	273.0	441.2	1,512.4	87.9	398.2		1,998.5
General								( 172.2 )
								3,493.4
<b>Effective average number of employees <sup>3)</sup></b>								
Insurance	3,965	5,579	110	9,654	10,686	2,897		23,237
Banking	22,386	10,510	2,572	35,468	273	7,050		42,791
General								182
								66,210

1) *Technical provisions less reinsured share of technical provisions*

2) *Interest income (receivables, debt securities and other) less interest expense*

3) *The effective average is the number of full-time equivalents (FTE), taking into account part-time positions and staff joining or leaving Fortis during the year*

2000

	<i>Belgium</i>	<i>The Netherlands</i>	<i>Luxembourg</i>	<i>Benelux</i>	<i>United States</i>	<i>Rest of the world</i>	<i>Eliminations</i>	<i>Total</i>
<b>Total assets</b>								
Insurance	30,606.7	40,423.2	1,046.8	72,076.7	24,804.0	8,352.4	( 214.9 )	105,018.2
Banking	212,025.6	57,215.8	39,103.6	308,345.0	14,053.1	15,197.3	( 523.8 )	337,071.6
General								8,553.7
Eliminations								( 12,560.8 )
								<u>438,082.7</u>
<b>Loans and advances</b>	125,260.4	61,504.8	20,032.0	206,797.2	14,742.8	14,613.7	( 11,677.5 )	224,476.2
<b>Technical provisions net <sup>1)</sup></b>	18,526.6	17,254.1	362.8	36,143.5	9,398.9	5,768.4		51,310.8
<b>Total revenues, net of interest expenses</b>								
Insurance	6,640.1	3,446.3	295.0	10,381.4	6,450.9	2,862.9		19,695.2
Banking	3,862.4	2,060.2	879.2	6,801.8	150.3	1,070.1		8,022.2
General								( 52.8 )
Eliminations								
								<u>27,664.6</u>
<b>Insurance premiums (gross)</b>								
Life	4,488.3	1,566.2	277.0	6,331.5	1,772.9	1,628.9		9,733.3
Non-life	1,014.1	713.0	14.1	1,741.2	6,921.1	1,030.9		9,693.2
								<u>19,426.5</u>
<b>Net interest income <sup>2)</sup></b>								
Banking	2,364.4	914.9	292.4	3,571.7	143.6	440.7		4,156.0
<b>Operating result before taxation</b>								
Insurance	596.5	558.4	( 1.2 )	1,153.7	459.7	154.9		1,768.3
Banking	765.2	580.3	349.8	1,695.3	22.6	356.8		2,074.7
General								( 225.7 )
								<u>3,617.3</u>
<b>Effective average number of employees <sup>3)</sup></b>								
Insurance	4,023	3,374	91	7,488	10,070	3,299		20,857
Banking	22,417	10,270	2,483	35,170	182	6,518		41,870
General								154
								<u>62,881</u>

1) *Technical provisions less reinsured share of technical provisions*2) *Interest income (receivables, debt securities and other) less interest expense*3) *The effective average is the number of full-time equivalents (FTE), taking into account part-time positions and staff joining or leaving Fortis during the year*

	1999							
	<i>Belgium</i>	<i>The Netherlands</i>	<i>Luxembourg</i>	<i>Benelux</i>	<i>United States</i>	<i>Rest of the world</i>	<i>Eliminations</i>	<i>Total</i>
<b>Total assets</b>								
Insurance	26,493.1	23,072.0	946.1	50,511.2	20,820.2	7,155.8		78,487.2
Banking	222,147.1	50,020.6	38,103.6	310,271.3	6,525.2	16,774.3	( 4,451.8 )	329,119.0
General								5,050.3
Eliminations								( 6,547.2 )
								<u>406,109.3</u>
<b>Loans and advances</b>	143,951.0	42,900.9	19,187.6	206,039.5	6,763.4	16,138.4	( 7,549.0 )	221,392.3
<b>Technical provisions, net <sup>1)</sup></b>	17,672.0	9,043.6	415.4	27,131.0	8,059.8	5,294.2		40,485.0
<b>Total revenues, net of interest expenses</b>								
Insurance	5,847.3	3,744.3	264.6	9,856.2	6,202.7	2,497.6		18,556.5
Banking	3,688.5	1,851.0	924.5	6,464.0	123.5	801.8		7,389.3
General								( 67.0 )
Eliminations								( 6.2 )
								<u>25,872.6</u>
<b>Insurance premiums (gross)</b>								
Life	3,312.6	1,466.7	169.6	4,948.9	1,205.4	1,302.3		7,456.6
Non-life	981.1	680.3	13.6	1,675.0	4,533.7	868.6		7,077.3
								<u>14,533.9</u>
<b>Net interest income <sup>2)</sup></b>								
Banking	2,253.0	925.8	499.9	3,678.7	128.9	362.0		4,169.6
<b>Operating result before taxation</b>								
Insurance	469.3	392.5	8.4	870.2	324.1	76.6		1,270.9
Banking	915.8	494.2	349.9	1,759.9	13.4	169.1		1,942.4
General								( 174.2 )
								<u>3,039.1</u>
<b>Effective average number of employees <sup>3)</sup></b>								
Insurance	4,141	3,255	71	7,467	9,622	3,108		20,197
Banking	22,901	10,038	2,398	35,337	117	5,328		40,782
General								130
								<u>61,109</u>

1) *Technical provisions less reinsured share of technical provisions*

2) *Interest income (receivables, debt securities and other) less interest expense*

3) *The effective average is the number of full-time equivalents (FTE), taking into account part-time positions and staff joining or leaving Fortis during the year*



## 3 General, accounting principles and principles of consolidation

### 3.1 General

Fortis is a financial services provider operating in the fields of insurance, banking and investment. Fortis' domestic operations are located in the Benelux countries (Belgium, the Netherlands and Luxembourg) and its international operations are located primarily in the United States, Spain, the United Kingdom, and certain countries in Asia and Africa. The banking operations offer a wide range of services, including network banking, merchant banking, private banking and asset management. Life insurance products consist of a broad range of participating and non-participating policies written for both individual and group customers. Participating policies share in either the results of the issuing company or investment returns on dedicated assets. Non-life insurance products consist mainly of fire and motor insurance policies for individual and commercial customers, credit-related insurance and accident and health insurance policies for individual and group customers.

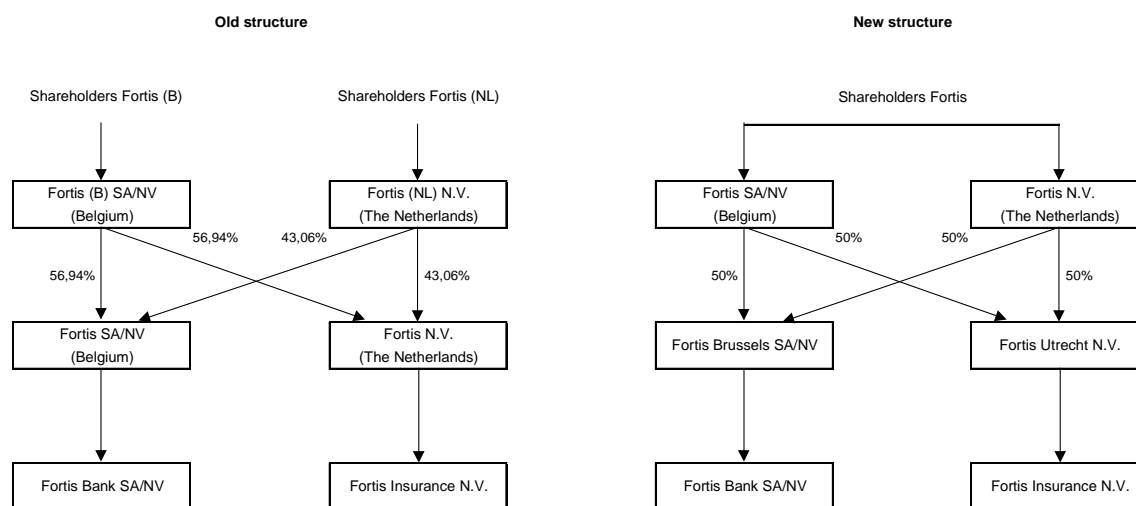
Through the Fortis share, Fortis has a primary listing on both the Primary Market of Euronext Brussels and the Official Segment of the stock market of Euronext Amsterdam. Fortis also has a listing in Luxembourg and a sponsored ADR programme in the United States.

Fortis was created in 1990 when Group AG (the predecessor of Fortis (B) SA/NV, a large Belgian insurer ("Fortis (B)")) and N.V. AMEV (the predecessor of Fortis (NL) N.V., a large Dutch insurer ("Fortis (NL)")), merged their respective operations while the parent companies remained separate legal entities and retained their primary share listings on the Brussels stock exchange (Fortis (B)) and Amsterdam stock exchange (Fortis (NL)).

The management of Fortis decided in 1998 that it was necessary to increase the transparency and flexibility of its top management structure. The restructuring was executed in two phases. The so-called Equalization Agreement took effect retrospective from 1 January 1998. Among other things this agreement included that the economic rights (profit, net equity and dividend) attached to each Fortis (NL) share and Fortis (B) share would be fixed in relation to each other. On the effective date of the restructuring 1 Fortis (B) share equalled 4.5 Fortis (NL) shares. In January 1999 the equalization ratio was changed to 1:1 as a result of a 2 for 1 split of the Fortis (NL) shares and a 9 for 1 split of the Fortis (B) shares.

The second phase of the restructuring was completed on 17 December 2001. Effective from this date the Fortis (B) shares and the Fortis (NL) shares were replaced by one single listed security (the "Fortis share"). The new share represents one share in each of the new parent companies that were established under the restructuring (Fortis SA/NV in Belgium, respectively Fortis N.V. in the Netherlands). The unification proposal was approved at the extraordinary meetings of shareholders of Fortis (B) and Fortis (NL) held on 14 December 2001. Inter alia the proposal included a legal merger between Fortis (B) and Fortis SA/NV as well as a legal merger between Fortis (NL) and Fortis N.V. in which the companies Fortis (B) and Fortis (NL) ceased to exist. The new parent companies are Fortis SA/NV in Belgium and Fortis N.V. in the Netherlands. Before entering into the merger Fortis SA/NV and Fortis N.V. transferred all their assets and liabilities to respectively Fortis Brussels SA/N.V. and Fortis Utrecht N.V. The last two companies were newly incorporated. The transactions executed under the second phase were effectuated on 1 July 2001.

The economic rights of shareholders have not changed as a result of this last restructuring. With effect from the financial year 2001 the explicit distinction that used to be made between net equity of Fortis (B) and Fortis (NL) in the tables concerning net equity is no longer made. The comparative figures were adjusted accordingly. Financial instruments related to either the Fortis (B) shares or the Fortis (NL) shares have been converted to instruments relating to Fortis shares. The unification does not affect the consolidated results or total equity.



All holders of the Fortis share are shareholders of both Fortis SA/NV and Fortis N.V. As such, they have the right to cast one vote for each Fortis share held at the meetings of shareholders of both companies. All holders of the Fortis share have the right to choose whether they receive a Fortis SA/NV or a Fortis N.V. dividend (see note 19 "Dividend").

For extensive information on the unification of the Fortis share, see the information memorandum "Unification of the Fortis shares".

### 3.2. Accounting principles

#### *General*

Fortis has opted for consortium accounting through which the financial statements of Fortis SA/NV and Fortis N.V. are consolidated. The consolidated financial statements are in accordance with the applicable legal and regulatory requirements in Belgium. Fortis has as described in the disclosures and the accounting principles, both in terms of presentation and content, applied a number of options applicable in the law for consortium by taking into account art. 117§2 of the company law in Belgium, in order to reflect in a most reliable manner in its financial statements the bank and insurance activities.

#### *Changes in accounting principles*

The principles of valuation and profit determination are unchanged. With effect from 1 January 2001, non-operating items are recorded separately in the profit and loss account. Comparable figures for 2000 and 1999 have been duly adapted. Fortis aims to ensure that its accounting principles and presentation correspond with internationally recognized principles.

### 3.3 Principles of consolidation

The consolidated annual accounts of Fortis include the figures for Fortis SA/NV and Fortis N.V., as well as the companies in which they jointly exercise a direct or indirect control of more than 50%. Joint ventures in which Fortis has a 50% controlling interest are consolidated on a proportional basis. Special Purpose Vehicles (SPV), which have been created in the context of securitization and over which no control is exercised, are not included in the consolidation.

With effect from 1 January 1999, upon acquisition of companies to be consolidated in the annual accounts the assets and liabilities of the acquired company are restated at their fair value. Any remaining amount of goodwill is charged or credited in full to net equity. Goodwill arising on the acquisition of participating interests accounted for under the equity method is also charged or credited to net equity.

A list of all group companies and other participating interests has been filed with the National Bank of Belgium in Brussels and with the commercial register of the Chamber of Commerce in Utrecht. The list is available upon request, free of charge, from Fortis in Brussels and Utrecht.

#### *Eliminations*

Fortis is a group of companies whose activities cover a broad spectrum of financial services. These activities are also provided to other group companies on commercial terms. Transactions between group companies within the course of their normal business and on commercial terms are not eliminated in the consolidated profit and loss account. In the consolidated balance sheet of Fortis, however, intercompany balance sheet items from this source are eliminated. All other transactions between group companies are eliminated in the consolidated balance sheet and consolidated profit and loss account.

## 4 Principles of valuation and profit determination

#### *General*

Assets and liabilities are stated at face value, unless a different accounting policy is specified below. If necessary, assets are stated after deduction of an allowance for value reductions. Unless stated otherwise the results are allocated to the period to which they relate, or in which the service was provided or received.

#### *Use of estimates*

In preparing the annual accounts, certain estimates and assumptions have to be made that affect the consolidated balance sheets and results. Actual results may differ from those estimates. Generally accepted accounting principles also require disclosure of contingent assets and liabilities at the date of the annual accounts.

Material estimates that are particularly susceptible to significant changes in the near term are related to the determination of the allowance for loan losses.

Liabilities for unpaid claims, claim adjustment expenses and policy benefits for life and health include estimates for mortality, morbidity, claim settlement patterns and interest rates at the date of the annual accounts.

Fortis uses financial instruments and invests in securities of entities for which exchange trading does not exist. For the valuation of these instruments and securities, estimates are used which are determined on the basis of historical information, actuarial analyses, financial modelling and other analytical techniques.

### *Foreign currency*

For consolidation purposes assets and liabilities of participating interests not denominated in euros are translated into euros at the rates of exchange pertaining at the end of the reporting period. The profit and loss account is translated at average exchange rates. Exchange differences arising from such translation are credited or debited to net equity. Exchange differences resulting from the revaluation of investments valued at market value and financing of participating interests denominated in foreign currency are also recorded directly in net equity. All other exchange differences are reported in the profit and loss account.

The following table lists the primary exchange rates used in the preparation of the consolidated annual accounts:

	<i>Rates at year-end</i>			<i>Average rates</i>		
	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>
1 euro =						
Pound sterling	0.61	0.62	0.62	0.62	0.61	0.66
US dollar	0.88	0.93	1.00	0.90	0.92	1.07
Australian dollar	1.67	1.68	1.54	1.72	1.59	1.65

### *Treasury shares*

Fortis shares held by Fortis SA/NV and Fortis N.V. are not entitled to dividend or capital. In calculating dividend, net profit and net equity per share, these shares are eliminated. The cost price of these shares will be deducted from net equity.

Fortis shares held by other group companies are included in the investments and in the trading (portfolio) of securities. They are valued at fair value with the exception of Fortis shares bought to hedge employee option plans. These shares are included in other assets at the exercise price or lower fair value (other than temporary).

### *Trading securities*

Trading securities are carried at fair value based on quoted market prices, where available. If quoted market prices are not available, fair values are estimated based on quoted market prices of comparable instruments or discounted cash flow analysis using market rates. Realized and unrealized gains and losses on trading securities are included immediately in the profit and loss account under results from financial transactions.

### *Investments*

Treasury bills, debt securities and other fixed-income securities (including preference shares which entitle the holder of such securities to a fixed dividend rate) which have been acquired with the intention of managing long-term interest risk and liquidity risk are reported at purchase cost less amortization of premiums and discounts (amortization value). An allowance for value reduction is established if there are doubts about the collectibility of the amounts. Upon the sale of a debt security, the resulting realized gain or loss is recognized under results from financial transactions in the profit and loss account, unless the debt security is replaced with another security of the same type within a short period of time. If this reinvestment criterion is met, realized gains and losses are deferred and amortized as an adjustment to the yield (interest from debt securities and other fixed-income securities) spread over the average term of the investment portfolio.

Equity securities (including convertible debt securities) are recorded at fair value based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Unrealized gains and losses on equity securities are recognized, net of tax, directly in net equity. Upon the sale of equity securities, the revaluation adjustments previously recognized in net equity are included in the determination of the gain or loss on sale of the security.

Land and buildings acquired are initially recorded at cost, including interest during the construction period. Subsequently, the value is adjusted to the estimated fair value. If the fair value is lower than the purchase price, a value adjustment to reduce the carrying amount of the land and buildings is recognized in the profit and loss account. Any recovery in fair value up to the purchase price is also recognized in the profit and loss account. As long as the fair value exceeds the purchase price, any revaluation adjustment is recognized directly in net equity, taking into account deferred tax. Each year, the value of about one-fifth of the properties is established by expert survey, in part internally and in part externally. Upon sale, the revaluation adjustments previously recognized in net equity are included in determining the gain or loss upon sale of the asset.

Participating interests in investment pools are valued according to valuation principles used by the manager of the investment pools in question.

### *Securities purchased under resale agreements and securities sold under repurchase agreements*

Securities purchased under resale agreements are not shown separately in the consolidated balance sheet but are included under loans and advances to credit institutions and loans and advances to customers. Securities sold under repurchase agreements are not shown separately in the consolidated balance sheet but are included under amounts owed to credit institutions and amounts owed to customers. Securities purchased under resale agreements and securities sold under repurchase agreements generally qualify as financing transactions. They are carried at the amounts at which the securities will be subsequently resold or reacquired as specified in the respective agreements; these amounts include accrued interest. Fortis' policy is to take possession of securities purchased under resale agreements and to relinquish possession of securities sold under repurchase agreements. These securities are primarily Dutch government, Belgian government and corporate debt securities.

Fortis monitors the fair value of the underlying securities as compared with the related loan, including accrued interest. If necessary, additional collateral is requested. Where appropriate, agreements with third parties specify Fortis' rights to request additional collateral. Fortis or a custodian holds all collateral received.

Securities borrowed and securities lent are carried at the amounts of collateral advanced and received in connection with the transaction. Fortis measures the fair value of the securities borrowed and lent against the collateral on a daily basis. Additional collateral is obtained and paid as necessary to ensure such transactions are adequately collateralized.

### *Loans and advances*

Loans and advances are reported at their outstanding principal amount adjusted for any charge-offs and for an allowance for loan losses.

The accrual of interest is discontinued when, in Fortis' opinion, the borrower may be unable to meet the payments as they become due. Generally, interest accrued on non- or partially non-accruing loans continues to accrue, but the allowance for losses is increased accordingly for all or a portion of the amount of the interest accrued by a direct charge to interest income. Subsequent to the date on which a loan is transferred to full non-accrual status, interest is not accrued but is recognized only to the extent cash payments are received. The outstanding balance is evaluated for collectibility and changes in the allowance for that loan are made as appropriate. Loans are returned to accrual status if the borrower is able to meet payments when due and the allowance established for the corresponding accrued interest is reversed.

An allowance for loan losses is maintained as considered adequate to cover the existing probable loan losses in the portfolio of loans. Each operating subsidiary makes allowances for loan losses on the basis of its own loan rating classifications and circumstances in its market area and among its customers, in accordance with a common methodology. Loans above pre-established thresholds are rated by loan officers, loan review personnel and subsidiary management on a case-by-case basis, and monitored through inclusion on internal watch lists and similar management reports. Loans below the pre-established thresholds are generally reviewed in the aggregate, as they are of a relatively small principal amount and homogeneous in nature and risk (e.g. retail lending products).

Allowances on loans are increased, as necessary, based on periodic loan reviews. Similarly, write-backs are recorded if an allowance must be reduced. These net changes are charged or credited directly to the profit and loss account as value adjustments.

Loans receivable are written off and charged against the allowance for loan losses when all the necessary legal procedures have been completed and the amount of the loss is finally determined.

Country risk allowances (included under the allowance for loan losses) are intended to cover the risk that borrowers of a particular country will be unable to fulfil their obligations for reasons beyond their ability to generate local currency cash flows to repay their debt. These reasons include the risk that, due to political or other reasons, foreign government and regulatory acts restrict a customer's ability to transfer financial assets from the foreign country. Based on its evaluation of each identified country, Fortis calculates specific country risk allowances by applying the minimum percentages provided by the regulators to outstandings within each country, minus the fixed deductibles defined by the regulator. The fixed deductibles primarily include elements that are not exposed to country risks by their very nature (e.g. short-term liabilities of less than 1 year), the allowance for irrecoverability and the collaterals received.

In addition to the allowances for loan losses made for probable loan losses in the existing portfolio, which are charged directly as value adjustments on loans and advances in the consolidated profit and loss account, provisions may be made to cover as yet unidentified risks. In the banking segment, Fortis sets up allowances which are in conformity with market practice and / or regulatory requirements. These provisions are commonly referred to as the "fund for general banking risks".

Loan origination fees are recognized in the profit and loss account (under interest) when received. Direct origination costs are charged to the profit and loss account when incurred.

#### *Deferred acquisition costs*

Acquisition costs that vary with and are primarily related to the offering and placement of new insurance business are deferred to the extent that they are deemed recoverable from future revenues. Anticipated investment income is considered in determining the recoverability of deferred acquisition costs. Deferred acquisition costs for traditional life insurance business are amortized over the premium paying periods of the related policies in proportion to the ratio of annual premium income to the total anticipated premium income. Deferred acquisition costs of other business lines are generally amortized over the term of the insurance contract at a constant rate based on the present value of estimated gross profits expected to be realized. Amortization of deferred acquisition costs is included in operating expenses.

In the case of the purchase of a new insurance portfolio, deferred acquisition costs also include the Value Of Business Acquired (VOBA) formed for the insurance contracts concluded in this portfolio. VOBA represents the difference between the fair value and the book value of technical provisions of long-term insurance contracts. VOBA is included for the first time at the moment of takeover of insurance activities. It is amortized over the term of the portfolio in proportion to the realized profits on the underlying contracts.

#### *Investments on behalf of policyholders*

Investments on behalf of policyholders are funds maintained in accounts for the benefit of policyholders who bear the investment risk. For certain contracts minimum guaranteed rates are agreed. These investments are carried at fair value. Changes in the value of the investments are recognized in the profit and loss account. Amounts received from policyholders are recognized as insurance premiums. Gains and losses on the sale of investments are recognized under results from financial transactions, and investment income (interest, dividends, and the like) is recognized under other revenues.

Liabilities related to investments on behalf of policyholders are recognized on the same basis as the principles used to value the corresponding investments. Changes in the value of the liabilities related to investments on behalf of policyholders are recognized under policy benefits and claims in the profit and loss account.

### *Other assets*

#### **Participating interests**

All participating interests are included under other assets. Participating interests are investments in which Fortis exercises significant influence and in which Fortis has a lasting interest. These are in principle interests in which Fortis holds a non-controlling voting interest of between 20% and 50%. Participating interests are accounted for under the equity method and are stated at the proportionate share of the equity of the company concerned, determined on the basis of the accounting principles applied by Fortis. Changes in relation to revaluations are recognized as a direct adjustment to net equity. Fortis' share in the profits of these participating interests is accounted for in the profit and loss account (under other revenues).

Other participating interests where Fortis holds an equity interest of less than 20% and does not exercise significant influence are recorded at estimated market value. The estimated market value is based on year-end quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Revaluation adjustments based on fair values are recognized as a direct adjustment to net equity. Dividends received are recognized in the profit and loss account (under other revenues).

Upon the sale of participating interests, the realized gains or losses, i.e. the difference between the sales proceeds and the purchase price, are recognized in the profit and loss account. Valuation adjustments previously reflected in net equity are included when determining the positive or negative result realized upon sale of participating interests.

#### **Deferred taxes**

Deferred taxes (both assets and liabilities) are established on the basis of temporary differences between the valuation of assets and liabilities for accounting and fiscal purposes. No asset or liability is recognized where such differences are of a permanent nature. A deferred tax asset is also established in case of tax loss carryforward. Deferred tax is calculated on the basis of the nominal tax rate applicable at year-end. Future rate adjustments laid down by law in the reporting year are taken into account, and expected rate adjustments are not taken into account. If rates are adjusted during the reporting period, the deferred tax is revised accordingly. If it is likely that a deferred tax asset cannot be realized, entirely or partially, the deferred tax asset is adjusted. The resulting charge is recognized in the profit and loss account.



### **Other tangible fixed assets**

Other tangible fixed assets are carried at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the economic life of the asset.

#### *Technical provisions*

Technical provisions are, as a rule, calculated on the basis of the principles and methods used in countries in which Fortis insurance companies operate.

Technical provisions for long-duration traditional life and long-duration non-life insurance policies are established by the net-level premium method. This is based on estimated investment yields, withdrawals, mortality and other assumptions similar to those used in rating the policies. Interest assumptions for life benefit liabilities range from 3% to 6.5%. Mortality rate assumptions are generally based on experience multiples applied to current tables commonly used in the industry. Withdrawal assumptions for individual life contracts are based on historical experience. According to the Third European Union Directive in respect of life insurance, an exception is made to the rating principles if expectations of future developments in investment yields, withdrawals, mortality, costs or other assumptions give cause to increase the provision. The adequacy of the provision is tested annually. If the tests show that technical provisions are inadequate, the provisions are increased. This technical provision is net of capitalized interest surplus rebates found in the Dutch life insurance industry. Interest surplus rebates are amortized in proportion to the realized surplus interest on which the rebate is based. Technical provisions for non-traditional life insurance (universal-life type and investment contracts) represent the accumulated amounts which accrue to the benefit of the policyholder and reflect interest credited at rates that are subject to periodic adjustment.

Non-life technical provisions include a liability for reported claims, claims incurred but not reported and claim adjustment expenses. Estimates of expected claims are developed using past experience, current claim trends and the prevailing social, economic and legal environments. The technical provision for non-life insurance claims and claim adjustment expenses is based on estimates of expected losses and takes into consideration management's judgement on anticipated levels of inflation, regulatory risks and the trends in claims. Non-life technical provisions for workers' compensation business are presented at their net present value. Liabilities presented at net present value have been determined using interest assumptions ranging from 3% to 6%. Fortis believes that the technical provisions established are adequate to cover the ultimate costs of claims and claims adjustment expenses. Final claim payments, however, may differ from the established provisions, particularly as these payments may not occur for several years. Any adjustments to technical provisions are reflected in the profit and loss account for the year during which the adjustments are made.

Unearned premiums on non-life insurance contracts are calculated in proportion to the amount of unexpired insurance coverage. A technical provision is also established in connection with risks in future periods that are related to current long-term duration non-life insurance contracts, when future claims are expected to exceed the amount of premiums to be earned in the future.

### *Other liabilities*

Provisions, included in other liabilities, are liabilities of uncertain timing or amount and are established on the basis of the best possible estimate.

### *Fund for general banking risks*

A fund for general banking risks is maintained on grounds of prudence to cover general risks of the banking activities. The level of the fund and additions to it (included in value adjustment in the profit and loss account) are based on the expected development of current and future risks. No deferred tax is recognized in relation to the fund for general banking risks.

### *Derivative financial instruments*

Fortis enters into derivative financial instruments, both for trading purposes and for purposes other than trading. Derivative financial instruments used by Fortis consist primarily of swaps, forwards and options. Derivatives entered into for trading purposes are recorded at estimated fair value under prepayments and accrued income or accruals and deferred income. The related unrealized gains or losses are included in the profit and loss account (under results from financial transactions). Fortis also uses derivative instruments for purposes other than trading primarily to manage interest rate, foreign currency and equity price risks. Generally, derivative financial instruments entered into and designated as part of its asset / liability management are considered to be for purposes other than trading. Derivative instruments designated as risk management instruments are accounted for in a manner consistent with the related asset or liability. Interest and other income from these derivative instruments are recognized under interest income or in results from financial transactions. Interest and other costs incurred on these derivative instruments are recognized under interest expense or in results from financial transactions.

Derivatives entered into for purposes other than trading and associated with financial instruments carried at fair value (primarily forwards and options) are marked-to-market with the unrealized gains and losses recognized consistent with the underlying instrument (e.g. as an adjustment to net equity for derivatives associated with equity securities). Derivatives associated with other financial instruments are accounted for under the accrual method. Amounts payable or receivable on derivative financial investments are accrued according to their contractual terms.

Gains and losses on the termination of derivative instruments entered into for purposes other than trading are deferred and amortized as an adjustment to yield (interest on the related financial instrument) over the average remaining term of the underlying financial instrument.

### *Insurance premiums*

Premiums for long-duration traditional life insurance products, as well as universal life and investment-type contracts, and for long-duration non-life insurance contracts are generally recognized as premium income when due. Premiums for short-duration non-life insurance contracts are generally recognized in proportion to the amount of insurance coverage provided.

Reinsurance premiums, commissions, expense reimbursement and technical provisions related to reinsurance business are accounted for according to principles consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts.

### *Pensions*

Pension costs under defined benefit plans are charged to the profit and loss account so as to spread the cost of pensions over the expected service life of employees. In determining such pension costs the following items, amongst others, are taken into account: the discount rates, the active period of service up to the balance sheet date, expected salary at the time of retirement, expected yield of the plan investments and actual yield of the investments.

Pension costs under defined contribution plans are charged to the profit and loss account as incurred.

### *Non-operating items*

To obtain insight into the company's performance, a number of exceptional items have been extracted from the operating result and have been included under non-operating items. These non-operating items are related to:

- the sale of (non-consolidated) participating interests with a strategic character or the sale of participating interests whereby the sale is initiated by a third party;
- the sale of consolidated activities;
- the release of certain provisions;
- the creation of provisions in connection with significant reorganizations;
- changes in deferred taxes in connection with the change in tax rates.

## **5 Changes in the composition of Fortis**

The most significant acquisitions and divestments of the past three years are discussed below.

### *Tai Ping Life*

In October 2001 Fortis entered into a partnership with China Insurance International Holdings Company Limited ("CIIH") and China Insurance Company Limited ("CIC"), the parent company of the China Insurance Group. This gives Fortis an initial stake of 24.9% in Tai Ping Life ("TPL") for USD 88 million (EUR 100 million). Following the transaction, CIIH has a controlling interest in TPL of 50.05%; CIC has a 25.05% stake. Fortis has an option to increase its interest to 49%. TPL has a national licence for life insurances in China. Goodwill amounted to EUR 83 million.

### *Protective's Dental Benefits Division*

At year-end 2001 Fortis took over the Dental Benefits Division ("DBD") from Protective Life Corporation for an amount totalling about USD 300 million (EUR 357 million). The transaction includes the reinsurance of the dental insurances of DBD and its subsidiaries, which sell dental insurances. Goodwill amounted to EUR 214 million.

### *Fortis Australia*

In July 2001 Fortis sold its Australian non-life insurance company, Fortis Australia, to the British insurer CGNU for about AUD 330 million (EUR 205 million) in cash. The transaction is in line with Fortis' strategy to focus on Europe, Asia and a number of niche markets in the United States. Gains realized from this transaction totalled EUR 46 million and have been included under non-operating items.

### *Mayban General Assurance Berhad*

Fortis reached agreement with Maybank in February 2001 in light of developments in the banking and insurance business in Malaysia. Under the agreement, Fortis acquired a 30% stake in Maybank's insurance operations, Mayban General Assurance Berhad ("MGAB"). MGAB is active in life and non-life. Fortis' investment amounted to approximately RM 340 million (EUR 104 million). Goodwill amounted to EUR 52 million.

### *Fortis Financial Group*

In April 2001 Fortis Financial Group ("FFG") was sold to The Hartford Financial Services Group for an amount totalling approximately USD 1,120 million (EUR 1,252 million) in cash. FFG is active in variable life insurances, the annuity business and the management of own investment funds. The transaction is in keeping with Fortis' strategy in the United States, namely a strong focus on putting together and managing a selective portfolio of specialized insurance activities that lead the market in their field. For the sale of insurance activities the transaction has been structured as a reinsurance agreement with indemnity. The capital gains thus realized will depend on the remaining term of the policies and have been recognized as part of the operating profit. The sale of asset management activities resulted in a net result of EUR 36 million and has been recognized under non-operating items.

### *Banque Générale du Luxembourg*

In March 2000 Fortis acquired virtually all shares of Banque Générale du Luxembourg ("BGL") not yet in its possession (47%) via a public offer. BGL is one of the leading banks in Luxembourg and has a strong position in private banking and asset management. The offer comprised nine Fortis Shares plus EUR 33.00 in cash per share of BGL. Based on the market price of the Fortis share at the time the offer was announced, the total value of the transaction amounted to EUR 1,657 million. The goodwill paid was EUR 634 million. The 2.3% BGL shares still outstanding are mainly in the possession of BGL employees and will be exchanged between 2002 and 2004 due to tax reasons.

### *Beta Capital*

In April 2000 Fortis exercised its option to acquire the remaining 70% of Beta Capital's shares for a cash consideration of EUR 126 million. It had owned 30% of Beta Capital's shares since 1999. Beta Capital, with its head office in Madrid, is primarily engaged in private banking and brokerage in the Spanish market. The goodwill amounted to EUR 99 million.

### *American Memorial Life Insurance Company*

In October 2000 Fortis acquired American Memorial Life Insurance Company (“AMLIC”), a US-based pre-need funeral insurance company, from Service Corporation International (SCI). AMLIC was acquired in a cash transaction of USD 200 million (EUR 219 million). The goodwill amounted to EUR 12 million. A multi-year marketing agreement was concluded with SCI. The sale of pre-arranged funeral contracts will take place solely through funeral companies owned by or affiliated with SCI.

### *ASR Verzekeringsgroep*

In December 2000 ASR Verzekeringsgroep was acquired by means of a public offer. ASR is one of the leading insurance companies in the Netherlands. ASR shareholders were offered 3 Fortis Shares and EUR 3.70 in cash for each ASR share. The remaining minority interests were acquired in the course of 2001. Based on the market price of the Fortis share at the time the offer was announced, the total value of the transaction amounted to EUR 3,424 million and the goodwill amounted to EUR 1,999 million. ASR Verzekeringsgroep’s operations have been merged with those of AMEV under the name AMEV Stad Rotterdam Verzekeringsgroep (ASR), making Fortis the second largest insurer in the Netherlands.

### *Northern Star*

In 1999 Fortis acquired Northern Star, a subsidiary of Generali. Northern Star, based in the United Kingdom, is active mainly in the areas of motor insurance, household insurance and other retail insurances. The acquisition (EUR 39 million) dovetails with Fortis’ approach in the United Kingdom of selective external growth in combination with strong organic growth, and strengthens Fortis’ position in the private insurance sector. Goodwill amounted to EUR 9 million.

### *American Bankers Insurance Group*

Fortis acquired American Bankers Insurance Group (“ABI”) in 1999. ABI has been combined with American Security Group (“ASG”) into a new company which operates under the name Assurant Group. The combined strengths of these two companies have made Assurant Group the leading provider of marketing and insurance services aimed at specific target groups in the United States. Fortis paid USD 55.00 (EUR 55.25) in cash per ordinary share and USD 109.86 (EUR 110.36) in cash per preference share, bringing the total value of ABI to USD 2.6 billion (EUR 2.6 billion). The acquisition was financed in part by the proceeds of the issue of shares and convertible bonds in June 1999. During 2001 the total goodwill was finalized at EUR 1,873 million.

### *Pierwsky Polsko-Amerikanski Bank*

In September 1999 Fortis acquired 71.4% of the outstanding shares of Pierwsky Polsko-Amerikanski Bank SA (“PPA Bank”) at a price of PLN 42.10 per share, bringing the value of the total transaction to EUR 46 million. Fortis’ total share in PPA Bank is now nearly 100%. PPA Bank concentrates mainly on small and medium-sized enterprises in Poland. Goodwill amounted to EUR 34 million.

### *Other acquisitions and divestitures*

In 2001 Fortis acquired CORE Inc. and the insurance portfolio of Bâloise (España) Seguros y Reaseguros SA. CORE is a major supplier of absenteeism management services throughout the United States and of management services for the reinsurance of disability insurances for medium-sized insurers. Bâloise works with a large network of agents.

Premium volume consists of life and non-life products, mainly for the private sector. A number of small companies were acquired and the interests in other companies were increased.

In 2000 Fortis increased its interest in Belgolaise from 60% to 100% (EUR 45 million). The acquisition price (EUR 45 million) was in line with the net asset value, based on the fair value.

In March 2000 Fortis, Inc. sold its individual long-term care insurance business, which came under Fortis Long Term Care, to John Hancock Mutual Life Insurance Company. The transaction was completed by virtue of a co-insurance agreement. The gains on the transaction are included in the net profit over the term of the underlying portfolio.

Fortis acquired or increased its stake in a number of small companies in 1999, including the French securities brokerage Meeschaert-Rouselle, the broker TCD, the Reads group and Belgofactors. It also sold its stake in a number of small companies, such as Multifonds and the Antwerpse Diamantbank.

The most important acquisitions and divestments are listed below, including details of when their results were included in Fortis' annual accounts.

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Acquisition Tai Ping Life (24.9%)	as of 1 October		
Acquisition Protective's Dental Benefits Division	as of 31 December		
Sale Fortis Australia	until 30 June		
Acquisition Mayban General Assurance Berhad (30%)	as of 1 July		
Sale Fortis Financial Group	until 1 April		
Acquisition Banque Générale du Luxembourg (remaining 47%)		as of 1 April	
Acquisition Beta Capital		as of 1 April	
Acquisition American Memorial Life Insurance Company		as of 1 October	
Acquisition ASR Verzekeringsgroep		as of 31 December	
Acquisition Northern Star			as of 1 May
Acquisition American Bankers Insurance Group			as of 1 August
Acquisition Pierwszy Polsko-Amerikanski Bank			as of 1 September

The results of operations of other acquired companies are included in the operating result of Fortis with effect from the respective acquisition dates.

The total amount of goodwill for 2001 was EUR 773 million (2000: EUR 2,799 million; 1999: EUR 1,928 million) and was charged entirely to net equity.

## 6 Fair value of financial instruments

The fair value of financial instruments is the current amount that would be exchanged between willing parties (other than in a forced sale or liquidation) and is best evidenced by a quoted market price, if one exists. Quoted market prices are not available for a significant portion of the Fortis group's financial instruments. As a result, fair values presented are estimates derived using present value or other valuation techniques and may not be indicative of the net realizable value. In addition, the calculation of estimated fair value is based on market conditions at a specified point in time and may not be reflective of future fair values.

Fair values among financial institutions are not comparable due to the wide range of permitted valuation techniques and numerous estimates that must be made. This lack of objective valuation standards introduces a degree of subjectivity to these derived or estimated fair values. Readers are therefore cautioned in using this information for purposes of evaluating the financial condition of Fortis compared with other financial institutions.

#### *Financial instruments valued at carrying value*

The respective carrying values of certain financial instruments approximate their fair values because they are either carried at this value, or are short-term in nature or are receivable or payable on demand. These financial instruments include cash, amounts due from banks, securities purchased under resale agreements, trading securities, participations in investment pools, amounts due from customers on acceptances, accrues interest receivable, securities sold under repurchase agreements, other short-term borrowings acceptances outstanding, accrued interest payable and certain other assets and liabilities (including unrealized gains and losses on off-balance sheet trading instruments) that are considered financial instruments.

#### *Investment securities*

Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based either on discounted cash flow calculations or on quoted market prices of comparable instruments.

#### *Loans receivable*

The fair value of the performing loan portfolio is estimated using discounted analysis of anticipated cash flows, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values for non-performing loans are estimated based on cash flow analyses using higher discount rates appropriate to the higher risk involved or underlying collateral values, where applicable.

#### *Deposit liabilities*

The fair values disclosed for demand deposits, savings accounts and other deposits without fixed maturity are, by definition, equal to the amount payable on demand at the reporting date (i.e. their carrying amounts). The carrying amounts of variable-rate, fixed-term deposits approximate their fair values at the reporting date. Fair values for fixed-rate deposits are estimated using a discounted cash flow calculation that applies market interest rates to similar deposits and timing of maturities.

#### *Long-term debt*

The fair value of variable-rate, long-term debt (debentures and subordinated notes and other long-term borrowings) that changes frequently approximates its carrying value. The fair values of Fortis' fixed-rate, long-term debts are estimated using discounted cash flow analyses based on Fortis' current incremental borrowing rates for similar types of borrowing arrangements.

*Off-balance sheet instruments*

The fair value of exchange-traded derivative instruments is based on quoted market prices or trader quotations. The fair value of non-exchange traded or over-the-counter derivative instruments is calculated using discounted cash flow models based on current market yields for similar types of instruments and the maturity of each instrument. The discount rates are based on market rates and indices for similar derivative instruments prevalent in the market. Fair values for off-balance sheet lending commitments are based on fees currently charged to enter into similar agreements, the remaining terms of the agreements and the counterparties' credit ratings. Fortis has reviewed other credit-related instruments and has determined that the fair value of such financial instruments is not material.

The following table presents the carrying value and estimated fair value at 31 December of financial instruments whose fair values differ from their carrying values for either period presented:

	2001		2000		1999	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>Financial assets</b>						
Investments in securities						
and Treasury bills	160,725.9	162,513.9	141,325.8	142,828.0	131,765.2	132,340.3
Loans and advances to credit						
institutions and customers	240,595.8	246,592.2	224,476.2	223,433.5	221,392.3	222,114.6
Participating interest <sup>1)</sup>	740.4	740.3	610.3	610.3	748.6	766.1
Derivatives (net)	2,364.7	2,469.8	( 248.7 )	( 237.5 )	3,834.6	3,873.5
<b>Financial liabilities</b>						
Amounts owed to credit						
institutions and customers	276,024.6	271,653.6	239,926.3	242,467.6	251,955.3	252,171.0
Debt certificates	50,895.9	51,229.3	43,760.8	45,190.1	35,943.4	36,592.1
Subordinated liabilities						
and convertible notes	11,466.4	12,557.2	9,487.6	9,839.4	8,162.3	8,509.8

1) Excludes participating interests accounted for under the equity method.

## 7 Minority interests in group equity

In addition to shareholders of third parties in the operating companies of Fortis, minority interests also include a number of so-called hybrid financing instruments.

In March 2000 Fortis issued Trust Capital Securities, through a wholly-owned limited partnership in the United States specially established for that purpose, to strengthen the capital basis. The issue, in which Fortis raised an aggregate of USD 550 million, was composed of two tranches:

- a tranche of USD 150 million, with a non-cumulative coupon, payable semi-annually in arrears at a fixed rate of 7.48% through 1 March 2005 (and thereafter at a variable rate equal to 6-month LIBOR plus 1.10% reset semi-annually);
- a tranche of USD 400 million, with a non-cumulative coupon, payable semi-annually in arrears at a fixed rate of 7.68% through 1 March 2010 (and thereafter at a variable rate equal to 6-month LIBOR plus 1.25% reset semi-annually).



The Trust Capital Securities are covered by Fortis, Inc. class B and class C shares. The coupon payments will depend on the dividend distribution on the Fortis, Inc. class B and class C shares.

To strengthen the capital basis of its insurance business, in April 1999 Fortis issued non-cumulative guaranteed trust capital securities in the amount of EUR 650 million through a subsidiary in the United States established for this purpose. That subsidiary may hold only debt or other securities owed by Fortis entities. The Trust Capital Securities are guaranteed by parent companies and have a perpetual maturity, but after ten years Fortis has the opportunity to redeem this instrument for cash on the distribution date. The issue was composed of three tranches:

- a tranche of EUR 400 million with a variable coupon of 3-month Euribor plus 1.30% for the first ten years and a coupon of 3-month Euribor plus 2.30% in subsequent years;
- a tranche of EUR 50 million with a fixed coupon of 6.25% per year for the entire duration of the instrument;
- a tranche of EUR 200 million, with a fixed coupon of 5.50% for the first ten years, and a coupon of 3-month Euribor plus 2.30% in subsequent years.

In June 1999 Fortis issued non-cumulative, non-voting perpetual shares. The regulator considers these preference shares as part of the Tier 1 capital of the bank. The issue was composed of two tranches:

- a tranche of EUR 450 million with a fixed coupon of 6.25% for the first ten years, and a variable coupon of 3-month Euribor plus 2.60% in subsequent years. After 10 years and once a year in subsequent years Fortis has the opportunity to redeem the instrument for cash on a distribution date;
- a tranche of EUR 200 million with a fixed coupon of 7% for the entire duration. After 5 years and once a year in subsequent years Fortis has the opportunity to redeem this instrument for cash on a distribution date.

The preference shares have the benefit of a Support Agreement. Fortis N.V., Fortis Bank, Fortis Bank Nederland (Holding) and Fortis SA/NV (the "Supporting Companies") jointly and severally agree to contribute to Fortis Capital Limited any additional funds necessary to allow it to pay dividends on the preference shares in the event that any of the Supporting Companies pays a dividend on its ordinary or preference shares in the same financial year. Under this arrangement, even the payment of a symbolic dividend by any of the Supporting Companies on its own capital stock would automatically trigger a full or proportional dividend entitlement for the investors in the hybrid securities, with full recourse against the Supporting Companies. In addition (if the Supporting Companies were to have sufficient aggregate distributable reserves to pay a dividend on their own capital stock) payment would result in an obligation to make payments under the Support Agreement for which distributable reserves of the Supporting Companies would not be adequate.

As a condition for its acceptance of the hybrid securities as constituting Tier 1 capital of Fortis Bank, the supervisory authorities have therefore requested that appropriate measures be put in place to ensure that any payments to be made by Fortis SA/NV or Fortis Bank under the Support Agreement as triggered by a dividend payment on their own shares be capped to the level of the aggregate distributable reserves of the Supporting Companies. To meet this condition, the Board has decided that Fortis SA/NV will not declare a dividend on its Ordinary Shares or on its preference shares or other capital instruments (if applicable) unless the aggregate of the distributable reserves of the Supporting Companies is sufficient to cover all dividend payments relating to their respective ordinary shares, preference shares or other capital instruments, as well as any amounts payable in the same financial year pursuant to their obligations under the Support Agreement.

## 8 Net equity

The following table sets forth the composition of net equity at 31 December 2001:

Share capital:

- Ordinary Fortis shares; 1,293,565,659 shares issued; per Fortis share consisting of 1 share Fortis SA/NV EUR 4.28 unit-of-account value and 1 share Fortis N.V. EUR 0.42 par value	6,084.9
- Cumulative preference shares A Fortis N.V. EUR 0.42 par value; 1,750,000,000 shares Authorized; no shares issued or outstanding	
- Cumulative preference shares B Fortis N.V. EUR 0.42 par value; 250,000,000 shares Authorized; no shares issued or outstanding	
- Share premium reserve	11,043.5
- Revaluation reserve	549.2
- Goodwill	( 16,606.8 )
- Other reserves	10,175.5
- Net profit current financial year	2,598.2
	13,844.5

A detailed description of the various option plans is included in note 13.

On 31 December 2001, a minimum of EUR 13,056.3 million of the net equity was available for the dividend payment, EUR 5,485.4 million of which at Fortis SA/NV and EUR 7,570.9 million at Fortis N.V.

### *Cumulative Preference Shares A Fortis N.V.*

None of Fortis' 1,750 million, EUR 0.42 par value, authorized Cumulative Preference Shares A are issued or outstanding. However, Fortis N.V. has granted an option to the Stichting Continuïteit Fortis (the "Foundation") to acquire a maximum number of Cumulative Preference Shares A of Fortis N.V. (which have the same voting rights as Ordinary Shares). Once the option has been exercised, the number of Cumulative Preference Shares A issued shall not exceed the number of Ordinary Shares and Cumulative Preference Shares B issued. Fortis N.V. is entitled to require the Foundation to accept the issue of Cumulative Preference Shares A.

The objective of the Foundation is to protect the continuity and to retain the identity of Fortis and Fortis N.V. such that the interests of the company and of Fortis and its affiliated companies and all parties involved are safeguarded and that factors that are in conflict with the independence and identity of Fortis and Fortis N.V. which could affect those interests are excluded to the greatest extent. The Foundation will only exercise its options in accordance with this purpose. The exercise price of the options is EUR 0.42 per Cumulative Preference Share A. Upon exercise, however, only 25% of the par value is required to be paid. The Foundation will be required to pay the additional 75% of the par value per Cumulative Preference Share A only upon the request of Fortis N.V. on the basis of a resolution of the Board of Directors.

Under Dutch law, the Foundation is an independent legal entity and is not owned or controlled by any person or entity. The Board of the Foundation consists of six members: four members are independent with respect to Fortis while two members may be related to Fortis. Additionally, the four independent members have two votes per member while the other two related members have one vote per member. This composition of the Board has been approved by Euronext Amsterdam.

If any Cumulative Preference Shares A are issued, a General Meeting of Shareholders shall be convened which shall be held not later than two years after the date on which the Cumulative Preference Shares A were first issued. A resolution concerning issuance or withdrawal of the Cumulative Preference Shares A shall be put on the agenda of such meeting. If the resolution to be taken on this agenda item is not a resolution to purchase or withdraw the Cumulative Preference Shares A, a General Meeting of Shareholders will be convened and held, in each case within two years of the previous meeting, for which meeting a resolution concerning purchase or withdrawal or the Cumulative Preference Shares A will be put on the agenda, until there are no Cumulative Preference Shares A outstanding.

From Fortis N.V.'s profits, a dividend will, if possible, first be paid to holders of Cumulative Preference Shares A before one is paid to holders of Cumulative Preference Shares B and Ordinary Shares. The dividend to be paid will be equal to the average Euribor for a term of one year, as published by De Nederlandsche Bank N.V. during the financial year over which the dividend is to be paid, increased by 1.5%. The dividend will be calculated as a percentage of the amount paid in to Fortis N.V. on such shares and pro rata for the period outstanding.

Cumulative Preference Shares A have a liquidation value equal to the amount paid in to Fortis N.V. related to such shares plus any accumulated but unpaid dividends. Cumulative Preference Shares A have priority in liquidation over Cumulative Preference Shares B and Ordinary Shares.

#### *Cumulative Preference Shares B Fortis N.V.*

None of the 250 million, EUR 0.42 par value, authorized Cumulative Preference Shares B are issued and outstanding. Upon issue, Cumulative Preference Shares B must be fully paid-up. Cumulative Preference Shares B may be issued by Fortis N.V. for financing purposes. The shares have voting rights equivalent to those of Ordinary Shares and Cumulative Preference Shares A with one vote per share outstanding.

Cumulative Preference Shares B rank senior to Ordinary Shares and subordinate to the Priority Shares and Cumulative Preference Shares A with respect to the payment of dividends and distribution of assets upon liquidation.

A dividend will be distributed on Cumulative Preference Shares B equal to a percentage calculated over an amount equal to four times the par value and pro rata to the period the shares are outstanding. This percentage shall be linked to the average effective yield on the five longest running state loans calculated in accordance with the method as set forth in the Articles of Association and adjusted every ten years.

Cumulative Preference Shares B have a liquidation value equal to four times the par value of the share plus any accumulated but unpaid dividends. The redemption and conversion features of Cumulative Preference Shares B are not described in the Articles of Association. Redemption and conversion features will be determined at the time of issuance of such shares.

Cumulative Preference Shares B may not be transferred without the approval of Fortis N.V.'s Board of Directors as set forth in the Articles of Association.

*Accumulated Other Comprehensive Income*

The following table presents changes in accumulated other comprehensive income:

	<i>Translation differences</i>	<i>Revaluation of investments</i>	<i>Goodwill</i>	<i>Accumulated Other comprehensive income</i>
<b>Balance at 31 December 1999</b>	<b>106.2</b>	<b>2,750.2</b>	<b>( 13,035.0 )</b>	<b>( 10,178.6 )</b>
Change during the year	109.0	( 1,065.6 )	( 2,798.8 )	( 3,755.4 )
<b>Closing balance at 31 December 2000</b>	<b>215.2</b>	<b>1,684.6</b>	<b>( 15,833.8 )</b>	<b>( 13,934.0 )</b>
Change during the year	94.7	( 2,276.8 )	( 773.0 )	( 2,955.1 )
<b>Closing balance at 31 December 2001</b>	<b>309.9</b>	<b>( 592.2 )</b>	<b>( 16,606.8 )</b>	<b>( 16,889.1 )</b>

The following table sets out the movements in net equity of Fortis during 2001 and 2000.

	<i>Capital</i>	<i>Share premium reserve</i>	<i>Revaluation reserve</i>	<i>Goodwill</i>	<i>Other reserves</i>	<i>Total net equity</i>
<b>Balance at 31 December 1999</b>	<b>397.6</b>	<b>13,099.8</b>	<b>3,932.9</b>	<b>( 13,035.0 )</b>	<b>9,112.6</b>	<b>13,507.9</b>
Issue of shares	30.8	3,498.8			196.5	3,726.1
Net profit for the year					2,767.6	2,767.6
Dividends					( 931.2 )	( 931.2 )
Revaluation of investments, net			( 1,065.6 )			( 1,065.6 )
Goodwill				( 2,798.8 )		( 2,798.8 )
Translation differences					109.0	109.0
Securities purchase and reissue of own shares					( 44.9 )	( 44.9 )
Other changes in equity			( 73.3 )			( 73.3 )
<b>Balance at 31 December 2000</b>	<b>428.4</b>	<b>16,598.6</b>	<b>2,794.0</b>	<b>( 15,833.8 )</b>	<b>11,209.6</b>	<b>15,196.8</b>
Unification	5,655.8	( 5,655.8 )				
Issue of shares	0.7	100.7				101.4
Net profit for the year					2,598.2	2,598.2
Dividends					( 1,137.4 )	( 1,137.4 )
Revaluation of investments, net			( 2,276.8 )			( 2,276.8 )
Goodwill				( 773.0 )		( 773.0 )
Translation differences					94.7	94.7
Securities purchase and reissue of own shares					8.6	8.6
Other changes in equity			32.0			32.0
<b>Balance at 31 December 2001</b>	<b>6,084.9</b>	<b>11,043.5</b>	<b>549.2</b>	<b>( 16,606.8 )</b>	<b>12,773.7</b>	<b>13,844.5</b>

The above dividends were paid in cash.

Movements in the number of outstanding shares are shown below.

<b>Number of shares at 31 December 1999</b>	<b>1,178,256,974</b>
Arising from the exercise of warrants	2,444,238
Issued because of exercised options from 1997 option plan	6,210
Issued because of exercised options from 1998 option plan	17,400
Dividend 1999	7,006,563
Issue of shares	<u>106,471,487</u>
<b>Number of shares at 31 December 2000</b>	<b>1,294,202,872</b>
Issue of shares	2,903,176
Shares withdrawn due to unification of Fortis share	<u>( 3,540,389 )</u>
<b>Number of shares at 31 December 2001</b>	<b>1,293,565,659</b>

An overview of the potential number of outstanding shares:

<b>Number of shares as at 31 December 2001</b>	<b>1,293,565,659</b>
Shares potentially to be issued:	
- in connection with option plans (see notes 13 and C7 Annual accounts Fortis)	34,686,173
- in connection with warrants (see note C7 Annual accounts Fortis)	226,620
- in connection with convertible notes (see notes A9 and C6 Annual accounts Fortis)	<u>40,284,590</u>
Shares already purchased in connection with issuance commitments	75,197,383
	<u>( 2,465,346 )</u>
<b>Total potential number of shares as at 31 December 2001</b>	<b>1,366,297,696</b>

An overview of transactions in Fortis shares by Fortis' operating companies:

	<i>number</i>	<i>Fortis value</i>
<b>Balance at 31 December 2000</b>	<b>26,605,457</b>	
Purchases	24,647,330	
Sales	( 23,443,653 )	
Other	<u>11,055</u>	
<b>Balance at 31 December 2001</b>	<b>27,820,189</b>	
In trading securities	2,575,079	75.1
In investments	16,804,680	489.9
In investments on behalf of policy-holders	2,810,796	86.1
In other assets	<u>5,629,634</u>	<u>122.6</u>
	<b>27,820,189</b>	<b>773.7</b>

An overview of transactions in Fortis shares included in net equity:

	<i>Number</i>	<i>Fortis value</i>
<b>Balance at 31 December 1999</b>	<b>0</b>	
Purchases	37,791,928	1,229.2
Reissue	( 33,940,078 )	( 1,184.3 )
<b>Balance at 31 December 2000</b>	<b>3,851,850</b>	
Reissue	( 311,461 )	( 8.6 )
Shares withdrawn due to unification of Fortis share	( 3,540,389 )	
<b>Balance at 31 December 2001</b>	<b>0</b>	

## 9 Off-balance sheet items

In its ordinary course of business, Fortis enters into various types of transactions that involve credit-related financial instruments and derivative financial instruments that are not required to be recorded in the balance sheet.

Credit-related financial instruments are typically customer driven, while derivative financial instruments are entered into both with customers and for Fortis' own account in managing interest rate and foreign exchange risks.

In its effort to manage credit risk associated with derivative financial instruments, Fortis ensures that its off-balance sheet portfolio is well diversified, both in terms of instrument type and industry and customer concentration. In addition, credit risk is also managed through Fortis' credit approval process. It is also Fortis' policy to execute legally enforceable master netting agreements with its derivative financial instruments customers, which provide for the netting of Fortis' current positive and negative close-out exposures associated with all individual transactions of those counterparties in the event of default. To further reduce off-balance sheet exposure, Fortis obtains collateral where appropriate.

### *Credit-related financial instruments*

Credit-related instruments include acceptances, commitments to extend credit, letters of credit and financial guarantees. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. Fortis' exposure to credit loss in the event of non-performance by the other party to the financial instrument in respect of commitments to extend credit, letters of credit, and financial guarantees written is represented by the contractual notional amounts of those instruments. Fees received from these credit-related instruments are recognized in the profit and loss account when received.

Acceptances represent customers' potential debt to Fortis resulting from bankers' acceptance transactions. This is the customary means of effecting payment for merchandise sold in import-export transactions and a source of financing in international trade.

Firm credit commitments are agreements to lend to a customer as long as there is no violation of any condition laid down in the contract. Commitments generally have fixed expiration dates or other termination clauses. The geographic and counterparty distribution of commitments to extend credit approximates the distribution of loans outstanding. Fortis' experience has been that the majority of loan commitments are drawn upon by customers. These commitments are generally unsecured, but, if necessary, collateral may be required.

Documentary credits either ensure payment by Fortis to a third party for a customer's foreign or domestic trade or are conditional commitments issued by Fortis to guarantee the performance of a customer to a third party. While the

majority of documentary credits issued for a customer's trade are utilized, a significant portion of such utilization is on an immediate payment basis. Fortis evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral could consist of the goods financed as well as of cash deposits.

Suretyships and guarantees are used to guarantee performance of a customer. The credit risk involved in issuing these guarantees is essentially the same as that involved in extending loan facilities to customers. These suretyships and guarantees may be unsecured.

The following is a summary of the notional amounts of Fortis' credit-related financial instruments with off-balance-sheet risk at 31 December:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Acceptances outstanding	235.7	154.6	232.2
Firm credit commitments	84,656.4	70,870.4	78,642.7
Documentary credits	2,823.2	3,360.6	2,222.1
Sureties, guarantees and assets pledged	11,217.8	14,226.6	7,640.3

### *Lease agreements*

Fortis has entered into operational lease agreements to provide for office space, office equipment and vehicles. Rental expenses under these leases in 2001 and 2000 were approximately EUR 120.6 million and EUR 79.5 million respectively. The total amount payable under non-cancellable lease agreements as of 31 December 2001 was EUR 315.6 million (2000: EUR 271.0 million; 1999: EUR 144.6 million).

The following table shows future commitments for non-cancellable operating leases:

	<i>2001</i>
Through 2002	68.5
Through 2003	59.4
Through 2004	45.4
Through 2005	35.6
Through 2006	28.7
Thereafter	78.0
<b>Total</b>	<b>315.6</b>

*Other commitments*

At 31 December 2001 Fortis had assets pledged amounting to EUR 69,690.2 million (2000: EUR 51,026.3 million; 1999: EUR 61,083.3 million).

Fortis has various outstanding and contingent commitments that are not reflected in the accompanying consolidated annual accounts. The following table provides details of the most significant of these commitments:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Obligations to purchase securities	846.8	1,024.3	294.7
Obligations to pay up share capital of participating interest	72.1	232.8	235.9
Securities entrusted to Fortis <sup>1)</sup>	345,365.7	340,430.7	241,886.5
Other	284.1	327.3	89.9

1) Represents primarily the value of investment securities held in safekeeping.

In many cases, parties to insurance contracts have special rights in respect of the investments made by the companies concerned, or parts of those investments. These rights derive from legal or contractual provisions or provisions of the Articles of Association.

*Contingent commitments*

Fortis is a defendant in certain claims and legal actions arising in the ordinary course of business. Based on its consult with legal counsel, management is of the opinion that the outcome of these actions is not expected to have a materially adverse effect on the consolidated financial condition of Fortis.

**10 Risk management***Credit risk*

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect a group of counterparties whose aggregate credit exposure is material in relation to Fortis' total credit exposure. Although Fortis' portfolio of financial instruments is broadly diversified along industry, product and geographical lines, a potential concentration risk exists as material transactions are completed with other financial institutions, particularly lending (including securities repurchase / resale transactions), securities trading and derivative instruments. Additionally, debt securities issued by the Belgian, Dutch, German, Spanish, Italian, French and United States governments represent areas of significant credit exposures.



The following investment securities exceeded 10% of net equity:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Belgian government	34,072.7	39,171.7	44,583.9
Dutch government	9,134.8	6,873.4	7,973.9
German government	5,665.9	4,753.6	6,289.3
Spanish government	10,108.2	3,962.5	3,379.1
Italian government	12,366.9	5,648.2	4,555.6
French government	2,796.1	1,253.9	1,045.9
U.S. government	3,285.2	2,705.0	2,196.1

### Credit risk: Insurance operations

Credit risk in the insurance operations relates primarily to counterparty risk in the insurance investment portfolios. This type of risk is minimized by applying strict creditworthiness criteria to Fortis' investments in the public and private sectors, by limiting the amount that can be invested in any single business and by diversifying geographically and across businesses. A substantial portion of Fortis' Benelux insurance portfolio is invested in debt securities that are guaranteed directly or indirectly by a sovereign state.

The following tables show the diversification in the credit portfolio of Fortis' insurance operations.

	<i>31-12-2001</i>	<i>31-12-2000</i>	<i>31-12-1999</i>
Relating to the private sector			
Mortgage loans, individuals	9,754.0	8,138.4	5,023.2
Corporate debentures	6,884.9	7,247.7	5,649.8
Other	8,841.2	9,840.0	6,420.7
Total relating to the private sector	<u>25,480.1</u>	<u>25,226.1</u>	<u>17,093.7</u>
Relating to the public sector	19,118.3	17,617.7	15,681.7
Relating to banks	7,712.7	5,793.5	4,091.6
<b>Total credit risk <sup>1)</sup></b>	<u><b>52,311.1</b></u>	<u><b>48,637.3</b></u>	<u><b>36,867.0</b></u>

1) Consists of debt securities (investments), loans to credit institutions and customers. The valuation principles are the same as included under note 4 "Principles of valuation and profit determination".

### Credit risk: Banking operations

The two main credit risks in the banking operations are counterparty default and country transfer risk.

Credit risk management in banking operations is based on the traditionally applied strict control procedures under the - fully independent - credit approval process. The credit policy aims essentially at spreading risks over different sectors, countries and markets.

**Credit risk: Banking operations - Counterparty**

The following tables show the diversification in the credit portfolio of Fortis' banking operations.

	<i>31-12-2001</i>	<i>31-12-2000</i>	<i>31-12-1999</i>
Relating to the private sector			
Mortgage loans, individuals	40,816.3	40,006.3	33,814.6
Corporate debentures	8,005.0	7,383.9	8,355.5
Other	125,470.2	113,337.5	102,455.6
Total relating to the private sector	<u>174,291.5</u>	<u>160,727.7</u>	<u>144,625.7</u>
Relating to the public sector	73,399.8	57,582.8	60,720.9
Relating to banks	71,751.7	72,406.5	88,777.8
Total balance sheet risk <sup>1)</sup>	<u>319,443.0</u>	<u>290,717.0</u>	<u>294,124.4</u>
Derivatives <sup>2)</sup>	2,659.4	3,353.9	2,714.2
Credit related instruments <sup>3)</sup>	84,892.0	88,612.2	88,737.3
Total off balance sheet risk	<u>87,551.4</u>	<u>91,966.1</u>	<u>91,451.5</u>
<b>Total credit risk</b>	<b>406,994.4</b>	<b>382,683.1</b>	<b>385,575.9</b>

1) Consists of debt securities (investments), loans to credit institutions and customers. The valuation principles are the same as mentioned under note 4 "Principles of valuation and profit determination".

2) Based on credit equivalents.

3) Consists of acceptances outstanding, firm credit commitments, documentary credits, sureties, guarantees and assets pledged (notional amounts).

	<i>31-12-2001</i>	<i>31-12-2000</i>
Agriculture, forestry and fishing	1,440.7	1,261.9
Energy and water	4,461.0	4,162.5
Mining and minerals	1,966.3	2,034.6
Chemicals and plastics	2,828.8	2,596.4
Metallurgy	2,458.1	2,362.0
Other industry	5,868.1	6,267.7
Construction and mechanical engineering	2,928.9	3,061.9
Trade, hotels and catering	10,916.9	11,630.2
Transport and communication	4,930.7	6,356.5
Real estate	8,593.9	7,431.2
Financial services and insurance	29,744.6	30,443.6
Other services	23,625.4	17,203.8
Consumer credits	46,593.9	48,080.9
Corporate debentures	8,005.0	7,383.9
Repo's to customers	10,762.8	3,675.5
Unclassified	9,166.4	6,775.1
<b>Total</b>	<b>174,291.5</b>	<b>160,727.7</b>

Special attention is given to the credit risk arising from derivative activities, capital market operations and transactions with financial institutions. Where possible, these risks are limited by entering into compensation agreements and by requiring collateral to cover counterparties' liabilities. Fortis participates in various kinds of derivatives transactions, either as a provider of risk management services to its customers or to cover or reduce the risk within the balance sheet arising from the bank's own operations.

The following table summarizes the weighted credit exposure related to the derivatives at 31 December. The credit risk is based on the notional amounts times a credit risk factor dependent on the risk associated with the instrument and the remaining maturity.

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Interest contracts	1,173.9	1,799.8	1,758.2
Currency contracts	1,098.3	1,416.8	843.0
Other contracts	387.2	137.3	113.0
<b>Total</b>	<b>2,659.4</b>	<b>3,353.9</b>	<b>2,714.2</b>

### **Credit risk: Banking operations – Country risk**

The country risk policy pursued by Fortis focuses on the sound management of country risks. The supervisory authorities also monitor this risk.

Country risk is the risk that a government will be unable to pay its outstanding debts or that it will delay the transfer of funds by other debtors in the country to foreign-based creditors, or that a large number of debtors in a particular country are unable to pay their outstanding debts as a result of the same cause (e.g. war, political or social unrest). Country risks relate to loans to counterparties based outside the Netherlands, with the exception of EU member states, Australia, Canada, Japan, New Zealand, Norway, Singapore, the United States and Switzerland.

The regulators have drawn up directives on how to calculate country risks. The risk is calculated by subtracting the fixed deductibles defined by the regulator from the outstanding debt. The fixed deductibles primarily include elements that are not exposed to country risks by their very nature (e.g. short-term liabilities of less than 1 year), the provision for irrecoverability and the collaterals received. The regulators have set minimum requirements for the provision against country risks. If necessary, Fortis can make additional provisions.

The table below presents the country risk for Fortis' banking operations, by region, in accordance with the supervisory regulations, at 31 December.

	<i>2001</i>			
	Gross exposure	Deductibles	Provision against country risk	Mitigated exposure
Latin America	1,858.6	1,639.0	54.1	165.5
Asia	840.9	760.8	27.0	53.1
Central and Eastern Europe	1,202.3	1,045.4	34.3	122.6
Middle East and Africa	3,106.8	2,900.3	126.9	79.6
<b>Total</b>	<b>7,008.6</b>	<b>6,345.5</b>	<b>242.3</b>	<b>420.8</b>
	<i>2000</i>			
	Gross exposure	Deductibles	Provision against country risk	Mitigated exposure
Latin America	2,030.5	1,749.5	129.1	151.9
Asia	753.6	661.9	56.7	35.0
Central and Eastern Europe	1,139.5	962.4	68.0	109.1
Middle East and Africa	3,130.4	2,994.0	53.5	82.9
<b>Total</b>	<b>7,054.0</b>	<b>6,367.8</b>	<b>307.3</b>	<b>378.9</b>

In the table below the exposure is broken down by the risk profile of the countries, as defined by the regulators, at 31 December.

	<i>2001</i>			
	Gross exposure	Deductibles	Provision against country risk	Mitigated exposure
No risk	472.8	317.3		155.5
Low risk	1,678.6	1,605.5	5.9	67.2
Middle risk	1,141.2	965.0	40.4	135.8
High risk	3,716.0	3,457.7	196.0	62.3
<b>Total</b>	<b>7,008.6</b>	<b>6,345.5</b>	<b>242.3</b>	<b>420.8</b>
	<i>2000</i>			
	Gross exposure	Deductibles	Provision against country risk	Mitigated Exposure
No risk	389.2	291.2	48.2	49.8
Low risk	3,872.1	3,471.0	142.6	258.5
Middle risk	669.3	632.6	11.0	25.7
High risk	2,123.4	1,973.0	105.5	44.9
<b>Total</b>	<b>7,054.0</b>	<b>6,367.8</b>	<b>307.3</b>	<b>378.9</b>

The weighted credit risk according to the regulator's guidelines decreased by 4%, despite the rise in amounts outstanding in 2001.

## *Market risk*

### **Market risk: Insurance operations**

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 specifically to the impact of financial changes on structural positions.

Fortis reduces the potential negative impact of market fluctuations by carefully considering forecast payments to policyholders when selecting investments. 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 policyholders.

The tools that Fortis uses to monitor market risk include simulation models, scenario analyses and stress testing. The potential impact of shifts 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 has estimated for the insurance operations the sensitivity of results before taxation to parallel shifts in the yield curve of 100 basis points up or down. The sensitivity analysis indicated that the impact on the result for 2001 is negligible. Regarding the sensitivity to equity securities and real estate within the insurance sector, the sensitivity tests show that a 40% decline in the price of shares held in the insurance sector investment portfolios would reduce net equity in the sector by 43%. A 10% decline in real estate prices would reduce insurance sector net equity by 3%.

### **Market risk: Banking operations**

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

#### **Market risk: Banking operations – Structural positions**

The banking operations are exposed to interest rate and share price risk via their non-trading portfolio. The primary market risk relates to potential movements in interest rates. To monitor and control this risk, Fortis uses risk indicators based on value calculations and risk indicators based on profit calculations (Earnings at Risk). The first group of indicators includes basis point sensitivity, Value at Risk (VaR) and the duration of the net equity. Basis point sensitivity is used to calculate how strongly the fair value of all assets and liabilities will change if each point on the interest swap curve is 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 fair value of assets and liabilities resulting from a shift 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 the 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 the 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 (Earnings at Risk) 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), the interest result (including volume impacts) for each scenario is calculated for the next three years. The sensitivity of profit to shifts in interest rate levels consists of the differences between the best and the worst interest results calculated as above compared to the interest rate result according to the central scenario.

Key figures for evaluating the market risk of the structural position in the banking operations:

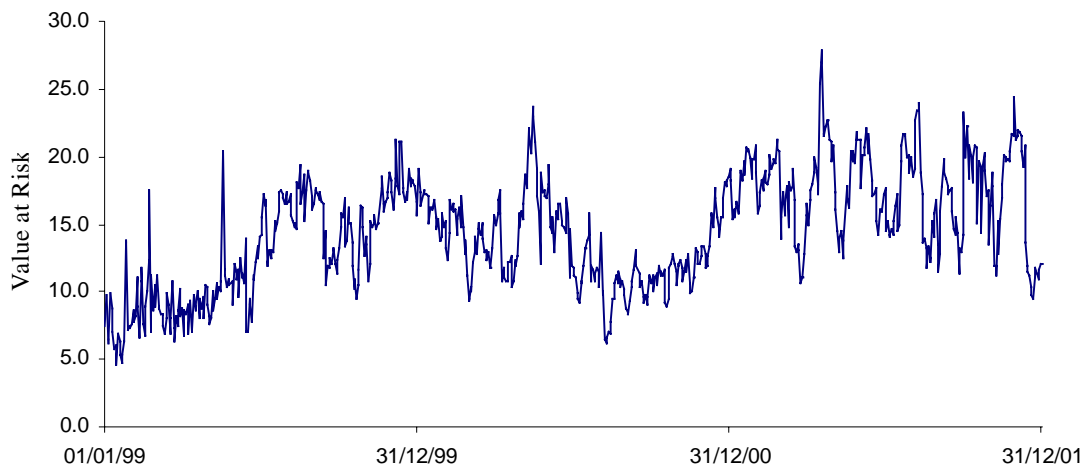
	2001	2000	1999
Base point value	16.2	16.0	16.5
VaR per 31 December	1,188	1,085	1,023
Highest VaR	1,188	1,205	n.a.
Lowest VaR	837	927	n.a.
Average VaR	995	767	726
Duration of equity (years)	8.5	9.2	10.8
Earnings at risk (as % compared to central scenario)	6.1	5.4	7.2

#### Market risk: Banking operations – Trading activities

For the banking operations qualitative controls are used to monitor the risks arising from Fortis' trading activities, allied with intensive use of quantitative models based on sensitivity and probability analyses. There is daily VaR reporting based on an adapted form of two methods – the variance / covariance model and the historical simulation model. This VaR is under the assumption of a 1-day holding period and a 99% probability. Back tests are performed daily on the VaR method used, supplemented by stress tests. The table below shows the development of a number of VaR figures and the efficiency ratio (the ratio between “ex-post” volatility and “ex-ante” VaR).

	2001	2000	1999
VaR as per 31 December	12.0	19.0	15.7
Highest VaR	27.8	23.7	21.2
Lowest VaR	9.4	6.2	4.6
Average VaR	17.5	13.4	12.5
Efficiency ratio (in %)	89	97	125

Over the past three years, the VaR has developed as follows (in EUR millions):



#### **Market risk: Banking operations - Liquidity**

Because of the importance of the capital markets as a potential source of funding, liquidity risk is closely linked to solvency and creditors' confidence in Fortis' ability to meet its commitments. Fortis manages its liquidity risk of the banking operations in such a way that it is able to meet customer demand, redemption commitments and capital requirements even under adverse market conditions.

#### *Liability risk (Insurance 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 by criteria relating to solvency and reliability and, to a lesser extent, the spread of risk over several counterparties. Fortis Reinsurance was set up recently to coordinate ceded reinsurance, so that the benefits of spreading risk across different industries and geographical regions are felt throughout the entire group.

#### *Operational risk*

Fortis monitors operational risk of the banking activities largely at subsidiary level, by means of methodologies, regulations and recommendations, while Fortis Audit Services monitors the proper functioning of these internal control measures. The various businesses are responsible for managing their own operational risks. The Central Risk Management department at Fortis ensures that the different businesses manage operational risk in a uniform manner and manages risks that cross the businesses.

Fortis' legal departments are decentralized and assess the contracts and monitor developments in the legislative and regulatory fields. Fortis has strict procedures in place to ensure that all routine transactions are approved correctly and that new or unusual transactions are submitted for assessment by its legal advisors.

In order to control the risks related to compliance with the applicable laws and regulations all Fortis units have a compliance function. A consolidated report on compliance is drawn up and discussed with the Audit Committee on an annual basis.

## 11 Investments and assets under management

### *Investments*

The summary below shows the carrying value, the fair value for investments and investment income as a percentage of quarterly average book value. The difference between the book value and the fair value of these debt securities is largely due to the difference between the rate of interest at the time of their purchase and the rate of interest at balance sheet date. Such differences of interest rate also affect the technical insurance commitments to which these investments are related. Because of outstanding commitments related to profit sharing arrangements, unrealized capital gains and losses of the insurance business will be charged to the shareholders only to a limited extent.

	<i>Book value</i>			<i>Fair value</i>		
	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>
Land and buildings	5,840.2	5,678.5	5,192.3	5,840.2	5,678.5	5,192.3
Shares	14,166.9	16,077.9	13,109.3	14,166.9	16,077.9	13,109.3
Debt securities	125,871.3	108,824.9	102,147.9	127,612.9	110,327.9	102,721.6
Other investments	1,797.9	3,621.7	6,932.5	1,841.7	3,622.0	7,208.2
<b>Total</b>	<b>147,676.3</b>	<b>134,203.0</b>	<b>127,382.0</b>	<b>149,461.7</b>	<b>135,706.3</b>	<b>128,231.4</b>
						<i>Investment income as % of investments</i>
				<i>2001</i>	<i>2000</i>	<i>1999</i>
Land and buildings				10.1	10.5	8.5
Shares				( 10.6 )	0.8	15.8
Debt securities				5.8	6.4	6.1
Other investments				4.4	1.6	3.1
<b>Total</b>				<b>4.2</b>	<b>5.8</b>	<b>7.0</b>

Debt securities are valued at amortization value in the balance sheet. Realized gains on debt securities are taxable. Shares and land and buildings are valued at fair value, and revaluations are recorded in equity, taking into account tax implications. Tax is in principle payable when the deferred capital gain on land and buildings is realized. The unrealized capital gain on land and buildings for banking and insurance was EUR 983 million (2000: EUR 561 million; 1999: EUR 468 million). The unrealized capital gain on shares was EUR 1,473 million (2000: EUR 3,977 million; 1999: 4,972 million). In certain cases the capital gain is tax-exempt upon realization.



The share portfolio consists almost entirely of listed shares. As the debt securities consist largely of loans to government authorities, public bodies and banks, they are readily marketable. Other investments consist primarily of Treasury bills and participating interests in investment pools.

### Investment income

The table below shows investment income, including non-operating items.

2001

	<i>Land and buildings</i>	<i>Shares</i>	<i>Debt securities</i>	<i>Other investments</i>	<i>Total</i>
Gross investment income	430.8	411.2	6,389.0	146.0	7,377.0
Realized capital gains	22.0	537.0	323.0	( 28.0 )	854.0
Revaluations	124.5	( 2,484.7 )			( 2,360.2 )
<b>Total</b>	<b>577.3</b>	<b>( 1,536.5 )</b>	<b>6,712.0</b>	<b>118.0</b>	<b>5,870.8</b>

2000

	<i>Land and buildings</i>	<i>Shares</i>	<i>Debt securities</i>	<i>Other investments</i>	<i>Total</i>
Gross investment income	401.4	369.0	6,428.2	79.0	7,277.6
Realized capital gains	90.5	776.9	207.0	7.3	1,081.7
Revaluations	64.5	( 1,034.0 )			( 969.5 )
<b>Total</b>	<b>556.4</b>	<b>111.9</b>	<b>6,635.2</b>	<b>86.3</b>	<b>7,389.8</b>

1999

	<i>Land and buildings</i>	<i>Shares</i>	<i>Debt securities</i>	<i>Other investments</i>	<i>Total</i>
Gross investment income	409.5	370.5	5,979.2	85.6	6,844.8
Realized capital gains	6.5	790.6	244.6	52.4	1,094.1
Revaluations	7.9	699.6			707.5
<b>Total</b>	<b>423.9</b>	<b>1,860.7</b>	<b>6,223.8</b>	<b>138.0</b>	<b>8,646.4</b>

### Assets under management by origin

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Insurance	50,487.3	49,649.8	41,618.0
Banking	96,866.9	84,098.8	85,426.5
Total investments for own account <sup>1)</sup>	147,676.3	134,203.0	127,382.0
Investments on behalf of policyholders	23,567.4	22,012.7	16,210.0
Funds under management	144,862.7	157,630.3	134,614.4
<b>Total assets under management</b>	<b>316,106.4</b>	<b>313,846.0</b>	<b>278,206.4</b>

1) This amount also includes the intercompany accounts and investments which cannot be attributed either to insurance or to banking.

*Funds under management by type of investment*

	<i>2001</i>			
	<i>Private customers</i>	<i>Institutional customers</i>	<i>Funds</i>	<i>Total</i>
Shares	33,516.8	14,431.4	19,043.9	66,992.1
Land and buildings	3.7	326.2	30.9	360.8
Debt securities	26,700.4	18,970.4	31,839.0	77,509.8
<b>Total</b>	<b>60,220.9</b>	<b>33,728.0</b>	<b>50,913.8</b>	<b>144,862.7</b>
	<i>2000</i>			
	<i>Private customers</i>	<i>Institutional customers</i>	<i>Funds</i>	<i>Total</i>
Shares	45,182.5	11,159.6	22,499.7	78,841.8
Land and buildings	2.0	319.6	50.4	372.0
Debt securities	21,633.0	22,957.5	33,826.0	78,416.5
<b>Total</b>	<b>66,817.5</b>	<b>34,436.7</b>	<b>56,376.1</b>	<b>157,630.3</b>
	<i>1999</i>			
	<i>Private customers</i>	<i>Institutional customers</i>	<i>Funds</i>	<i>Total</i>
Shares	43,510.9	10,560.7	21,182.5	75,254.1
Land and buildings	3.5	494.3	50.4	548.2
Debt securities	15,136.2	15,111.7	28,564.2	58,812.1
<b>Total</b>	<b>58,650.6</b>	<b>26,166.7</b>	<b>49,797.1</b>	<b>134,614.4</b>

*Funds under management by region of investment***2001**

	<i>Private customers</i>	<i>Institutional customers</i>	<i>Funds</i>	<i>Total</i>
Belgium	7,519.3	2,379.2	10,564.7	20,463.2
The Netherlands	24,773.0	7,146.8	9,951.0	41,870.8
Luxembourg	4,642.3	1,394.8	7,791.2	13,828.3
Benelux	36,934.6	10,920.8	28,306.9	76,162.3
United States	1,918.5	10,711.5	1,654.3	14,284.3
Rest of the world	21,367.8	12,095.7	20,952.6	54,416.1
<b>Total</b>	<b>60,220.9</b>	<b>33,728.0</b>	<b>50,913.8</b>	<b>144,862.7</b>

**2000**

	<i>Private customers</i>	<i>Institutional customers</i>	<i>Funds</i>	<i>Total</i>
Belgium	3,603.2	9,782.4	22,633.4	36,019.0
The Netherlands	29,666.2	5,463.1	2,438.9	37,568.2
Luxembourg	7,071.3	562.7	294.0	7,928.0
Benelux	40,340.7	15,808.2	25,366.3	81,515.2
United States	4,590.3	8,910.0	9,312.9	22,813.2
Rest of the world	21,886.5	9,718.5	21,696.9	53,301.9
<b>Total</b>	<b>66,817.5</b>	<b>34,436.7</b>	<b>56,376.1</b>	<b>157,630.3</b>

**1999**

	<i>Private customers</i>	<i>Institutional customers</i>	<i>Funds</i>	<i>Total</i>
Belgium	4,529.2	2,746.5	6,884.2	14,159.9
The Netherlands	24,950.8	4,755.8	9,048.4	38,755.0
Luxembourg	6,792.5	2,573.3	7,151.6	16,517.4
Benelux	36,272.5	10,075.6	23,084.2	69,432.3
United States	4,689.4	7,173.2	7,768.0	19,630.6
Rest of the world	17,688.7	8,917.9	18,944.9	45,551.5
<b>Total</b>	<b>58,650.6</b>	<b>26,166.7</b>	<b>49,797.1</b>	<b>134,614.4</b>

*Roll-forward funds under management*

	<i>Private customers</i>	<i>Institutional customers</i>	<i>Funds</i>	<i>Total</i>
<b>Closing balance at 31 December 1999</b>	<b>58,650.6</b>	<b>26,166.7</b>	<b>49,797.1</b>	<b>134,614.4</b>
Net new means	6,120.9	3,155.3	6,874.2	16,150.4
Capital gains / losses	( 354.0 )	1,697.7	( 2,126.3 )	( 782.6 )
Purchase and sale group companies	2,400.0	3,417.0	1,831.1	7,648.1
<b>Closing balance at 31 December 2000</b>	<b>66,817.5</b>	<b>34,436.7</b>	<b>56,376.1</b>	<b>157,630.3</b>
Net new means	297.5	1,328.9	1,832.2	3,458.6
Capital gains / losses	( 6,894.1 )	( 2,037.6 )	( 3,891.7 )	( 12,823.4 )
Purchase and sale group companies			( 3,402.8 )	( 3,402.8 )
<b>Closing balance at 31 December 2001</b>	<b>60,220.9</b>	<b>33,728.0</b>	<b>50,913.8</b>	<b>144,862.7</b>

## 12 Employee benefits

*Defined benefit plans*

Fortis has a number of defined pension benefit plans covering virtually all of its employees. The benefits are based on years of service and on the level of remuneration. Pension commitments are determined based, among other things, on such factors as mortality, personnel changes and wage projections, allowing for the specific economic conditions in each country or company. Discount rates are set on the basis of the yield (on the valuation date) of debt securities issued by blue-chip companies (or by the government in the absence of a representative market).

The following table provides the components of pension costs:

	<i>2001</i>	<i>2000</i>
Service cost	199.8	161.0
Interest cost	297.2	233.6
Expected return on plan assets	( 300.2 )	( 258.0 )
<b>Net periodic pension costs</b>	<b>196.8</b>	<b>136.6</b>

The following table provides the parameters applied:

	<i>2001</i>	<i>2000</i>
Discount rate	5.40 - 7.75	5.40 - 7.75
Expected return on plan assets	5.40 - 9.00	5.40 - 9.00
Rate of remuneration increase	1.50 - 5.50	1.50 - 5.50

The following table presents changes in pension obligations and the fair value of plan assets. The net amount has been recorded in the balance sheet either under the item other assets or under other liabilities.

	<i>2001</i>	<i>2000</i>
<b>Benefit obligations at 1 January</b>	<b>5,256.2</b>	<b>4,642.6</b>
Acquisitions group companies	67.3	344.4
Service costs	199.8	161.0
Interest costs	297.2	233.6
Plan amendments	160.7	23.3
Plan participants' contributions	8.2	8.7
Actuarial gains and losses	174.5	88.6
Exchange differences	( 4.2 )	( 0.6 )
Benefits paid	( 273.2 )	( 245.4 )
<b>Benefit obligations at 31 December</b>	<b>5,886.5</b>	<b>5,256.2</b>
<b>Fair value of plan assets at 1 January</b>	<b>5,046.6</b>	<b>4,714.1</b>
Actual return on plan assets	130.5	185.3
Acquisitions group companies	36.9	262.2
Employer contribution	404.5	121.7
Plan participants' contributions	8.2	8.7
Exchange adjustments	( 4.4 )	
Benefits paid	( 273.2 )	( 245.4 )
<b>Fair value of plan assets at 31 December</b>	<b>5,349.1</b>	<b>5,046.6</b>

The plan assets are comprised predominantly of fixed-income securities and investment contracts with insurance companies.

	<i>2001</i>	<i>2000</i>
Funded status	( 537.2 )	( 209.6 )
Unrecognized net actuarial loss	379.7	38.4
Unrecognized prior service costs	116.5	35.3
Unrecognized net transition obligation	19.1	3.0
Unrecognized other gains / losses	28.0	( 2.8 )
<b>Prepaid pension costs</b>	<b>6.1</b>	<b>( 135.7 )</b>
Recognized as follows:		
Prepaid pension costs (within other assets)	644.1	538.4
Accrued pension costs (within other liabilities)	( 638.0 )	( 674.1 )
	<b>6.1</b>	<b>( 135.7 )</b>

The aggregate pension benefit obligation and aggregate fair value of plan assets with respect to overfunded plans at 31 December 2001 were EUR 1,515.8 million and EUR 2,161.0 million respectively (2000: EUR 1,082.4 million and EUR 1,729.7 million respectively). The aggregate pension benefit obligation and aggregate fair value of plan assets with respect to underfunded plans at 31 December 2001 were EUR 4,370.7 million and EUR 3,188.2 million respectively (2000: EUR 4,173.7 million and EUR 3,316.8 million respectively).

### Defined Contribution Plans

Fortis also sponsors a number of defined contribution plans around the world. Employees may contribute to the plan based on a percentage of their remuneration, but limited by local tax laws. Aggregate contributions for defined contribution plans amounted to EUR 51.2 million in 2001 (2000: EUR 70.8 million; 1999: EUR 16.0 million).

## 13 Employee stock option plans

As an additional incentive to its employees, in the past few years Fortis has offered its personnel a number of stock option plans on Fortis shares. Prior to 1999, the plans were offered primarily to senior management and to the employees in the Netherlands. In 1999 and 2000 the plans were extended and offered to employees of Fortis in Belgium, the Netherlands, Luxembourg, United Kingdom, Spain and France. With the exception of the Executive Committee and senior management no employees were offered options in 2001. This is because it was found that the effect of the past plans on earnings per share was too profound in relation to the desired effect of the plan, which was to promote employee loyalty. The option plans do not constitute part of the terms of employment and are decided upon by the Board of Directors on a yearly basis.

Because of the differing tax regimes, there are differences in the duration and exercise price of the options offered in each country.

Under the 2001 senior management option plan a total number of 344,750 options was granted on 19 April 2001. The exercise price of the options is EUR 37.57, the closing price of the Fortis shares on Euronext on 18 April 2001 plus 28%. These options have a maturity of five to seven years and cannot be exercised in the first three years.

An overview of the options granted tot the Fortis Board of Directors and the Executive Committee is included in note 18 "Compensation of Fortis Directors and Executive Committee members".

Options offered in	2001	2000	1999	1998	1997	1996
Exercise period	2006-2008	2005-2007	2004-2009	2003	2002-2007	2001
Numbers of options offered	344,750	10,555,700	18,665,150	5,188,100	4,742,050	89,500
Average exercise price	37.57	35.21	30.41	27.57	19.86	11.46
Exercised before 2001				1,595,400	3,443,650	57,500
Exercised in 2001				170,000	103,680	32,000
Lapsed in 2001		650	28,000	600	13,000	
Outstanding 31 December 2001	344,750	10,555,050	18,637,150	3,422,100	1,181,720	
On new Fortis shares		10,198,100	18,600,627	3,422,100	226,620	
On existing Fortis shares	344,750	356,950	36,523		955,100	

For senior management in the United States there is a separate option plan based on preferred shares of Fortis, Inc. The options cannot be exercised in the first three years and have a maturity of ten years. The valuation of the preferred shares of Fortis, Inc. is directly linked to the market value of Fortis shares. The total number of options granted in 2001 was 75,900 (2000: 55,750). The total number of options outstanding at 31 December 2001 was 314,250 (2000: 239,501), of which 279,842 (2000: 209,060) cannot yet be exercised. To cover the costs of this plan a debt of EUR 0.8 million (2000: EUR 2.1 million) was included.

As a result of the acquisition of ASR Verzekeringsgroep (“ASR”), the outstanding employee option plans on shares of ASR were converted into Fortis option plans on 15 January 2001. The table below shows the number of Fortis stock options based on the movements in the number of options from the moment of the acquisition of ASR.

Options offered in	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
Exercise period	2003-2005	2002-2004	2001-2003	2000-2002
Number of options offered upon acquisition of ASR	265,779	403,950	90,047	17,375
Exercise price	17.47	19.26	25.33	15.33
Exercised in 2001			3,885	1,243
Outstanding 31 December 2001	265,779	403,950	86,162	16,132

ASR has also granted to some of its employees stock appreciation rights (SARs) with respect to ASR shares. SAR holders are entitled to a cash payment equal to the difference between the exercise price and the actual price of the ASR shares at the time of exercise of the SAR. On 15 January 2001 the underlying asset was converted to a Fortis share. The table below reflects the movements in the number of SARs since the acquisition of ASR.

SARs offered in	<i>2000</i>	<i>1999</i>
Exercisable from	2003-2005	2002-2004
Number of SARs upon acquisition of ASR	1,279,783	1,035,626
Exercise price	17.47	19.26
Exercised in 2001		
Outstanding 31 December 2001	1,279,783	1,035,626

As of 31 December 2001 ASR Verzekeringsgroep held 3,087,432 Fortis shares to hedge the option and SAR plans.

## 14 Income taxes

The result before taxation includes some income items on which no income tax is payable by group companies. In addition, special tax arrangements are in force in many countries in which Fortis operates.

	2001	2000	1999
Taxation on profit from operating result	( 1,048.9 )	( 1,044.4 )	( 892.9 )
Taxation on non operating items	131.0	( 105.1 )	
Total taxation on result	<u>( 917.9 )</u>	<u>( 1,149.5 )</u>	<u>( 892.9 )</u>
Taxation recorded in net equity	214.8	65.3	( 118.7 )
<b>Total taxation</b>	<b>( 703.1 )</b>	<b>( 1,084.2 )</b>	<b>( 1,011.6 )</b>
<b>Current</b>			
Belgium	( 366.6 )	( 284.5 )	( 329.9 )
The Netherlands	( 157.4 )	( 133.0 )	( 432.2 )
Other, including General	( 448.0 )	( 375.9 )	( 208.3 )
Total current income taxes	<u>( 972.0 )</u>	<u>( 793.4 )</u>	<u>( 970.4 )</u>
<b>Deferred</b>			
Belgium	( 108.2 )	( 296.1 )	104.2
The Netherlands	60.0	( 72.6 )	14.5
Other, including General	102.3	12.6	( 41.2 )
Total deferred income taxes	<u>54.1</u>	<u>( 356.1 )</u>	<u>77.5</u>
<b>Total taxation on result</b>	<b>( 917.9 )</b>	<b>( 1,149.5 )</b>	<b>( 892.9 )</b>

Expected income tax has been determined by relating the result before taxation to the weighted average standard tax rate. Differences between the expected taxation and actual taxation are summarized as follows.

	2001	2000	1999
Operating result before taxation	3,493.4	3,617.3	3,039.1
Non operating items	199.8	517.5	353.0
Total result before taxation	<u>3,693.2</u>	<u>4,134.8</u>	<u>3,392.1</u>
Current period applicable statutory rate (in %) <sup>1)</sup>	38.4	39.7	38.0
Expected taxation	( 1,416.6 )	( 1,641.3 )	( 1,289.0 )
Increase / decrease resulting from:			
- Tax-exempt income	212.3	218.9	450.9
- Non-deductible expenses	( 35.4 )	( 50.8 )	( 103.8 )
- Foreign tax rate differential	17.4	45.5	51.1
- Other	304.4	278.2	( 2.1 )
<b>Total taxation on result</b>	<b>( 917.9 )</b>	<b>( 1,149.5 )</b>	<b>( 892.9 )</b>

1) Weighted average standard tax rate.



Deferred tax assets and liabilities at 31 December 2001 consist of the following:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Deferred tax assets:			
Provisions	566.7	452.5	665.1
Insurance technical provisions	1,507.9	1,562.9	1,344.9
Deferred gains on fixed income investments	204.2	98.0	85.4
Pensions and other post-retirement liabilities	178.5	105.0	35.4
Net operating loss carryforwards	148.3	161.4	204.7
Other	455.8	303.1	347.7
Total deferred tax assets	<u>3,061.4</u>	<u>2,682.9</u>	<u>2,683.2</u>
Deferred tax liabilities:			
Land and buildings	1,176.4	734.3	724.4
Valuation of equity securities, venture capital and debt securities	105.6	584.8	464.5
Valuation of trading portfolio	0.2	1.9	
Deferred acquisition costs	802.5	915.9	345.7
Pensions and other post-retirement liabilities	251.3	85.9	128.2
Prepayment and accrued income	29.5	35.9	56.4
Tax-exempt reserves	223.3	223.3	226.1
Other	598.6	762.3	630.8
Deferred tax liabilities	<u>3,187.4</u>	<u>3,344.3</u>	<u>2,576.1</u>
<b>Net deferred tax</b>	<b>( 126.0 )</b>	<b>( 661.4 )</b>	<b>107.1</b>

Deferred tax assets and liabilities are classified by tax entity and recorded in the balance sheet as follows:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Deferred tax asset within other assets	2,335.4	2,483.4	409.4
Deferred tax liability within other liabilities	2,461.4	3,144.8	302.3
	<u>( 126.0 )</u>	<u>( 661.4 )</u>	<u>107.1</u>

## 15 Earnings per share

The following table specifies the calculation of earnings per share (EPS):

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Net operating profit	2,267.4	2,355.2	1,963.2
Non operating items after taxation	330.8	412.4	353.0
Income available to ordinary stockholders for EPS	<u>2,598.2</u>	<u>2,767.6</u>	<u>2,316.2</u>
Interest saved on convertible securities	41.7	41.9	38.0
<b>Profit used for calculating diluted EPS</b>	<b><u>2,639.9</u></b>	<b><u>2,809.5</u></b>	<b><u>2,354.2</u></b>
Weighted average ordinary shares outstanding			
Applicable to basic EPS (in thousands)	1,293,282	1,214,964	1,147,199
Effect of dilutive securities:			
Options	728	2,086	3,440
Warrants	81	96	2,077
Convertible securities	40,283	42,037	36,602
<b>Adjusted weighted average ordinary shares outstanding</b>			
<b>Applicable to diluted EPS (in thousands)</b>	<b><u>1,334,374</u></b>	<b><u>1,259,183</u></b>	<b><u>1,189,318</u></b>
Earnings per share:			
Net operating profit	1.75	1.94	1.71
Non-operating items after taxation	0.26	0.34	0.31
<b>Net profit</b>	<b><u>2.01</u></b>	<b><u>2.28</u></b>	<b><u>2.02</u></b>
Earnings per share fully diluted			
Net operating profit	1.73	1.90	1.68
Non-operating items after taxation	0.25	0.33	0.30
<b>Net profit</b>	<b><u>1.98</u></b>	<b><u>2.23</u></b>	<b><u>1.98</u></b>

In 2001 weighted average options of 3,258,799 shares (2000: 431,482; 1999: 109,616) with weighted average exercise prices of EUR 35.09 per share (2000: EUR 39.00; 1999: 37.29) were excluded from the calculation of diluted EPS because the exercise price of the options was greater than the average market price of ordinary shares.

## 16 Non-operating items

The following table gives an overview of non-operating items after taxation:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Non-operating items	199.8	517.5	353.0
Taxation on non-operating items	131.0	( 105.1 )	
Non-operating items after taxation	<u>330.8</u>	<u>412.4</u>	<u>353.0</u>
Non-operating capital gains:			
- Suez (Insurance)	263.6	149.3	
- Fortis Financial Group (Insurance)	35.9		
- Australia (Insurance)	45.9		
- Kempen & Co. (Insurance)	80.0		
- Liffe Seats (Banking)	11.0		
- SES Global (Banking)	74.6		
- Euronext (Banking)		99.3	
- Nationale Investeringsbank (Insurance)			98.0
- Tractebel (Insurance)			255.0
Release of millennium provisions:			
- Insurance		69.6	
- Banking		94.2	
Reorganization provisions:			
- Insurance	( 57.4 )		
- Banking	( 151.3 )		
- General	( 3.0 )		
Change tax rate Luxembourg	31.5		
<b>Non-operating items after taxation</b>	<u><b>330.8</b></u>	<u><b>412.4</b></u>	<u><b>353.0</b></u>

## 17 Influence of translation differences

Changes in foreign exchange rates affected operating result before taxation and net equity. Operating result before taxation fell by 3.4% (2000: up 19.0%); after adjustment for currency effects this decline was 3.7% (2000: up 17.0%). Net equity decreased by 8.9% (2000: up 12.5%), from EUR 15,196.8 million to EUR 13,844.5 million (2000: from EUR 13,507.9 million to EUR 15,196.8 million). After adjustment for currency effects the decrease in net equity was 9.4% (2000: up 11.8%).

## 18 Compensation of Fortis Directors and Executive Committee members

### *The Compensation & Nominating Committee*

The Compensation & Nominating Committee advises the Board on the overall remuneration philosophy and policy for the members of the Board of Directors and the Executive Committee and is chaired by the CEO, who is a member of the Board. It also defines the overall remuneration policy and compensation frame of reference for other senior management levels in Fortis. More specifically, it defines the detailed framework of remuneration of Executive Committee members - the CEO, Deputy CEO and six other members - and determines, on the Board's behalf, their specific compensation packages, e.g. base salary, annual short- and long-term incentives, pension and other benefits' rights. The Compensation & Nominating Committee consists of seven members, including six independent non-executive directors and the CEO. The Committee met on four occasions in 2001.

### *Fortis Overall Compensation Philosophy*

The remuneration of Fortis Executive Committee Members is based on the following guiding principles:

- Total rewards are set at levels to ensure the organization's continued ability to attract, motivate and retain high-calibre and high-potential executive talent for which Fortis competes in an international market place.
- Total potential rewards are earned through achievement of demanding performance targets based on measures which represent the best interest of shareholders in the short, medium and long term.
- Executive incentive plans have been designed to promote a strong results-oriented culture, fully aligned with Fortis business strategy, as well as to stimulate, recognize and reward both strong individual contribution and solid team performance and, hence, collective success.
- The overall remuneration programme should be simple and transparent in both design and structure and enable the organization to reward specifically and separately distinct aspects of performance.
- The overall compensation philosophy, policy and guiding principles provide a consistent and sound framework for the Compensation & Nominating Committee's recommendations on executive compensation. In implementing the overall compensation policy for the Executive Committee members, the Compensation & Nominating Committee maintains a level of discretion required to take account of internal and external realities.

Both the structure and levels of remuneration for this group of senior executives is analyzed on an annual basis. Fortis' competitive positioning is regularly reviewed by and discussed with a leading international firm of compensation and benefits consultants, in light of the practices of other major, Europe-based multinational financial and other organizations.

### *Compensation policy for Executive Committee members*

The Compensation & Nominating Committee, with the advice of outside experts, aims to provide a package of salary, incentives and other rewards at Executive Committee level which will:

- be competitive compared with other, Europe-based large international banking and insurance groups operating on a global basis;
- reflect a concept of “integrated” total direct compensation, combining the following three major components of pay: base salary, annual / short-term incentive (performance-related bonus) and long-term incentive;
- serve as broad guidelines for defining structure and levels of remuneration for other senior management levels at Fortis.

In calibrating the various remuneration components, the objective is to position the potential overall remuneration levels clearly well in line with compensation practices of other leading multinational firms in the case of successful individual executive and Fortis group performances. The overall compensation mix has been changed significantly over the last three years, with the variable, performance-related pay components becoming the main portion of the executives’ total compensation package; i.e. total “pay-at-risk” in terms of targeted short- and long-term incentives compensation levels representing at least 60% of their total compensation.

### *Base salary*

Base salary levels are intended to compensate the executives for their position responsibilities and their particular set of competencies. These levels are set in line with general prevailing market rates for equivalent positions and are subject to regular annual reviews. To that end, formal market data is solicited from outside advisors. Base salary levels have remain unchanged since 1999.

### *Annual executive incentive*

In addition to their base salary, Executive Committee members are eligible for participation in an executive incentive plan. Key objectives pursued within this plan are to stimulate, recognize and reward both strong individual contribution and solid performance as team leader of, or member within, the Executive Committee, and to ensure competitive total cash compensation levels in the case of company, business unit and individual success. Payout under the incentive scheme is directly linked to the actual performance against a set of predetermined qualitative and quantitative performance metrics. Target annual incentive pay outs are expressed as percentages of base salary and range between 65% and 100%, depending upon the position within the Executive Committee. The actual annual incentive will, in principle, fall in a range of 0 to 2 times the targeted amount, depending upon the degree of actual achievement of the objectives and the outcome of the overall performance appraisal process.

### *Long-term incentives*

A third major element of senior executives’ compensation is the Fortis long-term incentive programme, currently materialized through the use of stock options. The Fortis stock option plan for Executive Committee members is designed to:

- provide a strong team incentive, directly linked to the overall, long-term financial success of the group;
- focus executives’ attention on outperforming a group of Fortis’ peers in an international context;
- have executives directly participate in the added shareholder value, by benefiting from share price increases which clearly exceed the average cost of capital over a period of several years;
- ensure that overall competitive total direct compensation levels are in line with sustained group performance over a longer period of time.

The current share options plan offers executives the right to buy Fortis shares at a future date at a price determined by reference to the open market price of shares at the time they are granted and / or offered. The 2001 option grant stipulates a strike price of 128% of the share market value at the time they are granted and an option term of six years. Options may be exercised during predetermined recommended "open periods" falling within a time frame ranging from the first day of the year following the third anniversary of the grant until the end of the option term. Initial target long-term incentive levels are set by the Compensation & Nominating Committee for each executive level and are determined as percentages of annual base salary. These target levels are intended to represent competitive, annualized expected values of the options by category of executive. These cash values are translated into the number of stock options to be granted using prevailing stock options valuation methodology. In recommending actual, individual option grant levels, the Compensation & Nominating Committee is guided by Fortis' actual share performance relative to a peer group of Europe's top 30 financial institutions (as determined by market capitalization). The Compensation & Nominating Committee regularly reviews the long-term incentive plan against market practice and conditions.

### *2001 Compensation levels of Executive Committee members*

For 2001 total remuneration, including retirement benefits and related social costs, for the eight Executive Committee members was EUR 10.3 million (2000: EUR 7.2 million; this amount related to six Executive Committee members). Total remuneration was charged to various Fortis companies and included the following direct individual compensation:

- For the CEO: a total direct compensation of EUR 1.9 million, including a base salary of EUR 750,000, an annual short-term incentive of EUR 810,000 or 108% of base salary (earned in 2001, but payable in 2002) and a long-term incentive of EUR 379,000, 51% of base salary, leading to a grant of 38.000 options.
- For the other Executive Committee members: aggregate total direct compensation to the amount of EUR 7.6 million, divided as follows among the key components: base salary of EUR 3.6 million; short-term incentives of EUR 2.6 million (earned in 2001, but payable in 2002) and long-term incentives of EUR 1.3 million, leading to a grant of 134,750 options in aggregate.

The market value of the Fortis share at the time the options were offered was EUR 29.35. The options were granted at a strike price of EUR 37.57.

Details of the stock options granted to and held by former and current members of the Executive Committee are shown in the table below.

	<i>outstanding 31-12-2000</i>	<i>granted in 2001</i>	<i>exercised in 2001</i>	<i>outstanding 31-12-2001</i>	<i>exercise price</i>	<i>share price at exercise date</i>	<i>expiry date</i>
<i>Non-executive directors</i>							
H. Bartelds	4,500		4,500		11.46	28.09 *)	30-06-2001
	7,500			7,500	19.97		30-06-2002
	7,500			7,500	27.57		30-06-2003
	7,500			7,500	29.81		03-10-2004
	25,450			25,450	38.40		14-04-2006
M. Lippens	15,300			15,300	18.60		20-11-2007
	7,500			7,500	29.81		03-10-2006
	7,650			7,650	31.75		31-12-2009
	25,450			25,450	38.40		14-04-2006
H. Hielkema	7,500		7,500		11.46	28.09 *)	30-06-2001
	7,500			7,500	19.97		30-06-2002
	7,500			7,500	27.57		30-06-2003
	7,500			7,500	29.81		03-10-2004
	18,950			18,950	38.40		14-04-2006
<i>Executive Committee</i>							
A. van Rossum	25,450			25,450	38.40		14-04-2006
		38,000		38,000	37.57		18-04-2007
H. Verwilt	15,300			15,300	18.60		20-11-2007
	7,500			7,500	29.81		03-10-2006
	7,650			7,650	31.75		31-12-2009
	18,950			18,950	38.40		14-04-2006
		26,750		26,750	37.57		18-04-2007
G. Mittler	10,350			10,350	18.60		20-11-2007
	7,500			7,500	29.81		03-10-2006
	7,650			7,650	31.75		31-12-2009
	13,350			13,350	38.40		14-04-2006
		18,000		18,000	37.57		18-04-2007
K. De Boeck	15,300			15,300	18.60		20-11-2007
	7,500			7,500	29.81		03-10-2006
	7,650			7,650	31.75		31-12-2009
	12,000			12,000	38.40		14-04-2006
		18,000		18,000	37.57		18-04-2007
J. De Mey	15,300			15,300	18.60		20-11-2007
	7,500			7,500	29.81		03-10-2006
	7,650			7,650	31.75		31-12-2009
	12,000			12,000	38.40		14-04-2006
		18,000		18,000	37.57		18-04-2007
F. Dierckx	7,500			7,500	29.81		03-10-2006
	7,650			7,650	31.75		31-12-2009
	12,000			12,000	38.40		14-04-2006
		18,000		18,000	37.57		18-04-2007
J. Feilzer	7,500			7,500	27.57		30-06-2003
	7,500			7,500	29.81		03-10-2004
	13,350			13,350	38.40		14-04-2006
		18,000		18,000	37.57		18-04-2007
C. de Swart	37,298			37,298	19.26		22-09-2004
	37,298			37,298	17.47		24-05-2005
		18,000		18,000	37.57		18-04-2007
<b>Total</b>	<b>485,996</b>	<b>172,750</b>	<b>12,000</b>	<b>646,746</b>			

\*) Exercised on 29 June 2001.

In financial year 2000 the CEO received 86,475 Stock Appreciation Rights (SARs) on Fortis shares. SARs entitle the CEO to a cash payment equal to the difference between the exercise price (EUR 28.91), i.e. the market price of the Fortis Shares on 27 June 2000, and the actual price of the Fortis shares at the time of exercise of the SAR (whereby the difference may not exceed EUR 28.91). The SARs may be exercised between 31 August 2003 and 31 August 2005, with the exception of the closed periods.

### *Compensation of non-executive directors*

Remuneration of the non-executive directors is fixed in accordance with the Articles of Association of the Fortis companies. Detailed proposals for remuneration of non-executive directors are formulated by the Compensation & Nominating Committee, based on advice from outside experts. The structure and levels of remuneration are determined in view of the specific responsibilities of the non-executive directors in the Fortis Boards and general international market practice. For the 2001 financial year, total remuneration of the non-executive directors amounted to EUR 2.6 million (including a total of EUR 0.5 million paid to companies outside Fortis, where those directors exercise functions). This amount includes both regular basic remuneration for Board membership and Committee Meetings attendance fees, as follows:

- Board membership fees of EUR 165,000 for the position of non-executive director;
- Committee Meeting attendance fees of EUR 2,000 per meeting.

None of the non-executive directors received an annual incentive award or stock options in 2001. Some of the non-executive directors do hold options, however, as shown in the table above, pursuant to their previous positions as Fortis executives.

## 19 Dividend

Following the introduction of the single Fortis share, shareholders now have shares in both Fortis SA/NV and in Fortis N.V. Shareholders may choose to receive a dividend from Fortis SA/NV (Belgium) or from Fortis N.V. (the Netherlands). The dividend of Fortis SA/NV will be equal to the dividend of Fortis N.V.

If no express choice is made by the shareholders for a Fortis share, the following will apply:

- If the Fortis share is held by a paying agent that has an account with a CSD member of a central securities custody office established in Belgium or the Netherlands respectively, or if the Fortis share is held by a shareholder whose residence as stated in the shareholders' register is in Belgium or the Netherlands respectively, the shareholder will be deemed to have chosen the dividend of Fortis SA/NV or Fortis N.V. respectively.
- If the shareholder has received physical bearer shares, the shareholder will be deemed to have chosen the dividend of Fortis SA/NV.
- In all other cases, 50% of the relevant shares will be assigned the Fortis SA/NV dividend and 50% of the relevant shares will be assigned the Fortis N.V. dividend.

The companies comprising Fortis are subject to legal restrictions regarding the amount of dividend they may pay to their shareholders. The Netherlands Civil Code stipulates that dividends may be paid out by a Dutch company only if the net equity of the company exceeds the total of the paid-up and called-up capital and the reserves required by law or by the company's Articles of Association. Under the Belgian Companies Code, 5% of the net profit of a company must be used annually for the formation of a reserve fund. This obligation no longer applies once the reserve fund has reached 10% of the authorized share capital. Dividends may not be paid if the level of net assets of the company falls below, or following payment of a dividend would fall below, the sum of its paid-up capital and non-distributable reserve. The Belgian and Dutch subsidiaries are also subject to dividend restrictions arising from minimum capital and



solvency requirements imposed by industry, principally banking and insurance, regulators in the countries in which the subsidiaries operate.

Additionally, certain Fortis subsidiaries outside the Netherlands and Belgium are subject to restrictions on the amount of cash dividends they may pay to shareholders. Most significantly, subsidiaries in the United States are subject to dividend restrictions imposed by the respective insurance regulatory authorities in the states in which the subsidiaries in question are domiciled. For life, accident and health insurance subsidiaries, dividends are generally limited to 10% of the legally retained profit or 10% of the legal net operating result if this amount is higher. For non-life subsidiaries, dividends are limited to a specified percentage of the previous year's net equity or of the previous year's net investment results, depending on the state of domicile. Dividends paid in excess of these limitations require prior approval from the insurance regulatory authority in the state of domicile.

## 20 Regulatory matters and solvency

The banking and insurance regulators in Belgium and the Netherlands have agreed to coordinate the implementation of their respective supervisory powers. The agreement stipulates that each of the four authorities continue to supervise the relevant activities of Fortis in its jurisdiction. The authority that supervises the greatest volume of activities (measured in terms of capital adequacy requirements) of Fortis coordinates the activities of all Dutch and Belgian supervisory authorities with respect of Fortis. Fortis reports on a consolidated basis to this authority. On the basis of this criterion, the Belgian regulator for banking, securities firms and public offering (Commission Bancaire et Financière ("CBF")) acts as the coordinating authority. In addition, Fortis' operations in the United States are supervised by the insurance regulators in the states in which they operate.

Fortis banking subsidiaries are subject to various regulatory guidelines administered by Belgian and Dutch banking supervisors. These guidelines are in accordance with the European Union directives and guidelines developed by the Basle Committee on Banking Regulations and Supervisory Practices. The guidelines require Fortis banking subsidiaries to maintain a minimum qualifying capital relative to the on- and off-balance sheet lending (Total capital ratio). Loans are weighted according to their inherent risk. Capital must also be maintained for the market risk involved in the bank's trading activities. The requirement for the core capital (Tier 1 ratio) is 4%; for the total qualifying capital this is 8%. The table below presents the solvency ratios of the banking business.

	<i>Minimum requirements</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>
Credit risks		146,066.5	151,485.6	139,539.3
Market risks		6,540.0	7,604.7	5,999.0
<b>Risk-weighted assets</b>		<b>152,606.5</b>	<b>159,090.3</b>	<b>145,538.3</b>
Tier 1 ratio	4.0%	8.5%	7.3%	7.6%
Total capital ratio	8.0%	13.5%	11.8%	12.2%

In accordance with European Union Directives, insurance companies organized in European Union member countries are required to maintain minimum solvency margins. The minimum solvency margin must be at least 16% of gross premiums written in the prior year for non-life and generally 4% of technical provisions (1% if investments are for the account of policyholders) plus 0.3% of the amount at risk under the insurance policies for life insurers. As of 31 December 2001, the solvency margins of Fortis' insurance operations computed in accordance with this directive amounted to EUR 6,975.3 million (2000: EUR 8,422.3 million; 1999: EUR 7,338.0 million). The minimum solvency was EUR 4,225.4 million at 31 December 2001 (2000: EUR 3,724.1 million; 1999: EUR 2,827.0 million). Fortis' United States insurance operations are required by insurance commissioners of the respective states of domicile to adhere to certain minimum risk-based capital ("RBC") requirements. These subsidiaries meet the minimum RBC requirements.

### Solvency

Fortis has formulated a framework for solvency which defines an upper and a lower limit of core capital. The minimum limit is based on the sum of 6% of the bank's risk-weighted assets and 1.75 times the statutory minimum requirements for the insurance sector. The maximum limit comprises 7% of the bank's risk-weighted assets and 2.5 times the statutory minimum requirements for the insurance industry.

Fortis' solvency position at 31 December was:

	<u>2001</u>		<u>2000</u>		<u>1999</u>	
Group equity	15,977.2		17,355.8		15,991.4	
Fund for general banking risks	2,216.7		2,042.9		1,861.2	
Tier 1 loan	1,000.0					
Net core capital	<u>19,193.9</u>		<u>19,398.7</u>		<u>17,852.6</u>	
	<i>Floor</i>	<i>Cap</i>	<i>Floor</i>	<i>Cap</i>	<i>Floor</i>	<i>Cap</i>
Solvency requirement	16,556.6	21,254.2	16,062.5	20,446.5	13,678.7	17,253.9
Surplus / deficit	2,637.3	( 2,060.3 )	3,336.2	( 1,047.8 )	4,173.9	598.7
Core capital as multiple of Floor / Cap	1.16	0.90	1.21	0.95	1.31	1.03

## Balance sheet insurance

	Note	31-12-2001	31-12-2000	31-12-1999
<b>Assets</b>				
Cash	A1	1,154.1	1,249.3	959.9
Investments	A2	50,487.3	49,649.8	41,618.0
Loans and advances to credit institutions		1,971.2	1,632.8	1,673.1
Loans and advances to customers	A3	16,121.2	14,837.4	7,816.9
Reinsurers' share of technical provisions		6,890.8	4,943.6	4,231.7
Deferred acquisition costs	A4	2,963.6	3,297.7	2,081.4
Prepayments and accrued income		1,318.2	1,164.6	1,175.7
Investments on behalf of policyholders	A5	23,567.4	22,012.7	16,210.0
Other assets	A6	5,463.0	6,230.3	2,720.5
<b>Total assets</b>		<b>109,936.8</b>	105,018.2	78,487.2
<b>Liabilities</b>				
Amounts owed to credit institutions		378.3	402.0	425.4
Debt certificates		4,601.4	3,345.8	1,701.2
Technical provisions	A7	59,533.4	56,130.2	44,612.7
Technical provisions related to investments on behalf of policyholders	A5	23,084.9	21,690.1	15,824.3
Accruals and deferred income		1,496.9	452.7	522.8
Other liabilities	A8	10,584.5	12,895.0	5,349.1
Convertible notes		1.4	1.4	
Subordinated liabilities	A9	2,475.6	1,281.3	847.9
		<b>102,156.4</b>	96,198.5	69,283.4
Minority interests in group equity	A10	694.5	729.5	740.2
Net equity		<b>7,085.9</b>	8,090.2	8,463.6
Group equity		<b>7,780.4</b>	8,819.7	9,203.8
<b>Total liabilities</b>		<b>109,936.8</b>	105,018.2	78,487.2

## Profit and loss account insurance

	Note	2001	2000	1999
<b>Revenues:</b>				
Insurance premiums	A12	18,162.3	15,783.7	12,526.6
Interest income		3,158.4	2,533.3	2,275.4
Results from financial transactions	A13	(2,309.3)	(535.5)	2,025.0
Other revenues	A14	1,745.8	2,227.9	1,930.1
<b>Total revenues</b>		<b>20,757.2</b>	<b>20,009.4</b>	<b>18,757.1</b>
Interest expense		(688.2)	(314.2)	(200.6)
<b>Total revenues, net of interest expense</b>		<b>20,069.0</b>	<b>19,695.2</b>	<b>18,556.5</b>
Technical charges insurance	A15	(13,440.2)	(13,463.3)	(13,797.4)
Net revenues		6,628.8	6,231.9	4,759.1
Operating expenses	A16	(4,961.7)	(4,463.6)	(3,488.2)
<b>Operating result before taxation</b>		<b>1,667.1</b>	<b>1,768.3</b>	<b>1,270.9</b>
Taxation		(396.0)	(444.7)	(297.7)
Operating group profit		1,271.1	1,323.6	973.2
Minority interests		61.7	58.3	37.2
<b>Net operating profit</b>		<b>1,209.4</b>	<b>1,265.3</b>	<b>936.0</b>
Non-operating items after taxation		368.0	218.9	353.0
<b>Net profit</b>		<b>1,577.4</b>	<b>1,484.2</b>	<b>1,289.0</b>

The following table presents the insurance operations profit and loss account broken down into life insurance and non-life insurance.

	<i>2001</i>		
	<i>Life</i>	<i>Non-life</i>	<i>Total</i>
<b>Revenues:</b>			
Insurance premiums	10,197.7	7,964.6	18,162.3
Interest income	2,438.5	719.9	3,158.4
Results from financial transactions	( 2,189.4 )	( 119.9 )	( 2,309.3 )
Other revenues	1,418.6	327.2	1,745.8
<b>Total revenues</b>	<b>11,865.4</b>	<b>8,891.8</b>	<b>20,757.2</b>
Interest expense	( 541.0 )	( 147.2 )	( 688.2 )
<b>Total revenues, net of interest expense</b>	<b>11,324.4</b>	<b>8,744.6</b>	<b>20,069.0</b>
Technical charges insurance	( 8,395.7 )	( 5,044.5 )	( 13,440.2 )
<b>Net revenues</b>	<b>2,928.7</b>	<b>3,700.1</b>	<b>6,628.8</b>
Acquisition costs	( 1,014.3 )	( 2,692.3 )	( 3,706.6 )
Administrative expenses	( 661.4 )	( 1,332.3 )	( 1,993.7 )
Reinsurance commission and profit participation	188.6	815.0	1,003.6
Other charges	( 215.1 )	( 49.9 )	( 265.0 )
<b>Operating expenses</b>	<b>( 1,702.2 )</b>	<b>( 3,259.5 )</b>	<b>( 4,961.7 )</b>
<b>Operating result before taxation</b>	<b>1,226.5</b>	<b>440.6</b>	<b>1,667.1</b>
Taxation	( 282.8 )	( 113.2 )	( 396.0 )
Operating group profit	943.7	327.4	1,271.1
Minority interests	60.3	1.4	61.7
<b>Net operating profit</b>	<b>883.4</b>	<b>326.0</b>	<b>1,209.4</b>
Non-operating items after taxation	288.1	79.9	368.0
<b>Net profit</b>	<b>1,171.5</b>	<b>405.9</b>	<b>1,577.4</b>

	<i>2000</i>		
	<i>Life</i>	<i>Non-life</i>	<i>Total</i>
<b>Revenues:</b>			
Insurance premiums	8,993.0	6,790.7	15,783.7
Interest income	2,064.4	468.9	2,533.3
Results from financial transactions	( 590.5 )	55.0	( 535.5 )
Other revenues	1,772.2	455.7	2,227.9
<b>Total revenues</b>	<b>12,239.1</b>	<b>7,770.3</b>	<b>20,009.4</b>
Interest expense	( 206.8 )	( 107.4 )	( 314.2 )
<b>Total revenues, net of interest expense</b>	<b>12,032.3</b>	<b>7,662.9</b>	<b>19,695.2</b>
Technical charges insurance	( 9,002.8 )	( 4,460.5 )	( 13,463.3 )
<b>Net revenues</b>	<b>3,029.5</b>	<b>3,202.4</b>	<b>6,231.9</b>
Acquisition costs	( 976.9 )	( 2,327.5 )	( 3,304.4 )
Administrative expenses	( 676.6 )	( 1,078.7 )	( 1,755.3 )
Reinsurance commission and profit participation	216.5	691.8	908.3
Other charges	( 254.1 )	( 58.1 )	( 312.2 )
<b>Operating expenses</b>	<b>( 1,691.1 )</b>	<b>( 2,772.5 )</b>	<b>( 4,463.6 )</b>
<b>Operating result before taxation</b>	<b>1,338.4</b>	<b>429.9</b>	<b>1,768.3</b>
Taxation	( 363.8 )	( 80.9 )	( 444.7 )
<b>Operating group profit</b>	<b>974.6</b>	<b>349.0</b>	<b>1,323.6</b>
Minority interests	57.9	0.4	58.3
<b>Net operating profit</b>	<b>916.7</b>	<b>348.6</b>	<b>1,265.3</b>
Non-operating items after taxation	115.3	103.6	218.9
<b>Net profit</b>	<b>1,032.0</b>	<b>452.2</b>	<b>1,484.2</b>

	<i>1999</i>		
	<i>Life</i>	<i>Non-life</i>	<i>Total</i>
<b>Revenues:</b>			
Insurance premiums	7,030.0	5,496.6	12,526.6
Interest income	1,936.1	339.3	2,275.4
Results from financial transactions	1,893.5	131.5	2,025.0
Other revenues	1,507.8	422.3	1,930.1
<b>Total revenues</b>	<b>12,367.4</b>	<b>6,389.7</b>	<b>18,757.1</b>
Interest expense	( 126.6 )	( 74.0 )	( 200.6 )
<b>Total revenues, net of interest expense</b>	<b>12,240.8</b>	<b>6,315.7</b>	<b>18,556.5</b>
Technical charges insurance	( 9,909.5 )	( 3,887.9 )	( 13,797.4 )
<b>Net revenues</b>	<b>2,331.3</b>	<b>2,427.8</b>	<b>4,759.1</b>
Acquisition costs	( 716.1 )	( 1,504.3 )	( 2,220.4 )
Administrative expenses	( 542.1 )	( 892.9 )	( 1,435.0 )
Reinsurance commission and profit participation	110.6	303.9	414.5
Other charges	( 217.0 )	( 30.3 )	( 247.3 )
<b>Operating expenses</b>	<b>( 1,364.6 )</b>	<b>( 2,123.6 )</b>	<b>( 3,488.2 )</b>
<b>Operating result before taxation</b>	<b>966.7</b>	<b>304.2</b>	<b>1,270.9</b>
Taxation	( 235.9 )	( 61.8 )	( 297.7 )
<b>Operating group profit</b>	<b>730.8</b>	<b>242.4</b>	<b>973.2</b>
Minority interests	36.3	0.9	37.2
<b>Net operating profit</b>	<b>694.5</b>	<b>241.5</b>	<b>936.0</b>
Non-operating items after taxation	335.0	18.0	353.0
<b>Net profit</b>	<b>1,029.5</b>	<b>259.5</b>	<b>1,289.0</b>

## Notes to the balance sheet and profit and loss account insurance

### A1 Cash

This heading only includes balances that may be withdrawn immediately (within one day), such as credit balances with banking institutions payable on demand, deposits payable on demand, advance cash payments and short-term credit facilities. At 31 December 2001, EUR 0.7 million in cash in the insurance segment (2000: EUR 1.8 million; 1999: EUR 92.7 million) was subject to withdrawal and usage restrictions.

### A2 Investments

The composition of investments at 31 December was as follows:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Debt securities and other fixed-income securities	34,218.5	32,167.1	27,377.1
Equity securities and other fixed income securities	11,929.6	13,272.6	10,890.2
Total investment securities	46,148.1	45,439.7	38,267.3
Participations in investment pools	358.3	346.0	208.3
Investments in real estate	3,781.9	3,648.5	3,027.4
Other investments	199.0	215.6	115.0
<b>Total investments</b>	<b>50,487.3</b>	<b>49,649.8</b>	<b>41,618.0</b>

Equity securities in 2001 include amounts of EUR 470.1 million in Fortis shares (2000: EUR 563.8 million; 1999: EUR 585.5 million).



The following table shows the movements in investments.

	<i>Debt securities and other fixed-income securities</i>	<i>Shares</i>	<i>Partici- pations in investment pools</i>	<i>Land and buildings</i>	<i>Other invest- ments</i>
<b>Balance at 31 December 1999</b>	<b>27,377.1</b>	<b>10,890.2</b>	<b>208.3</b>	<b>3,027.4</b>	<b>115.0</b>
Purchases and sales group companies	3,300.6	1,386.0	112.4	256.7	
Purchases	12,420.7	8,487.8	25.3	332.2	145.8
Book value of sales and					
Redemptions	( 11,056.2 )	( 6,969.5 )		( 137.8 )	( 41.2 )
Revaluations	( 2.4 )	( 936.5 )		127.4	( 10.3 )
Unrealized capital gains / losses included in P&L				9.2	
Exchange differences	567.1	17.2		12.3	8.8
Other movements	( 5.1 )			( 0.2 )	
Reclassifications	( 434.7 )	397.4		21.3	( 2.5 )
<b>Balance at 31 December 2000</b>	<b>32,167.1</b>	<b>13,272.6</b>	<b>346.0</b>	<b>3,648.5</b>	<b>215.6</b>
Purchases and sales group companies	( 741.1 )	( 112.3 )		( 28.1 )	
Purchases	18,551.1	12,397.3	12.3	285.8	55.0
Book value of sales and					
Redemptions	( 16,144.3 )	( 11,501.8 )		( 273.5 )	( 79.0 )
Revaluations	1.1	( 2,216.4 )		152.1	1.0
Unrealized capital gains / losses included in P&L	( 84.8 )			( 9.4 )	
Exchange differences	436.6	13.6		10.6	7.4
Other movements	( 2.3 )			1.5	
Reclassifications	35.1	76.6		( 5.6 )	( 1.0 )
<b>Balance at 31 December 2001</b>	<b>34,218.5</b>	<b>11,929.6</b>	<b>358.3</b>	<b>3,781.9</b>	<b>199.0</b>
<b>2000</b>					
Purchase price		9,726.3	346.0	2,987.3	
Fair value	32,931.8				215.9
Redemption value	28,539.0				
<b>2001</b>					
Purchase price		10,691.4	358.5	2,902.2	
Fair value	35,026.3				199.7
Redemption value	32,709.5				

*Investment securities*

The following table presents the purchase price less amortized cost (cost price in the case of equity securities) and the approximate fair values at 31 December of investments of Fortis in debt securities and other fixed-income securities and equity securities:

	<i>2001</i>			
	<i>Amortized cost or cost</i>	<i>Gross unrealized gains</i>	<i>Gross unrealized Losses</i>	<i>Fair value</i>
Belgian government	8,657.7	450.6	( 26.1 )	9,082.2
Dutch government	1,735.3	8.3	( 15.0 )	1,728.6
U.S. government	810.2	55.0	( 17.9 )	847.3
Other governments	7,915.0	252.1	( 39.2 )	8,127.9
Companies	6,884.9	217.1	( 161.8 )	6,940.2
Banks	5,741.5	162.7	( 97.8 )	5,806.4
Mortgage-backed securities	930.3	23.1	( 4.3 )	949.1
Other asset-backed securities	23.4	1.0	( 0.6 )	23.8
Other debt securities and other fixed-income securities	1,520.2	26.0	( 25.4 )	1,520.8
<b>Total debt securities and other fixed-income securities</b>	<b>34,218.5</b>	<b>1,195.9</b>	<b>( 388.1 )</b>	<b>35,026.3</b>
Equity securities	10,691.4	2,252.9	( 1,014.7 )	11,929.6
<b>Total investment securities</b>	<b>44,909.9</b>	<b>3,448.8</b>	<b>( 1,402.8 )</b>	<b>46,955.9</b>

	<i>2000</i>			
	<i>Amortized cost or cost</i>	<i>Gross unrealized gains</i>	<i>Gross unrealized losses</i>	<i>Fair value</i>
Belgian government	9,028.2	434.4	( 51.9 )	9,410.7
Dutch government	2,075.1	23.3	( 4.5 )	2,093.9
U.S. government	830.4	48.7	( 4.0 )	875.1
Other governments	5,684.0	159.2	( 16.2 )	5,827.0
Companies	7,247.7	172.1	( 166.1 )	7,253.7
Banks	4,160.7	89.5	( 75.0 )	4,175.2
Mortgage-backed securities	1,197.4	57.7	( 2.3 )	1,252.8
Other asset-backed securities	167.0	2.0	( 6.3 )	162.7
Other debt securities and other fixed-income securities	1,776.6	109.1	( 5.0 )	1,880.7
<b>Total debt securities and other fixed-income securities</b>	<b>32,167.1</b>	<b>1,096.0</b>	<b>( 331.3 )</b>	<b>32,931.8</b>
Equity securities	9,726.3	4,015.7	( 469.4 )	13,272.6
<b>Total investment securities</b>	<b>41,893.4</b>	<b>5,111.7</b>	<b>( 800.7 )</b>	<b>46,204.4</b>

1999

	<i>Amortized cost or cost</i>	<i>Gross unrealized gains</i>	<i>Gross unrealized losses</i>	<i>Fair value</i>
Belgian government	9,006.3	400.4	( 91.1 )	9,315.6
Dutch government	1,916.5	8.2	( 111.6 )	1,813.1
U.S. government	595.4	19.6	( 13.1 )	601.9
Other governments	4,163.5	203.1	( 153.3 )	4,213.3
Companies	5,649.8	63.0	( 76.1 )	5,636.7
Banks	2,418.5	25.8	( 70.3 )	2,374.0
Mortgage-backed securities	1,376.6	1.1	( 39.7 )	1,338.0
Other asset-backed securities	129.0	1.3	( 0.1 )	130.2
Other debt securities and other fixed-income securities	2,121.5	143.7	( 17.9 )	2,247.3
Total debt securities and other fixed-income securities	27,377.1	866.2	( 573.2 )	27,670.1
Equity securities	6,567.0	4,420.9	( 97.7 )	10,890.2
<b>Total investment securities</b>	<b>33,944.1</b>	<b>5,287.1</b>	<b>( 670.9 )</b>	<b>38,560.3</b>

Gross realized gains and gross realized losses on the sale of investment securities (whether deferred or recognized in the profit and loss account) were EUR 824.0 million and EUR 307.8 million, respectively (2000: EUR 698.3 million and EUR 148.1 million; 1999: EUR 771.1 million and EUR 162.5 million).

The following table presents the maturities of investments in debt securities and other fixed-income securities and the related carrying and fair values at 31 December 2001:

	<i>Carrying value</i>	<i>Fair value</i>
Due in one year or less	2,050.6	2,069.1
Due from one year to five years	9,688.1	9,990.7
Due from five years to ten years	11,174.0	11,290.0
Due after ten years	11,305.8	11,676.5
<b>Total</b>	<b>34,218.5</b>	<b>35,026.3</b>

### *Investments in land and buildings*

The following table is a summary of investments in land and buildings:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Land and buildings in company use	735.5	717.0	584.2
Other land and buildings	3,046.4	2,931.5	2,443.2
	<b>3,781.9</b>	<b>3,648.5</b>	<b>3,027.4</b>

The following table provides the details of land and buildings by valuation date:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
2001	1,305.5		
2000	1,026.7	1,386.3	
1999	640.0	727.1	832.7
1998	354.5	503.3	557.8
1997	455.2	582.6	575.1
1996		449.2	321.8
1995			740.0
	<u>3,781.9</u>	<u>3,648.5</u>	<u>3,027.4</u>

### A3 Loans and advances to customers

This item consists of:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Mortgage loans	9,754.0	8,138.4	5,023.2
Policyholder loans	202.5	349.7	285.2
Other private loans	6,164.7	6,349.3	2,508.5
	<u>16,121.2</u>	<u>14,837.4</u>	<u>7,816.9</u>

The amount of loans and advances to customers includes an allowance for doubtful debts of EUR 103.3 million (2000: EUR 100.3 million; 1999: EUR 28.6 million).

### A4 Deferred acquisition costs

Deferred acquisition costs is made up of the following items:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Life insurance	1,788.6	2,258.6	1,383.1
Non-life insurance	1,175.0	1,039.1	698.3
Deferred acquisition costs	<u>2,963.6</u>	<u>3,297.7</u>	<u>2,081.4</u>

The table below shows the movements in deferred acquisition costs:

	<i>2001</i>	<i>2000</i>
<b>Balance at 1 January</b>	<b>3,297.7</b>	<b>2,081.4</b>
Recognized items	894.7	1,481.4
Amortization	( 805.0 )	( 1,253.3 )
Purchases and sales group companies	( 550.1 )	836.1
Other adjustments including exchange rate differences	126.3	152.1
<b>Balance at 31 December</b>	<b>2,963.6</b>	<b>3,297.7</b>

**A5 Investments on behalf of policyholders**

The following table presents the composition of investments on behalf of policyholders at 31 December:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Cash	44.2	188.6	34.2
Interest-bearing deposits in other banks	117.9	45.3	119.3
Debt securities	4,609.5	3,997.0	2,921.4
Shares	18,016.7	16,740.8	10,240.8
Land and buildings	420.8	354.3	320.9
Loans	114.5	479.1	408.4
Other	243.8	207.6	2,165.0
Total investments	<u>23,567.4</u>	<u>22,012.7</u>	<u>16,210.0</u>
Add: Other assets	107.9	118.4	105.1
Less: Other liabilities	( 590.4 )	( 441.0 )	( 490.8 )
<b>Liabilities related to investments on behalf of policyholders</b>	<b>23,084.9</b>	<b>21,690.1</b>	<b>15,824.3</b>

Other assets and other liabilities relate to timing differences in the cash flows.

The table below sets forth information about the liability related to investments on behalf of policyholders:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Net of reinsurance	22,977.0	21,565.9	15,720.3
Reinsurance	107.9	124.2	104.0
<b>Gross</b>	<b>23,084.9</b>	<b>21,690.1</b>	<b>15,824.3</b>

**A6 Other assets**

Other assets consisted of the following at 31 December:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Participating interests:			
- Valued by equity method	107.2	51.7	25.3
- Other	34.6	39.1	33.7
Receivable from participating interest	122.2	47.6	34.8
Other tangible fixed assets	205.9	196.9	168.7
Receivables arising from insurance operations:			
- Policyholders	261.1	496.6	389.9
- Intermediaries	728.1	822.5	485.6
Receivables arising from reinsurance operations	132.3	106.6	188.1
Other insurance receivables	1,241.2	1,859.8	991.9
Deposits with ceding companies <sup>1)</sup>	178.7	177.2	190.5
Deferred tax assets	1,963.8	2,004.0	
Other	487.9	428.3	212.0
<b>Total</b>	<b>5,463.0</b>	<b>6,230.3</b>	<b>2,720.5</b>

*1) Fair value of EUR 178.7 million in 2001 (2000: EUR 177.1 million; 1999: EUR 190.5 million).*

Other insurance receivables include EUR 325.2 million (2000: EUR 1,084.3 million; 1999: EUR 493.7 million) receivables from group companies. Other tangible fixed assets primarily consist of data processing systems, office equipment and motor vehicles.

The item Other for 2001 includes EUR 57.2 million of Fortis shares held by ASR Verzekeringsgroep to hedge the option and SAR plans (2000: EUR 53.9 million).

## A7 Technical provisions

The following table shows the composition of the insurance technical provisions own account:

	<i>2001</i>		
	<i>Gross</i>	<i>Reinsurance</i>	<i>Net of reinsurance</i>
Life insurance	46,028.1	3,543.5	42,484.6
Non-life insurance:			
- Unearned premiums	4,101.1	978.0	3,123.1
- Claims outstanding	8,769.7	2,255.5	6,514.2
Provision for bonuses and rebates <sup>1)</sup>	310.5	0.2	310.3
Equalization provision <sup>2)</sup>	140.2		140.2
Other technical provisions <sup>3)</sup>	183.8	5.7	178.1
	<b>59,533.4</b>	<b>6,782.9</b>	<b>52,750.5</b>
	<i>2000</i>		
	<i>Gross</i>	<i>Reinsurance</i>	<i>Net of reinsurance</i>
Life insurance	43,733.6	1,902.9	41,830.7
Non-life insurance:			
- Unearned premiums	3,778.7	1,001.2	2,777.5
- Claims outstanding	7,930.6	1,909.2	6,021.4
Provision for bonuses and rebates <sup>1)</sup>	377.3	0.4	376.9
Equalization provision <sup>2)</sup>	136.8		136.8
Other technical provisions <sup>3)</sup>	173.2	5.7	167.5
	<b>56,130.2</b>	<b>4,819.4</b>	<b>51,310.8</b>
	<i>1999</i>		
	<i>Gross</i>	<i>Reinsurance</i>	<i>Net of reinsurance</i>
Life insurance	34,625.3	1,999.3	32,626.0
Non-life insurance:			
- Unearned premiums	2,930.3	1,002.9	1,927.4
- Claims outstanding	6,416.0	1,114.5	5,301.5
Provision for bonuses and rebates <sup>1)</sup>	230.6		230.6
Equalization provision <sup>2)</sup>	151.5		151.5
Other technical provisions <sup>3)</sup>	259.0	11.0	248.0
	<b>44,612.7</b>	<b>4,127.7</b>	<b>40,485.0</b>

1) Provisions for bonuses and rebates consisted of EUR 305.7 million at 31 December 2001 (2000: EUR 363.2 million; 1999: 221.6 million) related to life insurance and EUR 4.6 million (2000: EUR 13.7 million; 1999: EUR 9.0 million) related to non-life insurance

2) Equalization provision relates entirely to non-life insurance business

3) Other technical provisions at 31 December 2001 consisted of EUR 59.5 million (2000: EUR 87.7 million; 1999: EUR 62.6 million) related to life insurance and EUR 118.8 million (2000: EUR 79.8 million; 1999: EUR 185.4 million) related to non-life insurance

Reinsurance does not relieve the insurer of its obligations to the policyholder.

Life insurance technical provisions includes EUR 1,859.7 million (2000: EUR 1,876.9 million; 1999: EUR 1,840.3 million) in respect of pension commitments to Fortis employees.

As is stated in the principles of valuation, calculation of the insurance provision deviates from the rating principles if expectations of future developments in investment yields, withdrawals, mortality, costs or other assumptions give cause to increase the provision. At year-end 1998 Fortis determined that the (expected) income on (future) investments in a number of countries is lower than the figures used in the rating principles. Application of the principle described above results in the creation of an additional provision of EUR 1,341 million. This provision, which relates solely to the portfolio at year-end 1998, will gradually be transferred to the life insurance technical provision during the remaining term of this portfolio on the basis of the development of the portfolio and the actual investment income.

As of 31 December 1999 Other technical provisions included an amount of EUR 110.5 million set aside for the millennium liability risk in the non-life insurance business. This provision was released in 2000.

The table below shows the roll-forward of technical provisions life, for own account.

	<i>2001</i>	<i>2000</i>
<b>Balance at 1 January</b>	<b>41,830.7</b>	<b>32,626.0</b>
Acquisitions and sale group companies	( 2,327.0 )	7,523.0
Increase to profit & loss account through change in technical provision	2,032.7	1,483.7
Decrease to profit & loss account included in other items	( 253.4 )	( 273.9 )
Exchange rate differences to profit & loss account	271.7	368.3
Other changes	712.4	154.3
Changes due to reclassification	217.5	( 50.7 )
<b>Balance at 31 December</b>	<b>42,484.6</b>	<b>41,830.7</b>



Technical provisions insurance, net of reinsurance by region is as follows:

2001

	<i>Belgium</i>	<i>The Netherlands</i>	<i>Luxembourg</i>	<i>Benelux</i>	<i>United States</i>	<i>Rest of the world</i>	<i>Total</i>
Life							
- for own account	17,135.8	15,825.4	368.4	33,329.6	4,179.1	5,341.0	42,849.7
- for account of policyholders	7,435.2	8,135.1	826.6	16,396.9	5,304.0	1,276.1	22,977.0
Non-life	2,495.1	1,971.5	9.0	4,475.6	4,337.2	1,088.0	9,900.8
<b>Total</b>	<b>27,066.1</b>	<b>25,932.0</b>	<b>1,204.0</b>	<b>54,202.1</b>	<b>13,820.3</b>	<b>7,705.1</b>	<b>75,727.5</b>

2000

	<i>Belgium</i>	<i>The Netherlands</i>	<i>Luxembourg</i>	<i>Benelux</i>	<i>United States</i>	<i>Rest of the world</i>	<i>Total</i>
Life							
- for own account	16,098.2	15,499.9	353.4	31,951.5	5,654.5	4,675.5	42,281.5
- for account of policyholders	6,591.7	7,018.3	595.7	14,205.7	5,924.5	1,435.8	21,566.0
Non-life	2,428.4	1,754.2	9.4	4,192.0	3,744.4	1,092.9	9,029.3
<b>Total</b>	<b>25,118.3</b>	<b>24,272.4</b>	<b>958.5</b>	<b>50,349.2</b>	<b>15,323.4</b>	<b>7,204.2</b>	<b>72,876.8</b>

1999

	<i>Belgium</i>	<i>The Netherlands</i>	<i>Luxembourg</i>	<i>Benelux</i>	<i>United States</i>	<i>Rest of the world</i>	<i>Total</i>
Life							
- for own account	15,261.4	8,269.9	405.7	23,937.0	4,719.0	4,254.2	32,910.2
- for account of policyholders	4,074.0	5,224.5	437.1	9,735.6	5,128.7	856.0	15,720.3
Non-life	2,410.5	773.7	9.7	3,193.9	3,340.8	1,040.1	7,574.8
<b>Total</b>	<b>21,745.9</b>	<b>14,268.1</b>	<b>852.5</b>	<b>36,866.5</b>	<b>13,188.5</b>	<b>6,150.3</b>	<b>56,205.3</b>

Technical provisions of non-life insurance, net of reinsurance by line of business and by region is as follows:

	<i>2001</i>				
	<i>Accident and health</i>	<i>Motor</i>	<i>Fire</i>	<i>Other lines</i>	<i>Total</i>
Belgium	1,013.5	612.1	418.5	451.0	2,495.1
The Netherlands	896.0	614.1	193.2	268.2	1,971.5
Luxembourg	0.3		5.0	3.7	9.0
<b>Benelux</b>	<b>1,909.8</b>	<b>1,226.2</b>	<b>616.7</b>	<b>722.9</b>	<b>4,475.6</b>
United States	2,230.5			2,106.7	4,337.2
Rest of the world	22.2	789.5	148.0	128.3	1,088.0
<b>Total</b>	<b>4,162.5</b>	<b>2,015.7</b>	<b>764.7</b>	<b>2,957.9</b>	<b>9,900.8</b>
	<i>2000</i>				
	<i>Accident and health</i>	<i>Motor</i>	<i>Fire</i>	<i>Other lines</i>	<i>Total</i>
Belgium	965.5	604.8	384.7	473.4	2,428.4
The Netherlands	781.4	540.1	188.6	244.1	1,754.2
Luxembourg	0.4		5.2	3.8	9.4
<b>Benelux</b>	<b>1,747.3</b>	<b>1,144.9</b>	<b>578.5</b>	<b>721.3</b>	<b>4,192.0</b>
United States	1,858.3			1,886.1	3,744.4
Rest of the world	29.9	741.5	133.0	188.5	1,092.9
<b>Total</b>	<b>3,635.5</b>	<b>1,886.4</b>	<b>711.5</b>	<b>2,795.9</b>	<b>9,029.3</b>
	<i>1999</i>				
	<i>Accident and health</i>	<i>Motor</i>	<i>Fire</i>	<i>Other lines</i>	<i>Total</i>
Belgium	937.9	616.4	488.5	367.7	2,410.5
The Netherlands	174.2	242.3	129.4	227.8	773.7
Luxembourg	0.4		5.7	3.6	9.7
<b>Benelux</b>	<b>1,112.5</b>	<b>858.7</b>	<b>623.6</b>	<b>599.1</b>	<b>3,193.9</b>
United States	1,994.2			1,346.6	3,340.8
Rest of the world	52.3	694.0	124.6	169.2	1,040.1
<b>Total</b>	<b>3,159.0</b>	<b>1,552.7</b>	<b>748.2</b>	<b>2,114.9</b>	<b>7,574.8</b>

The roll-forward of the non-life provisions (claims outstanding), net of reinsurance is as follows:

	<i>2001</i>	<i>2000</i>
<b>Balance at 1 January</b>	<b>6,021.4</b>	<b>5,301.5</b>
Purchases and sales group companies		384.8
Adjusted net opening balance at 1 January	<u>6,021.4</u>	<u>5,686.3</u>
Claims and claims expense, net of reinsurance:		
- Provision attributable to prior years	482.2	829.1
- Provision attributable to current year	4,023.4	3,299.2
- Interest accrual of provision for disability losses	8.2	7.0
Total claims and claims expenses, net of reinsurance	<u>4,513.8</u>	<u>4,135.3</u>
Payment for claims and claims expense, net of reinsurance:		
- Attributable to the prior years	( 1,342.7 )	( 1,338.5 )
- Attributable to the current year	( 2,713.2 )	( 2,637.5 )
Total payment, net of reinsurance	<u>( 4,055.9 )</u>	<u>( 3,976.0 )</u>
Foreign currency translation adjustments	137.3	180.7
Other charges	( 102.4 )	( 4.9 )
<b>Balance at 31 December</b>	<b><u>6,514.2</u></b>	<b><u>6,021.4</u></b>

## A8 Other liabilities

Other liabilities consist of the following:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Pensions and early retirement benefits	482.5	467.2	287.9
Taxes and other social security charges	665.7	354.5	237.0
Deferred tax liabilities	1,990.4	2,640.6	57.0
Deposits from reinsurers	546.9	752.9	718.9
Creditors arising from direct insurance operations <sup>1)</sup>	640.9	715.4	506.8
Creditors arising from reinsurance operations <sup>1)</sup>	362.9	390.4	365.1
Other provisions	160.0	286.3	285.0
Other <sup>2)</sup>	5,735.2	7,287.7	2,891.4
<b>Total</b>	<b><u>10,584.5</u></b>	<b><u>12,895.0</u></b>	<b><u>5,349.1</u></b>

1) Creditors arising from direct insurance and reinsurance operations have terms primarily of five years or less.

2) Other liabilities include EUR 2,651.8 million (2000: EUR 4,009.6 million 1999: EUR 1,327.8 million) payable to group companies.

## A9 Subordinated liabilities

The table below gives a description of subordinated liabilities:

	2001	2000	1999
Loan from Fortis Insurance N.V. (General sector);			
Capital USD 499,850; 26-04-1999 / 27-04-2009; 7.892%	567.2	537.2	497.6
Capital Proceeds Trust I; 01-03-2000 / 01-03-2005; 8.48%	170.2		
Capital Proceeds Trust II; 01-03-2000 / 01-03-2010; 8.4%	453.9		
Loan from Fortis Finance N.V.: Perpetual cumulative subordinated bonds 2001; 6.625%.	540.0		
Loan from Fortis Brussels SA/NV with a coupon of 5.76% and 6.76% from 2005 onwards.	150.0	150.0	150.0
Mandatory redeemable preferred shares issued by Fortis for USD 200 million (200,000 shares with a par value of USD 1,000). The securities mature in May and July 2027.	226.9	214.9	200.3
Third-party loan, convertible in Fortis shares at a price of EUR 33.56 and maturing on 15 July 2005.	123.5	124.9	
Other subordinated liabilities denominated in various currencies with interest rates of between 4.5% and 7.2% and maturities through 2019.	243.9	254.3	
<b>Total subordinated liabilities</b>	<b>2,475.6</b>	<b>1,281.3</b>	<b>847.9</b>

## A10 Minority interests in group equity

Minority interest in group equity includes EUR 650 million of Trust Capital Securities issued by a Special Purpose Vehicle. This matter is described in detail in note 7.

## A11 Off-balance-sheet transactions

To hedge interest rate exposure, the insurance operations have entered into a limited number of swap contracts. The nominal value of all contracts is EUR 1,749.5 million (2000: EUR 2,026.3 million; 1999: EUR 830.6 million) and the positive replacement value is EUR 547.9 million (2000: EUR 73.4 million; 1999: EUR 28.9 million).

## A12 Insurance premiums

The table below presents insurance premiums broken down into life insurance and non-life insurance:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
<b>Life insurance:</b>			
Gross premiums	10,681.7	9,733.3	7,456.6
Ceded reinsurance premiums	( 484.0 )	( 740.3 )	( 426.6 )
Net premiums	10,197.7	8,993.0	7,030.0
<b>Non-life insurance:</b>			
Gross premiums written	10,932.2	9,693.2	7,077.3
Ceded reinsurance premiums	( 2,650.8 )	( 2,468.5 )	( 1,418.5 )
Net premiums	8,281.4	7,224.7	5,658.8
Change in provision for unearned premiums	( 301.5 )	( 380.1 )	( 186.8 )
Change in provision for ceded unearned premiums	( 15.3 )	( 53.9 )	24.6
Net premiums earned	7,964.6	6,790.7	5,496.6
<b>Total insurance premiums earned</b>	<b>18,162.3</b>	<b>15,783.7</b>	<b>12,526.6</b>

### *Life insurance*

The table below gives the details of life insurance premiums:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Individual premiums	8,387.6	7,795.4	5,899.3
Premiums under group contracts	2,294.1	1,937.9	1,557.3
<b>Gross premiums</b>	<b>10,681.7</b>	<b>9,733.3</b>	<b>7,456.6</b>
Periodic premiums	3,958.2	3,701.6	3,088.5
Single premiums	6,723.5	6,031.7	4,368.1
<b>Gross premiums</b>	<b>10,681.7</b>	<b>9,733.3</b>	<b>7,456.6</b>
Premium from:			
Non-bonus contracts	2,367.0	2,565.5	2,380.1
Bonus contracts	4,178.8	2,291.8	2,118.8
Contracts where the policyholders bear the investment risk	4,135.9	4,876.0	2,957.7
<b>Gross premiums</b>	<b>10,681.7</b>	<b>9,733.3</b>	<b>7,456.6</b>
Individual contracts:			
- Periodic premiums	2,003.3	1,384.0	1,162.7
- Single premiums	2,200.1	1,151.6	1,574.7
Group contracts	1,642.5	1,457.0	1,284.6
Credit-linked premiums	699.9	864.6	476.9
Investment-linked premiums	4,135.9	4,876.1	2,957.7
<b>Gross premiums</b>	<b>10,681.7</b>	<b>9,733.3</b>	<b>7,456.6</b>

*Non-life insurance*

The table below gives the details by region of net non-life insurance premiums earned:

	<i>2001</i>			
	<i>Accident and health</i>	<i>Motor</i>	<i>Fire</i>	<i>Other lines</i>
Belgium	267.4	282.0	265.5	109.1
The Netherlands	571.5	454.9	256.2	249.6
Luxembourg	0.4		7.1	2.0
<b>Benelux</b>	<b>839.3</b>	<b>736.9</b>	<b>528.8</b>	<b>360.7</b>
United States	2,805.9			1,804.6
Rest of the world	53.7	606.2	152.8	75.7
<b>Total</b>	<b>3,698.9</b>	<b>1,343.1</b>	<b>681.6</b>	<b>2,241.0</b>
				<i>2000</i>
	<i>Accident and health</i>	<i>Motor</i>	<i>Fire</i>	<i>Other lines</i>
Belgium	251.0	265.4	256.4	98.1
The Netherlands	128.0	211.1	163.2	115.5
Luxembourg	0.4		7.2	1.3
<b>Benelux</b>	<b>379.4</b>	<b>476.5</b>	<b>426.8</b>	<b>214.9</b>
United States	2,795.0			1,633.3
Rest of the world	71.2	554.8	141.8	97.0
<b>Total</b>	<b>3,245.6</b>	<b>1,031.3</b>	<b>568.6</b>	<b>1,945.2</b>
				<i>1999</i>
	<i>Accident and health</i>	<i>Motor</i>	<i>Fire</i>	<i>Other lines</i>
Belgium	234.3	248.8	254.5	95.6
The Netherlands	115.5	194.8	163.7	118.3
Luxembourg	0.4		5.9	2.0
<b>Benelux</b>	<b>350.2</b>	<b>443.6</b>	<b>424.1</b>	<b>215.9</b>
United States	2,556.6			833.8
Rest of the world	76.6	408.9	115.9	71.0
<b>Total</b>	<b>2,983.4</b>	<b>852.5</b>	<b>540.0</b>	<b>1,120.7</b>

Fortis is engaged to a limited extent in assumed reinsurance business. Assumed reinsurance underwritten is in run-off.

### A13 Results from financial transactions

The table below sets forth details of net results from financial transactions:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Realized gains on sale of investments, net <sup>1)</sup>	190.2	479.6	358.5
Gains from investments on behalf of			
Policyholders (realized and unrealized)	226.4	153.2	1,801.1
Loss from investments on behalf of			
Policyholders (realized and unrealized)	( 2,725.9 )	( 1,168.3 )	( 134.6 )
<b>Total</b>	<b>( 2,309.3 )</b>	<b>( 535.5 )</b>	<b>2,025.0</b>

1) Includes an amount of EUR 348.6 million (2000: EUR 184.2 million; 1999: EUR 176.9 million) of realized losses on sale of investments.

### A14 Other revenues

The table below sets forth details of other revenues:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Dividends from equity securities	377.3	285.2	278.9
Land and buildings	285.4	259.7	258.3
Participations in investment pools	15.1	25.9	22.4
Other investments	67.4	51.5	45.3
Investments on behalf of policyholders	409.8	947.8	820.1
Revenues from participating interests	6.4	8.1	8.3
Other	584.4	649.7	496.8
<b>Total</b>	<b>1,745.8</b>	<b>2,227.9</b>	<b>1,930.1</b>

Land and buildings includes rental income related to real estate in company use amounting to EUR 41.2 million (2000: EUR 35.1 million; 1999: EUR 33.8 million) of which EUR 32.5 million (2000: EUR 26.7 million; 1999: EUR 25.5 million) relates to land and buildings in use by insurance companies and EUR 8.7 million (2000: EUR 8.4 million; 1999: EUR 8.3 million) relates to land and buildings in use by other Fortis companies. The remaining EUR 244.1 million (2000: EUR 224.5 million; 1999: EUR 224.5 million) relates to land and buildings rented to third parties.

Revenues from participating interests includes EUR 3.2 million, negative (2000: EUR 3.5 million; 1999: EUR 2.8 million) related to the share in the result of participating interest valued by the equity method held by the insurance operations.

**A15 Technical charges insurance**

The following table summarizes the technical charges insurance:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
<b>Life insurance</b>			
Benefits and surrenders, net of reinsurance:			
- Gross	5,298.8	4,560.5	3,621.0
- Reinsurers' share	( 665.3 )	( 370.0 )	( 266.3 )
	<u>4,633.5</u>	<u>4,190.5</u>	<u>3,354.7</u>
Changes in life insurance technical provisions:			
- Gross	2,874.6	4,415.3	5,908.2
- Reinsurers' share	689.6	72.9	263.7
- Other changes, net of reinsurance	( 3.6 )	1.0	( 24.8 )
	<u>3,560.6</u>	<u>4,489.2</u>	<u>6,147.1</u>
Bonuses and rebates, net of reinsurance	187.0	303.6	390.7
Other	14.6	19.5	17.0
<b>Total life insurance</b>	<u><b>8,395.7</b></u>	<u><b>9,002.8</b></u>	<u><b>9,909.5</b></u>
<b>Non-life insurance</b>			
Claims and claims paid:			
- Gross	5,810.2	5,326.6	4,267.7
- Reinsurers' share	( 1,136.7 )	( 972.0 )	( 617.0 )
	<u>4,673.5</u>	<u>4,354.6</u>	<u>3,650.7</u>
Changes in non-life insurance technical provisions:			
- Gross	584.6	502.4	290.9
- Reinsurers' share	( 246.5 )	( 408.1 )	( 69.8 )
- Other changes, net of reinsurance	1.4	( 2.5 )	4.2
	<u>339.5</u>	<u>91.8</u>	<u>225.3</u>
Bonuses and rebates, net of reinsurance	5.8	6.5	2.1
Change in equalization provision	3.3	( 4.0 )	( 2.5 )
Other	22.4	11.6	12.3
<b>Total non-life insurance</b>	<u><b>5,044.5</b></u>	<u><b>4,460.5</b></u>	<u><b>3,887.9</b></u>
<b>Total technical charges insurance</b>	<u><b>13,440.2</b></u>	<u><b>13,463.3</b></u>	<u><b>13,797.4</b></u>

The net effect of reinsurance items associated with the life insurance operations charged to the profit and loss account during the year ended 31 December 2001 amounted to EUR 318.9 million (2000: EUR 226.7 million; 1999: EUR 313.8 million).



## A16 Operating expenses

The following table summarizes operating expenses:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Wages and salaries	1,076.7	937.6	728.8
Social costs:			
- Pension and early retirement	111.4	80.8	18.5
- Other social costs	164.6	143.4	120.3
Depreciation and amortization	57.5	54.0	64.9
Investment management	164.6	227.2	160.5
Commissions:			
- Life insurance	813.2	821.9	595.5
- Non-life insurance	2,610.5	2,430.2	1,447.5
Change in deferred acquisition costs	( 169.5 )	( 353.9 )	( 155.7 )
Reinsurance commission and profit participation	( 1,003.6 )	( 908.3 )	( 414.5 )
Value (re)adjustments real estate	9.4	( 9.2 )	( 3.6 )
Other	1,126.9	1,039.9	926.0
<b>Total</b>	<b>4,961.7</b>	<b>4,463.6</b>	<b>3,488.2</b>

Wages and salaries include an amount of EUR 22.2 million in 2001 (2000: EUR 26.9 million; 1999: EUR 28.4 million) in respect of commissions paid to salaried agents.

Investment management and insurance costs include a total of EUR 107.3 million in salaries and social costs (2000: EUR 120.2 million; 1999: EUR 83.0 million).

## A17 Reconciliation technical accounts

In reporting on results of the insurance sector, Fortis has decided to focus on the result before taxation per sector rather than the technical and non-technical results from 1999 onwards. In compliance with statutory requirements, the three tables below show the technical result life, technical result non-life and non-technical accounts.

### *Technical result life*

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Insurance premiums	10,197.7	8,993.0	7,030.0
Allocated investment result, from non-technical account	177.7	1,792.7	4,341.0
Other technical income, net of reinsurance	3.6	3.3	2.1
Other income	327.8	373.3	265.5
	<u>509.1</u>	<u>2,169.3</u>	<u>4,608.6</u>
Benefits and surrenders, net of reinsurance	4,633.5	4,190.5	3,354.7
Changes in technical provisions	3,560.6	4,489.2	6,147.1
Bonuses and rebates, net of reinsurance	187.0	303.6	390.7
Operating expenses:			
- Acquisition costs	1,049.8	1,028.8	778.7
- Change in deferred acquisition costs	( 35.4 )	( 51.9 )	( 62.7 )
- Administrative expenses	589.2	583.5	494.7
- Reinsurance commissions and profit participation	( 188.7 )	( 216.6 )	( 110.6 )
	<u>1,414.9</u>	<u>1,343.8</u>	<u>1,100.1</u>
Other technical charges, net of reinsurance	14.7	19.6	17.0
Other charges	141.4	125.7	91.4
	<u>754.7</u>	<u>689.9</u>	<u>537.6</u>
<b>Result technical account life insurance before taxation</b>	<b>754.7</b>	<b>689.9</b>	<b>537.6</b>

*Technical result non-life*

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Insurance premiums	7,964.6	6,790.7	5,496.6
Allocated investment result from non-technical account	551.8	478.6	386.4
Other technical income, net of reinsurance	11.1	4.3	6.4
Other income	231.1	209.4	214.8
	<u>794.0</u>	<u>692.3</u>	<u>607.6</u>
Claims, net of reinsurance:			
- Claims paid, gross	5,810.2	5,326.6	4,267.7
- Reinsurers' share	( 1,136.7 )	( 972.0 )	( 617.0 )
	<u>4,673.5</u>	<u>4,354.6</u>	<u>3,650.7</u>
- Change in provision for claims, gross	584.6	502.4	290.9
- Reinsurers' share	( 246.4 )	( 408.2 )	( 69.7 )
	<u>5,011.7</u>	<u>4,448.8</u>	<u>3,871.9</u>
Change in other technical provisions, net of reinsurance	1.4	( 2.5 )	4.2
Bonuses and rebates, net of reinsurance	5.8	6.5	2.1
Operating expenses:			
- Acquisition costs	2,826.5	2,617.4	1,596.6
- Change in deferred acquisition costs	( 134.1 )	( 302.0 )	( 93.0 )
- Administrative expenses	1,316.8	1,070.2	875.3
- Reinsurance commissions and profit participation	( 815.0 )	( 691.7 )	( 303.9 )
	<u>3,194.2</u>	<u>2,693.9</u>	<u>2,075.0</u>
Other technical charges, net of reinsurance	22.3	11.6	12.4
Change in equalization provision	3.3	( 4.0 )	( 2.5 )
Other charges	27.6	13.3	2.7
	<u>492.3</u>	<u>315.4</u>	<u>138.4</u>
<b>Result technical account non-life insurance before taxation</b>	<b>492.3</b>	<b>315.4</b>	<b>138.4</b>

The following table gives the technical result by region:

	<i>2001</i>						
	<i>Belgium</i>	<i>The Netherlands</i>	<i>Luxembourg</i>	<i>Benelux</i>	<i>United States</i>	<i>Rest of the world</i>	<i>Total</i>
Life	333.6	231.3	3.9	568.8	155.2	30.7	754.7
Non-life	86.5	54.3	2.6	143.4	279.5	69.4	492.3
<b>Total</b>	<b>420.1</b>	<b>285.6</b>	<b>6.5</b>	<b>712.2</b>	<b>434.7</b>	<b>100.1</b>	<b>1,247.0</b>
	<i>2000</i>						
	<i>Belgium</i>	<i>The Netherlands</i>	<i>Luxembourg</i>	<i>Benelux</i>	<i>United States</i>	<i>Rest of the world</i>	<i>Total</i>
Life	318.5	168.5	( 14.0 )	473.0	193.8	23.1	689.9
Non-life	63.1	( 10.1 )	0.2	53.2	212.3	49.9	315.4
<b>Total</b>	<b>381.6</b>	<b>158.4</b>	<b>( 13.8 )</b>	<b>526.2</b>	<b>406.1</b>	<b>73.0</b>	<b>1,005.3</b>
	<i>1999</i>						
	<i>Belgium</i>	<i>The Netherlands</i>	<i>Luxembourg</i>	<i>Benelux</i>	<i>United States</i>	<i>Rest of the world</i>	<i>Total</i>
Life	238.2	155.2	1.9	395.3	128.1	14.2	537.6
Non-life	38.3	12.4	1.8	52.5	65.4	20.5	138.4
<b>Total</b>	<b>276.5</b>	<b>167.6</b>	<b>3.7</b>	<b>447.8</b>	<b>193.5</b>	<b>34.7</b>	<b>676.0</b>

The following table gives the technical result non-life by line of business and by region:

	<i>2001</i>				
	<i>Accident and health</i>	<i>Motor</i>	<i>Fire</i>	<i>Other lines</i>	<i>Total</i>
Belgium	38.5	3.4	23.5	21.1	86.5
The Netherlands	36.7	( 0.3 )	8.7	9.2	54.3
Luxembourg			2.3	0.3	2.6
<b>Benelux</b>	<b>75.2</b>	<b>3.1</b>	<b>34.5</b>	<b>30.6</b>	<b>143.4</b>
United States	140.0			139.5	279.5
Rest of the world	3.0	54.0	2.2	10.2	69.4
<b>Total</b>	<b>218.2</b>	<b>57.1</b>	<b>36.7</b>	<b>180.3</b>	<b>492.3</b>
	<i>2000</i>				
	<i>Accident and health</i>	<i>Motor</i>	<i>Fire</i>	<i>Other lines</i>	<i>Total</i>
Belgium	22.6	6.5	26.7	7.3	63.1
The Netherlands	18.8	( 22.7 )	( 10.5 )	4.3	( 10.1 )
Luxembourg		0.1	0.7	( 0.6 )	0.2
<b>Benelux</b>	<b>41.4</b>	<b>( 16.1 )</b>	<b>16.9</b>	<b>11.0</b>	<b>53.2</b>
United States	30.3			182.0	212.3
Rest of the world	7.6	29.2	5.9	7.2	49.9
<b>Total</b>	<b>79.3</b>	<b>13.1</b>	<b>22.8</b>	<b>200.2</b>	<b>315.4</b>
	<i>1999</i>				
	<i>Accident and health</i>	<i>Motor</i>	<i>Fire</i>	<i>Other lines</i>	
Belgium	24.4	0.9	14.7	( 1.7 )	38.3
The Netherlands	15.4	( 7.8 )	2.9	1.9	12.4
Luxembourg		0.1	0.3	1.4	1.8
<b>Benelux</b>	<b>39.8</b>	<b>( 6.8 )</b>	<b>17.9</b>	<b>1.6</b>	<b>52.5</b>
United States	24.9			40.5	65.4
Rest of the world	5.9	9.4	( 0.4 )	5.6	20.5
<b>Total</b>	<b>70.6</b>	<b>2.6</b>	<b>17.5</b>	<b>47.7</b>	<b>138.4</b>

*Ratios*

The ratios by region are as follows:

	<i>2001</i>						
	<i>Belgium</i>	<i>The Netherlands</i>	<i>Luxembourg</i>	<i>Benelux</i>	<i>United States</i>	<i>Rest of the world</i>	<i>Total</i>
Claims ratio	63.7	64.3	32.8	63.9	56.0	70.0	60.0
Expense ratio	39.4	37.5	44.1	38.2	48.1	30.1	43.0
Combined ratio	103.1	101.8	76.9	102.1	104.1	100.1	103.0
	<i>2000</i>						
	<i>Belgium</i>	<i>The Netherlands</i>	<i>Luxembourg</i>	<i>Benelux</i>	<i>United States</i>	<i>Rest of the world</i>	<i>Total</i>
Claims ratio	65.8	66.7	37.8	66.0	58.7	71.2	61.9
Expense ratio	40.9	41.6	62.2	41.3	46.3	32.5	43.5
Combined ratio	106.7	108.3	100.0	107.3	105.0	103.7	105.4
	<i>1999</i>						
	<i>Belgium</i>	<i>The Netherlands</i>	<i>Luxembourg</i>	<i>Benelux</i>	<i>United States</i>	<i>Rest of the world</i>	<i>Total</i>
Claims ratio	67.5	62.1	28.2	65.0	65.8	71.1	66.2
Expense ratio	43.3	43.2	49.6	43.3	42.9	34.6	42.0
Combined ratio	110.8	105.3	77.8	108.3	108.7	105.7	108.2

**Claims ratio:** The cost of claims as a percentage of the earned premiums net of reinsurance. This is the cost of claims net of reinsurance, excluding the internal costs of handling non-life claims.

**Expense ratio:** Used for non-life insurance companies only. Expenses as a percentage of the earned premiums, net of reinsurance. Expenses are costs plus net commissions charged to the financial year, less internal investment costs.

**Combined ratio:** The sum of the claims ratio and the expense ratio. The combined ratio does not take account of commissions received.

*Non-technical account*

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Investment income:			
- Land and buildings	285.4	259.7	258.3
- Participating interests	6.4	8.1	8.3
- Other investments	3,618.2	2,895.9	2,622.0
- Investments on behalf of policyholders	409.8	947.8	820.1
Value re-adjustments on investments	11.8	10.1	6.2
Realized gains on investments	538.8	663.8	535.4
Realized / unrealized gains on investments on behalf of policyholders	226.4	153.2	1,801.1
	<hr/> 5,096.8	<hr/> 4,938.6	<hr/> 6,051.4
Administrative expenses and interest charges	852.7	541.4	361.1
Value adjustments on investments	21.6	1.0	2.6
Realized losses on investments	348.6	184.2	176.9
Realized / unrealized losses on investments on behalf of policyholders	2,725.9	1,168.2	134.6
	<hr/> 3,948.8	<hr/> 1,894.8	<hr/> 675.2
Result on investment	<hr/> 1,148.0	<hr/> 3,043.8	<hr/> 5,376.2
Allocated investment result, to technical accounts:			
- Life insurance	177.7	1,792.7	4,341.0
- Non-life insurance	551.8	478.6	386.4
	<hr/> 729.5	<hr/> 2,271.3	<hr/> 4,727.4
Result on investment non-technical account	<hr/> 418.5	<hr/> 772.5	<hr/> 648.8
Other income	10.9	59.3	7.9
Other charges	9.6	68.8	61.8
	<hr/> 1.3	<hr/> ( 9.5 )	<hr/> ( 53.9 )
<b>Result non-technical account before taxation</b>	<hr/> <b>419.8</b>	<hr/> <b>763.0</b>	<hr/> <b>594.9</b>

## A18 Financial information on non-life insurance

The table below provides selected financial information on the non-life insurance business activities by line of business:

	<i>Gross premiums written</i>	<i>Gross premiums earned</i>	<i>Gross claims incurred</i>	<i>Gross operating expenses</i>	<i>Rein- surance balance <sup>1)</sup></i>
<b>2001</b>					
Accident and health	4,240.0	4,218.5	3,145.0	1,109.9	( 47.4 )
Motor, third-party	694.5	690.1	579.8	198.1	21.0
Motor, other lines	750.4	736.3	536.3	197.3	21.3
Marine, aviation and transport	135.2	135.6	95.0	44.2	( 7.1 )
Fire and other damage to property	850.0	828.7	481.4	338.4	( 10.1 )
Liability	212.5	208.7	138.3	78.6	( 2.0 )
Legal aid	37.6	36.9	20.7	11.5	( 5.2 )
Assistance	16.6	16.6	12.1	1.1	( 0.1 )
Miscellaneous	3,995.4	3,759.3	1,386.2	2,031.9	( 436.5 )
<b>Total</b>	<b>10,932.2</b>	<b>10,630.7</b>	<b>6,394.8</b>	<b>4,011.0</b>	<b>( 466.1 )</b>
<b>2000</b>					
Accident and health	3,613.0	3,647.3	3,188.9	852.2	228.6
Motor, third-party	531.8	499.3	416.3	140.3	( 4.5 )
Motor, other lines	647.0	616.0	463.3	160.1	( 8.5 )
Marine, aviation and transport	88.3	88.0	79.3	25.2	4.1
Fire and other damage to property	709.5	691.0	442.1	297.7	16.8
Liability	176.5	172.8	114.8	68.1	( 14.6 )
Legal aid	29.7	28.3	18.4	8.4	( 1.6 )
Assistance	0.1	0.1	0.1		( 0.1 )
Miscellaneous	3,897.3	3,570.3	1,105.8	1,836.8	( 667.7 )
<b>Total</b>	<b>9,693.2</b>	<b>9,313.1</b>	<b>5,829.0</b>	<b>3,388.8</b>	<b>( 447.5 )</b>
<b>1999</b>					
Accident and health	3,185.4	3,172.0	2,577.9	729.7	( 25.7 )
Motor, third-party	442.7	423.6	369.4	129.5	10.9
Motor, other lines	537.7	496.8	393.4	131.8	11.4
Marine, aviation and transport	82.6	82.2	61.2	23.8	2.1
Fire and other damage to property	678.9	662.7	390.2	276.8	4.7
Liability	153.6	150.4	112.4	65.2	( 1.9 )
Legal aid	23.9	23.0	22.4	7.3	( 1.1 )
Assistance	0.1	0.1			( 0.1 )
Miscellaneous	1,972.4	1,879.6	631.7	1,015.0	( 403.3 )
<b>Total</b>	<b>7,077.3</b>	<b>6,890.4</b>	<b>4,558.6</b>	<b>2,379.1</b>	<b>( 403.0 )</b>

1) Represents net effect of reinsurance items recognized in the profit and loss account. A negative number means a charge to Fortis.

“Miscellaneous” consists mainly of credit-related insurance in the United States.



## Balance sheet banking

	Note	31-12-2001	31-12-2000	31-12-1999
<b>Assets</b>				
Cash	B1	4,555.2	5,342.1	3,206.9
Trading securities	B2	19,447.0	13,362.9	9,898.8
Investments	B3	96,866.9	84,098.8	85,426.5
Loans and advances to credit institutions	B4	62,459.9	61,159.0	80,393.7
Loans and advances to customers	B5	164,089.8	149,840.1	132,350.7
Prepayments and accrued income		18,652.4	15,887.2	12,067.0
Other assets	B6	11,922.9	7,381.5	5,775.4
<b>Total assets</b>		<b>377,994.1</b>	<b>337,071.6</b>	<b>329,119.0</b>
<b>Liabilities</b>				
Amounts owed to credit institutions	B7	98,273.7	94,301.6	117,347.8
Amounts owed to customers	B8	181,324.8	148,367.6	135,478.8
Debt certificates	B10	42,415.9	40,680.1	32,866.0
Accruals and deferred income		18,303.8	15,667.0	11,749.0
Other liabilities	B11	15,767.9	18,016.9	13,205.4
Subordinated liabilities	B12	9,985.6	8,476.3	7,466.1
		<b>366,071.7</b>	<b>325,509.5</b>	<b>318,113.1</b>
Fund for general banking risks	B13	2,216.7	2,042.9	1,861.2
Minority interest in group equity	B14	798.6	823.2	1,743.3
Net equity		8,907.1	8,696.0	7,401.4
Group equity		9,705.7	9,519.2	9,144.7
<b>Total liabilities</b>		<b>377,994.1</b>	<b>337,071.6</b>	<b>329,119.0</b>

## Profit and loss account banking

	Note	2001	2000	1999
<b>Revenues:</b>				
Interest income <sup>1)</sup>		20,818.6	23,300.9	18,588.9
Commissions and fees	B18	1,978.4	2,163.6	1,838.2
Results from financial transactions	B19	1,002.5	1,025.1	704.1
Other revenues	B20	897.3	677.5	677.4
<b>Total revenues</b>		<b>24,696.8</b>	<b>27,167.1</b>	<b>21,808.6</b>
Interest expense <sup>1)</sup>	B21	( 16,414.6 )	( 19,144.9 )	( 14,419.3 )
<b>Total revenues, net of interest expense</b>	B17	<b>8,282.2</b>	<b>8,022.2</b>	<b>7,389.3</b>
Value adjustments	B22	( 625.8 )	( 619.5 )	( 546.9 )
<b>Net revenues</b>		<b>7,656.4</b>	<b>7,402.7</b>	<b>6,842.4</b>
Operating expenses	B23	( 5,657.9 )	( 5,328.0 )	( 4,900.0 )
<b>Operating result before taxation</b>		<b>1,998.5</b>	<b>2,074.7</b>	<b>1,942.4</b>
Taxation		( 693.0 )	( 640.5 )	( 612.0 )
<b>Operating group profit</b>		<b>1,305.5</b>	<b>1,434.2</b>	<b>1,330.4</b>
Minority interests		67.1	121.7	145.8
<b>Net operating profit</b>		<b>1,238.4</b>	<b>1,312.5</b>	<b>1,184.6</b>
Non-operating items after taxation		( 34.2 )	193.5	
<b>Net profit</b>		<b>1,204.2</b>	<b>1,506.0</b>	<b>1,184.6</b>
<sup>1)</sup> Net interest income		4,404.0	4,156.0	4,169.6

# Notes to the balance sheet and profit and loss account banking

## B1 Cash

Cash includes legal tender and balances at central banks that are repayable on demand. The reserve requirements are based on the guidelines set by the European Central Bank. Certain cash balances are also subject to other restrictions. At 31 December 2001 an amount of EUR 3,138.6 million was subject to withdrawal and usage restrictions (2000: EUR 3,562.7 million; 1999: EUR 2,037.2 million).

## B2 Trading securities

The table below shows the composition of trading securities:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Debt securities	12,204.5	9,322.2	7,523.7
Equity securities	7,242.5	4,040.7	2,375.1
<b>Total</b>	<b>19,447.0</b>	<b>13,362.9</b>	<b>9,898.8</b>

Equity securities included EUR 75.1 million of Fortis shares in 2001 (2000: EUR 93.4 million; 1999: EUR 19.5 million). Nearly all trading portfolio securities are listed.

## B3 Investments

The composition of investments at 31 December is as follows:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Treasury bills	1,240.6	3,060.1	6,609.2
Debt securities and other fixed income securities	91,652.8	76,657.8	74,770.8
Equity securities	1,915.2	2,350.9	1,881.6
	<u>94,808.6</u>	<u>82,068.8</u>	<u>83,261.6</u>
Investments in real estate	2,058.3	2,030.0	2,164.9
<b>Investments</b>	<b>96,866.9</b>	<b>84,098.8</b>	<b>85,426.5</b>

Debt securities and other fixed-income securities can be further analyzed as follows:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Public bodies issued	66,328.9	50,044.8	51,035.6
Other borrowers	25,323.9	26,613.0	23,735.2
<b>Total</b>	<b>91,652.8</b>	<b>76,657.8</b>	<b>74,770.8</b>
Listed <sup>1)</sup>	80,246.7	67,369.5	65,372.0
Unlisted	11,406.1	9,288.3	9,398.8
<b>Total</b>	<b>91,652.8</b>	<b>76,657.8</b>	<b>74,770.8</b>

1) Fair value EUR 81,180.4 million (2000: EUR 68,107.8 million; 1999: EUR 66,231.2 million).

Of the debt securities and other fixed-income securities an amount of EUR 17,291.5 million will become due next year (2000: EUR 11,635.2 million; 1999: EUR 10,853.6 million). Debt securities and other fixed-income securities include an amount of EUR 350.5 million of subordinated loans (2000: EUR 143.2 million; 1999: EUR 110.0 million).

Equity securities can be further analysed as follows:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Listed	1,397.9	1,410.5	1,098.5
Unlisted	517.3	940.4	783.1
<b>Total</b>	<b>1,915.2</b>	<b>2,350.9</b>	<b>1,881.6</b>

Equity securities in 2001 included EUR 19.7 million in Fortis shares (2000: EUR 23.3 million; 1999: EUR 137.4 million).

The table below shows the roll-forward of investments in banking:

	<i>2001</i>			<i>2000</i>		
	<i>Debt securities and other fixed-income securities</i>	<i>Equity securities</i>	<i>Land and buildings</i>	<i>Debt securities and other fixed-income securities</i>	<i>Equity securities</i>	<i>Land and buildings</i>
<b>Opening balance at 1 January</b>	<b>76,657.8</b>	<b>2,350.9</b>	<b>2,030.0</b>	<b>74,770.8</b>	<b>1,881.6</b>	<b>2,164.9</b>
Acquisitions and sales						
group companies				342.5	197.0	
Purchases	46,591.2	1,049.4	75.1	39,420.1	720.2	62.4
Book value of sales and redemptions	( 32,122.4 )	( 915.5 )	( 46.7 )	( 38,092.1 )	( 475.4 )	( 29.2 )
Revaluations		( 187.0 )	( 12.3 )		( 83.0 )	( 51.0 )
Exchange rate differences	526.2	( 17.3 )	7.2	216.5		8.5
Reclassifications		( 365.3 )	5.0		110.5	( 125.6 )
<b>Closing balance at 31 December</b>	<b>91,652.8</b>	<b>1,915.2</b>	<b>2,058.3</b>	<b>76,657.8</b>	<b>2,350.9</b>	<b>2,030.0</b>
Purchase price		1,962.7	1,954.6		2,281.7	2,129.8
Fair value	92,586.7			77,396.1		
Redemption value	89,875.3			74,625.0		

*Investment securities*

The following table presents the amortized cost (cost in the case of equity securities) and the approximate fair value at 31 December of Fortis' investment in debt securities and other fixed-income securities and equity securities:

	<i>2001</i>			
	<i>Amortized cost or cost</i>	<i>Gross unrealized gains</i>	<i>Gross unrealized losses</i>	<i>Fair value</i>
Belgian government	25,415.0	567.8	( 107.1 )	25,875.7
Dutch government	7,351.2	24.7	( 47.5 )	7,328.4
U.S. government	2,469.8	9.9	( 3.9 )	2,475.8
Other governments	30,957.9	437.1	( 150.9 )	31,244.1
Companies	8,005.0	68.6	( 35.7 )	8,037.9
Banks	9,291.9	191.2	( 72.8 )	9,410.3
Mortgage-backed securities	3,189.2	1.2	( 0.9 )	3,189.5
Other asset-backed securities	2,431.2	5.1	( 29.5 )	2,406.8
Other debt securities and other fixed-income securities	2,541.6	111.1	( 34.5 )	2,618.2
<b>Total debt securities and other fixed-income securities</b>	<b>91,652.8</b>	<b>1,416.7</b>	<b>( 482.8 )</b>	<b>92,586.7</b>
Equity securities	1,962.7	127.4	( 174.9 )	1,915.2
<b>Total investment securities</b>	<b>93,615.5</b>	<b>1,544.1</b>	<b>( 657.7 )</b>	<b>94,501.9</b>

	<i>2000</i>			
	<i>Amortized cost or cost</i>	<i>Gross unrealized gains</i>	<i>Gross unrealized losses</i>	<i>Fair value</i>
Belgian government	28,301.4	787.8	( 165.6 )	28,923.6
Dutch government	4,218.5	26.6	( 48.8 )	4,196.3
U.S. government	1,861.7	5.5	( 4.6 )	1,862.6
Other governments	15,337.7	202.2	( 207.4 )	15,332.5
Companies	7,383.9	124.6	( 23.6 )	7,484.9
Banks	11,247.5	68.8	( 38.0 )	11,278.3
Mortgage-backed securities	4,234.4	3.8	( 10.8 )	4,227.4
Other asset-backed securities	2,131.7	2.1	( 34.4 )	2,099.4
Other debt securities and other fixed-income securities	1,941.0	66.9	( 16.8 )	1,991.1
<b>Total debt securities and other fixed-income securities</b>	<b>76,657.8</b>	<b>1,288.3</b>	<b>( 550.0 )</b>	<b>77,396.1</b>
Equity securities	2,281.7	80.4	( 11.2 )	2,350.9
<b>Total investment securities</b>	<b>78,939.5</b>	<b>1,368.7</b>	<b>( 561.2 )</b>	<b>79,747.0</b>

	<b>1999</b>			
	<i>Amortized cost or cost</i>	<i>Gross unrealized gains</i>	<i>Gross unrealized losses</i>	<i>Fair value</i>
Belgian government	32,426.4	1,074.2	( 682.7 )	32,817.9
Dutch government	4,937.1	27.3	( 172.9 )	4,791.5
U.S. government	1,600.7	0.1	( 4.6 )	1,596.2
Other governments	12,071.4	219.1	( 316.8 )	11,973.7
Companies	8,355.5	103.2	( 31.1 )	8,427.6
Banks	8,384.1	101.6	( 23.5 )	8,462.2
Mortgage-backed securities	2,822.1	0.1	( 1.0 )	2,821.2
Other asset-backed securities	2,498.8	0.1	( 10.8 )	2,488.1
Other debt securities and other fixed-income securities	1,674.7	1.0	( 1.3 )	1,674.4
<b>Total debt securities and other fixed-income securities</b>	<b>74,770.8</b>	<b>1,526.7</b>	<b>( 1,244.7 )</b>	<b>75,052.8</b>
Equity securities	1,462.6	419.8	( 0.8 )	1,881.6
<b>Total investment securities</b>	<b>76,233.4</b>	<b>1,946.5</b>	<b>( 1,245.5 )</b>	<b>76,934.4</b>

The following table presents the maturities and related carrying and fair value of debt securities and other fixed-income securities and Treasury bills at 31 December 2001:

	<i>Carrying value</i>	<i>Fair value</i>
Due in one year or less	18,295.2	18,512.2
Due from one year to five years	36,801.8	37,184.1
Due from five years to ten years	20,845.0	21,091.1
Due after ten years	16,951.4	17,082.9
<b>Total</b>	<b>92,893.4</b>	<b>93,870.3</b>

### *Investments in land and buildings*

The table below is a summary of investments in land and buildings:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Land and buildings in company use	1,907.0	1,866.0	1,479.4
Other land and buildings	151.3	164.0	685.5
<b>Investments in land and buildings</b>	<b>2,058.3</b>	<b>2,030.0</b>	<b>2,164.9</b>

The following table provides the details of land and buildings by valuation date:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
2001	506.7		
2000	80.2	462.4	
1999		2.9	77.4
1998			
1997	1,471.4	1,564.7	1,564.7
1996			
1995			522.8
	<u>2,058.3</u>	<u>2,030.0</u>	<u>2,164.9</u>

#### B4 Loans and advances to credit institutions

The components of loans and advances to credit institutions in the balance sheet are as follows:

	<i>2001</i>			
	<i>Belgium</i>	<i>The Netherlands</i>	<i>Other</i>	<i>Total</i>
Current and other bank accounts	731.9	751.9	4,548.1	6,031.9
Interest bearing deposits	497.7	1,773.3	19,948.0	22,219.0
Securities purchased under resale agreements	4,759.6	597.5	26,254.4	31,611.5
Other	46.8	2,030.4	695.3	2,772.5
Gross amount	<u>6,036.0</u>	<u>5,153.1</u>	<u>51,445.8</u>	<u>62,634.9</u>
Allowance for credit losses	( 16.5 )	( 2.0 )	( 156.5 )	( 175.0 )
<b>Net amount</b>	<b>6,019.5</b>	<b>5,151.1</b>	<b>51,289.3</b>	<b>62,459.9</b>
				<i>2000</i>
	<i>Belgium</i>	<i>The Netherlands</i>	<i>Other</i>	<i>Total</i>
Current and other bank accounts	43.8	412.0	3,304.0	3,759.8
Interest bearing deposits	618.8	1,782.1	19,000.2	21,401.1
Securities purchased under resale agreements	4,428.0	318.3	27,147.3	31,893.6
Other	25.7	2,090.3	2,090.0	4,206.0
Gross amount	<u>5,116.3</u>	<u>4,602.7</u>	<u>51,541.5</u>	<u>61,260.5</u>
Allowance for credit losses		( 1.7 )	( 99.8 )	( 101.5 )
<b>Net amount</b>	<b>5,116.3</b>	<b>4,601.0</b>	<b>51,441.7</b>	<b>61,159.0</b>
				<i>1999</i>
	<i>Belgium</i>	<i>The Netherlands</i>	<i>Other</i>	<i>Total</i>
Current and other bank accounts	165.2	426.3	2,310.9	2,902.4
Interest bearing deposits	2,100.6	4,067.6	27,251.6	33,419.8
Securities purchased under resale agreements	10,565.5	403.2	32,861.9	43,830.6
Other	29.9	89.7	246.7	366.3
Gross amount	<u>12,861.2</u>	<u>4,986.8</u>	<u>62,671.1</u>	<u>80,519.1</u>
Allowance for credit losses	( 54.3 )	( 0.5 )	( 70.6 )	( 125.4 )
<b>Net amount</b>	<b>12,806.9</b>	<b>4,986.3</b>	<b>62,600.5</b>	<b>80,393.7</b>

The geographic analysis of loans and advances to credit institutions is primarily based on the domicile of the operating company.

## B5 Loans and advances to customers

The components of loans and advances to customers were as follows:

	<i>2001</i>			
	<i>Belgium</i>	<i>The Netherlands</i>	<i>Other</i>	<i>Total</i>
Gross amount	73,576.6	51,604.9	42,435.0	167,616.5
Allowance for credit losses	( 1,928.0 )	( 669.0 )	( 929.7 )	( 3,526.7 )
<b>Net amount</b>	<b>71,648.6</b>	<b>50,935.9</b>	<b>41,505.3</b>	<b>164,089.8</b>
Public sector	4,631.3	563.1	770.9	5,965.3
Private sector:				
- Corporate				
- Guaranteed by government authorities	1,846.7		478.6	2,325.3
- Other receivables	33,923.3	24,307.4	33,507.2	91,737.9
Sub-total	35,770.0	24,307.4	33,985.8	94,063.2
- Retail				
- Secured by mortgages	15,383.1	22,283.8	3,149.4	40,816.3
- Other receivables	15,864.2	3,781.6	3,599.2	23,245.0
Sub-total	31,247.3	26,065.4	6,748.6	64,061.3
<b>Net amount</b>	<b>71,648.6</b>	<b>50,935.9</b>	<b>41,505.3</b>	<b>164,089.8</b>
				<i>2000</i>
	<i>Belgium</i>	<i>The Netherlands</i>	<i>Other</i>	<i>Total</i>
Gross amount	82,631.4	44,897.3	25,585.0	153,113.7
Allowance for credit losses	( 2,018.1 )	( 540.6 )	( 714.9 )	( 3,273.6 )
<b>Net amount</b>	<b>80,613.3</b>	<b>44,356.7</b>	<b>24,870.1</b>	<b>149,840.1</b>
Public sector	3,877.6	739.5	186.3	4,803.4
Private sector:				
- Corporate				
- Guaranteed by government authorities	4,805.9	43.3	207.6	5,056.8
- Other receivables	37,418.3	19,852.5	19,944.0	77,214.8
Sub-total	42,224.2	19,895.8	20,151.6	82,271.6
- Retail				
- Secured by mortgages	17,208.5	20,446.6	2,351.2	40,006.3
- Other receivables	17,303.0	3,274.8	2,181.0	22,758.8
Sub-total	34,511.5	23,721.4	4,532.2	62,765.1
<b>Net amount</b>	<b>80,613.3</b>	<b>44,356.7</b>	<b>24,870.1</b>	<b>149,840.1</b>



	<i>1999</i>			
	<i>Belgium</i>	<i>The Netherlands</i>	<i>Other</i>	<i>Total</i>
Gross amount	77,609.0	35,322.0	21,961.5	134,892.5
Allowance for credit losses	( 1,294.9 )	( 567.2 )	( 679.7 )	( 2,541.8 )
<b>Net amount</b>	<b>76,314.1</b>	<b>34,754.8</b>	<b>21,281.8</b>	<b>132,350.7</b>
Public sector	3,018.2		57.9	3,076.1
Private sector:				
- Corporate				
- Guaranteed by government authorities	5,196.4	784.7	175.6	6,156.7
- Other receivables	34,751.2	16,128.5	16,446.4	67,326.1
Sub-total	39,947.6	16,913.2	16,622.0	73,482.8
- Retail				
- Secured by mortgages	16,563.9	14,986.6	2,264.1	33,814.6
- Other receivables	16,784.4	2,855.0	2,337.8	21,977.2
Sub-total	33,348.3	17,841.6	4,601.9	55,791.8
<b>Net amount</b>	<b>76,314.1</b>	<b>34,754.8</b>	<b>21,281.8</b>	<b>132,350.7</b>

The geographic analysis of loans and advances to customers is primarily based on the domicile of the operating company.

The table below gives an analysis of the change in the allowance for credit losses for loans and advances to both credit institutions and to customers:

	<i>2001</i>	<i>2000</i>
<b>Balance at 1 January</b>	<b>3,375.1</b>	<b>2,667.2</b>
Purchases and sales group companies		( 90.3 )
Write-offs	( 189.7 )	( 205.2 )
Value adjustments on loans	480.6	461.2
Value adjustments in non operating items		( 157.4 )
Exchange rate and other adjustments	35.7	699.6
<b>Balance at 31 December</b>	<b>3,701.7</b>	<b>3,375.1</b>
Composed of:		
- Loans and advances to credit institutions	175.0	101.5
- Loans and advances to customers	3,526.7	3,273.6
	<b>3,701.7</b>	<b>3,375.1</b>

The provision for credit losses includes an amount of EUR 242.3 million related to country risks (2000: EUR 231.8 million; 1999: EUR 269.1 million).

Exchange rate and other adjustments for the year 2000 includes a gross increase of EUR 694.6 million, related to loans reported net of provisions in prior years.

The total amount of loans and advances to customers and banks as of 31 December 2001 for which the management doubts the full collection under the terms of the agreement is EUR 7,254.8 million (2000: EUR 6,241.3 million; 1999: EUR 5,572.0 million). The related amount of provisions is EUR 3,245.1 million (2000: EUR 3,143.3 million; 1999: EUR 2,398.1 million). The difference between the outstanding amount and the provision is covered by the value of the collateral or expected cash flows.

## B6 Other assets

Other assets consisted of the following at 31 December:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Participating interests valued by equity method	362.8	246.1	101.1
Other participating interests:			
- Participating interests	677.0	521.0	678.5
- Receivable from participating interests	7.1	2.8	1.6
Participating interests	<u>1,046.9</u>	<u>769.9</u>	<u>781.2</u>
Other tangible fixed assets	890.8	882.9	841.9
Receivables arising from banking operations	6,925.9	3,344.1	2,855.0
Assets held for lease	1,885.2	1,287.2	822.1
Deferred tax	370.1	479.4	411.2
Other	804.0	618.0	64.0
<b>Total</b>	<u><b>11,922.9</b></u>	<u><b>7,381.5</b></u>	<u><b>5,775.4</b></u>

In 1999 participating interests included an amount of EUR 121.1 million in Fortis shares. In 2000 these shares were included under investments. Other tangible fixed assets consist mainly of data processing systems, office equipment and motor vehicles.

**B7 Amounts owed to credit institutions**

The components of amounts owed to credit institutions in the balance sheet at 31 December were as follows:

	<i>2001</i>			
	<i>Belgium</i>	<i>The Netherlands</i>	<i>Other</i>	<i>Total</i>
Demand deposits	1,910.5	2,486.5	1,153.4	5,550.4
Time deposits	25,717.8	6,969.5	12,101.0	44,788.3
Securities sold under repurchase agreements	41,220.2	1,867.5	59.6	43,147.3
Other short-term borrowings	552.5	36.9	1,094.6	1,684.0
Other long-term debt	34.8	2,529.1	286.0	2,849.9
Other		253.8		253.8
<b>Total</b>	<b>69,435.8</b>	<b>14,143.3</b>	<b>14,694.6</b>	<b>98,273.7</b>

	<i>2000</i>			
	<i>Belgium</i>	<i>The Netherlands</i>	<i>Other</i>	<i>Total</i>
Demand deposits	5,653.3	2,776.8	1,051.8	9,481.9
Time deposits	31,539.6	5,390.4	6,781.5	43,711.5
Securities sold under repurchase agreements	33,245.5	2,097.4	2,783.3	38,126.2
Other short-term borrowings	535.6	880.0	1,236.6	2,652.2
Other long-term debt	11.2	50.0	3.6	64.8
Other		265.0		265.0
<b>Total</b>	<b>70,985.2</b>	<b>11,459.6</b>	<b>11,856.8</b>	<b>94,301.6</b>

	<i>1999</i>			
	<i>Belgium</i>	<i>The Netherlands</i>	<i>Other</i>	<i>Total</i>
Demand deposits	3,285.9	1,130.9	689.0	5,105.8
Time deposits	35,709.5	7,731.0	6,849.6	50,290.1
Securities sold under repurchase agreements	58,607.7	85.6	2,395.9	61,089.2
Other short-term borrowings	664.7	63.0	102.4	830.1
Other long-term debt			12.9	12.9
Other			19.7	19.7
<b>Total</b>	<b>98,267.8</b>	<b>9,010.5</b>	<b>10,069.5</b>	<b>117,347.8</b>

The geographic analysis of amounts owed to credit institutions is based on the location of the Fortis operating company.

**B8 Amounts owed to customers**

The components of amounts owed to customers at 31 December were as follows:

	<i>2001</i>			
	<i>Belgium</i>	<i>The Netherlands</i>	<i>Other</i>	<i>Total</i>
Demand deposits - non-interest bearing	1,494.7	117.0	453.1	2,064.8
Demand deposits - interest bearing	19,517.4	14,344.4	18,400.2	52,262.0
Savings deposits accounts	31,131.5	9,633.4	138.2	40,903.1
Time deposits	24,804.3	9,711.8	19,820.1	54,336.2
Securities sold under repurchase agreements	15,721.9	16.4	3,877.4	19,615.7
Other short-term borrowings	748.6	847.5	3,577.7	5,173.8
Long-term debt	33.7	375.6	3.5	412.8
Other	5,741.9	248.0	566.5	6,556.4
<b>Total</b>	<b>99,194.0</b>	<b>35,294.1</b>	<b>46,836.7</b>	<b>181,324.8</b>
	<i>2000</i>			
	<i>Belgium</i>	<i>The Netherlands</i>	<i>Other</i>	<i>Total</i>
Demand deposits - non-interest bearing	1,378.1	217.4	2,011.4	3,606.9
Demand deposits - interest bearing	20,535.2	9,146.1	13,001.8	42,683.1
Savings deposits accounts	30,947.4	7,912.9	744.9	39,605.2
Time deposits	22,081.1	9,234.0	20,491.8	51,806.9
Securities sold under repurchase agreements	8,693.6			8,693.6
Other short-term borrowings	380.4	148.5	422.3	951.2
Long-term debt	47.9	916.4	0.2	964.5
Other		54.6	1.6	56.2
<b>Total</b>	<b>84,063.7</b>	<b>27,629.9</b>	<b>36,674.0</b>	<b>148,367.6</b>
	<i>1999</i>			
	<i>Belgium</i>	<i>The Netherlands</i>	<i>Other</i>	<i>Total</i>
Demand deposits - non-interest bearing	1,274.9		1,466.4	2,741.3
Demand deposits - interest bearing	18,188.3	9,824.2	10,383.1	38,395.6
Savings deposits accounts	32,683.5	8,659.9	1,096.5	42,439.9
Time deposits	22,106.7	8,388.4	18,241.5	48,736.6
Securities sold under repurchase agreements	2,033.2	430.7		2,463.9
Other short-term borrowings	296.7	37.6	286.4	620.7
Long-term debt	39.4			39.4
Other		41.4		41.4
<b>Total</b>	<b>76,622.7</b>	<b>27,382.2</b>	<b>31,473.9</b>	<b>135,478.8</b>

The geographic analysis of amounts owed to customers is based on the location of the Fortis operating company.

## **B9 Securities purchased under resale agreement and securities sold under repurchase agreement**

Securities purchased under resale agreements are not shown separately in the consolidated balance sheet but are included under loans and advances to credit institutions and loans and advances to customers. Securities sold under repurchase agreements are not shown separately in the consolidated balance sheet but are included under amounts owed to credit institutions and amounts owed to customers.

The following table provides details on Fortis' securities purchased under resale agreement activities:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Maximum amount outstanding at any month-end	47,184.6	56,266.9	65,130.3
Average amount outstanding	37,664.9	38,661.9	37,302.7

Securities underlying these agreements are under the management of Fortis.

The following table provides details on Fortis' securities sold under repurchase agreement activities:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Maximum amount outstanding at any month-end	64,687.0	66,121.4	67,636.9
Average amount outstanding	50,814.6	48,184.0	50,826.3

Securities underlying these agreements are under the management of the counterparties.

## B10 Debt certificates

Debt certificates consist of debt securities and other fixed-income securities. As of 31 December, of these securities an amount of EUR 22,979.1 million (2000: EUR 19,010.9 million; 1999: EUR 13,158.9 million) will fall due during the next financial year.

The following table provides details of debt certificates by nature of instrument and country of origin:

	<i>2001</i>			<i>Total</i>
	<i>Belgium</i>	<i>The Netherlands</i>	<i>Other</i>	
Time deposits	22,248.8	635.2	3,466.9	26,350.9
Commercial paper			9,222.5	9,222.5
Long-term debt	2.3	3,137.8	3,702.4	6,842.5
<b>Total</b>	<b>22,251.1</b>	<b>3,773.0</b>	<b>16,391.8</b>	<b>42,415.9</b>
	<i>2000</i>			<i>Total</i>
	<i>Belgium</i>	<i>The Netherlands</i>	<i>Other</i>	
Time deposits	20,031.0	191.0	2,556.0	22,778.0
Commercial paper	5,336.2		4,209.0	9,545.2
Long-term debt	1.4	4,507.6	3,847.9	8,356.9
<b>Total</b>	<b>25,368.6</b>	<b>4,698.6</b>	<b>10,612.9</b>	<b>40,680.1</b>
	<i>1999</i>			<i>Total</i>
	<i>Belgium</i>	<i>The Netherlands</i>	<i>Other</i>	
Time deposits	22,687.2	733.1	2,833.4	26,253.7
Commercial paper	801.4		1,869.2	2,670.6
Long-term debt	538.0	1,249.3	2,154.4	3,941.7
<b>Total</b>	<b>24,026.6</b>	<b>1,982.4</b>	<b>6,857.0</b>	<b>32,866.0</b>

The geographic analysis of debt certificates is based on the location of the operating company.

## B11 Other liabilities

Other liabilities consisted of the following at 31 December:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Pensions and early retirement benefits	484.9	579.0	
Taxes and other social security charges	688.1	450.8	519.4
Other provisions	1,918.8	2,042.5	2,110.3
Other	12,676.1	14,944.6	10,575.7
<b>Total</b>	<b>15,767.9</b>	<b>18,016.9</b>	<b>13,205.4</b>

Other provisions include an amount of EUR 803.5 million (2000: EUR 820.0 million) for the integration of banking activities and a provision of EUR 247.6 million (2000: EUR 276.6 million) for deferred taxes. Other liabilities includes EUR 3.8 million of payables to group companies (2000: EUR 63.6 million; 1999: EUR 785.5 million).

## B12 Subordinated liabilities

The following table gives a description of subordinated liabilities:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Subordinated liabilities denominated in various currencies with an average interest rate of 6.17% (2000: 6.31%; 1999: 6.37%) and maturities through 2031 (2000: 2025; 1999: 2015).	8,225.6	7,716.3	6,706.1
Perpetual loan from Fortis Brussels SA/NV with a coupon of 6 month EURIBOR + 1.25% and + 2.75% from 2005 onwards.	760.0	760.0	760.0
Redeemable perpetual loan (Tier 1 loan), with an interest of 6.5% till 26 September 2011 and Euro Reference Rate + 2.37% thereafter	1,000.0		
	<u>9,985.6</u>	<u>8,476.3</u>	<u>7,466.1</u>

In September 2001 Fortis Bank issued Redeemable Perpetual Cumulative Coupon Debt Securities for an amount of EUR 1 billion. The regulator (the CBF) considers the issued securities to be part of the Tier 1 capital of Fortis Bank and of Fortis Bank's shareholders' equity on a consolidated basis.

The securities are governed by a Support Agreement, under which Fortis SA/NV and Fortis N.V. jointly and severally agree to contribute to Fortis Bank any additional funds necessary to allow it to pay the coupon in the event that Fortis SA/NV and Fortis N.V. pay a dividend on their ordinary or preference shares in the same period.

As a condition for acceptance of the securities as constituting Tier 1 capital of Fortis Bank, the CBF requires that the sum of the amounts that Fortis SA/NV and Fortis N.V. pay as dividend on their ordinary and preference shares and of all amounts payable under the Support Agreement and similar agreements may not exceed the level of the aggregate distributable reserves of Fortis SA/NV and Fortis N.V.

To meet this condition, the Board of Directors has decided that no dividend will be paid on the ordinary shares, preference shares or other capital instruments (if applicable) unless the aggregate distributable reserves of both companies is sufficient to cover all dividend payments relating to their respective ordinary shares, preference shares and other capital instruments, as well as any amounts payable in the same financial year pursuant to their obligations under the Support Agreement.

## B13 Fund for general banking risks

The following table presents movements in the fund for general banking risks:

	<i>2001</i>	<i>2000</i>
<b>Balance at 1 January</b>	<b>2,042.9</b>	<b>1,861.2</b>
Acquisition and sale group companies		33.4
Charge to the profit and loss account	169.8	154.8
Exchange rate differences	4.0	
Other movements		( 6.5 )
<b>Balance at 31 December</b>	<u><b>2,216.7</b></u>	<u><b>2,042.9</b></u>

## B14 Minority interests in group equity

Minority interests in group equity includes preferred shares issued for financing purposes of EUR 650 million. This is described in detail in note 7.

## B15 Off-balance sheet items

### *Derivative financial instruments*

Fortis employs various derivative and foreign exchange financial instruments for trading purposes and for purposes other than trading, primarily to hedge risk or as part of the management of assets and liabilities. Derivative financial instruments include swaps, futures, forwards and option contracts, all of which derive their value from underlying interest rates, foreign exchange rates, commodity prices or equity prices. For most contracts, notional amounts are used solely to determine the cash flows to be exchanged. However, certain foreign exchange contracts are designed for principal amounts to be exchanged on a common settlement date.

A derivative contract may be traded either on an exchange or over-the-counter (“OTC”). Exchange-traded derivatives are standardized and include futures and certain option contracts. OTC derivative contracts are individually negotiated between contracting parties and include caps, floors and swaps. Derivatives are subject to various risks similar to those related to the underlying financial instruments, including market, credit and liquidity risk. Risks of derivatives should not be viewed in isolation but should rather be considered on an aggregate basis along with risks related to Fortis’ non-derivative trading and other activities. Fortis manages derivative and non-derivative risks on an aggregate basis as part of its group-wide risk management policies.

The notional or contract amounts associated with foreign exchange and derivative financial instruments are not recorded as assets or liabilities on the balance sheet and do not represent the potential for gain or loss associated with such transactions. Credit risk is the possibility that a loss may occur due to the failure of a counterparty to perform in accordance with the terms of a contract. Fortis’ exposure to the credit risk associated with counterparty non-performance is limited to the net positive replacement cost of OTC contracts. Options written do not give rise to counterparty credit risk since they obligate Fortis (not its counterparty) to perform. Exchange-traded financial instruments such as futures generally do not give rise to a significant counterparty exposure due to the margin requirements of the individual exchanges.

Interest rate swaps are contractual agreements between two parties to exchange periodic payments in the same currency, each of which is computed on a different interest rate basis, on a specified notional amount. Most interest rate swaps involve the net exchange of payments calculated as the difference between the fixed and floating interest rate payments. Currency swaps, in their simplest form, are contractual agreements that involve the exchange of both periodic and final amounts in two different currencies. Exposure to loss on both types of swap contracts will increase or decrease over their respective lives depending on maturity dates, interest and foreign exchange rates, and the timing of payments.

Interest rate futures are exchange-traded instruments and represent commitments to purchase or sell a designated security or money market instrument at a specified future date and price. Interest rate forward agreements are OTC where two parties agree on an interest rate and tenor that will become a reference point in determining, in concert with an agreed notional principal amount, a net payment to be made by one party to the other, depending on what market rate in fact prevails at a future point in time. Interest rate options, which consist primarily of caps and floors, are interest rate protection instruments that involve the obligation of the seller to pay the buyer an interest rate differential in exchange for a premium paid by the buyer. This differential represents the difference between current exchange and an agreed-upon rate applied to a notional amount. Exposure to loss on all interest rate contracts will increase or



decrease over their respective lives as interest rates fluctuate. For interest rate futures and exchange-traded options, Fortis' exposure to off-balance sheet credit risk is limited, as these transactions are executed on organized exchanges that assume the obligation of the counterparty and generally require security deposits and daily settlement of margins.

Foreign exchange contracts, which include spot, forward and futures contracts, represent agreements to exchange the currency of one country for the currency of another country at an agreed price, on an agreed settlement date. Foreign exchange option contracts are similar to interest rate option contracts, with the exception that they are based on currencies rather than interest rates. Exposure to loss on these contracts will increase or decrease over their respective lives as currency exchange and interest rates fluctuate. For exchange-traded foreign exchange contracts, Fortis' exposure to off-balance sheet credit risk is limited, as these transactions are executed on organized exchanges that assume the obligation of counterparties and generally require security deposits and daily settlement of margins.

The following table presents the notional amount of all Fortis' derivative financial instruments outstanding at 31 December 2001, by term:

	<i>2001</i>			
	<i>One year or less</i>	<i>Five years or less and more than one year</i>	<i>More than five years</i>	<i>Total</i>
<b>Interest rate contracts</b>				
OTC:				
- swaps	279,853.1	148,070.4	58,886.3	486,809.8
- forwards	33,369.7	11,496.3	158.7	45,024.7
- options	35,843.9	126,357.2	182,729.2	344,930.3
Exchange-traded:				
- forwards	20,240.3	8,317.4	649.9	29,207.6
- options	7,135.6	250.0	869.5	8,255.1
Subtotal	376,442.6	294,491.3	243,293.6	914,227.5
<b>Currency contracts</b>				
OTC:				
- swaps	104,149.6	15,702.0	2,169.5	122,021.1
- forwards	1,798.7			1,798.7
- options	10,399.5	930.7		11,330.2
Subtotal	116,347.8	16,632.7	2,169.5	135,150.0
<b>Other contracts</b>				
OTC	10,738.8	8,978.9	1,142.2	20,859.9
Exchange-traded	8,946.2	18,579.0	130.4	27,655.6
Subtotal	19,685.0	27,557.9	1,272.6	48,515.5
<b>Total</b>	<b>512,475.4</b>	<b>338,681.9</b>	<b>246,735.7</b>	<b>1,097,893.0</b>

*Trading derivatives*

Fortis enters into derivative financial instruments on behalf of customers and for proprietary positions. The following table reflects the notional amounts, positive fair values and negative fair values of trading derivative financial instruments at 31 December. All significant intercompany contracts have been excluded.

	<i>2001</i>		
	<i>Notional amount</i>	<i>Positive fair value</i>	<i>Negative fair value</i>
<b>Interest rate contracts</b>			
OTC:			
- swaps	391,154.9	3,009.7	( 2,997.6 )
- forwards	38,440.8	70.2	( 72.2 )
- options	343,979.6	2,502.4	( 867.9 )
Exchange-traded:			
- forwards	29,207.6	54.3	( 2.3 )
- options	8,255.1		
Subtotal	811,038.0	5,636.6	( 3,940.0 )
<b>Currency contracts</b>			
OTC:			
- swaps	109,225.8	938.6	( 602.8 )
- forwards	1,798.7	96.9	( 98.6 )
- options	11,110.1	80.3	( 48.7 )
Subtotal	122,134.6	1,115.8	( 750.1 )
<b>Other contracts</b>			
OTC	15,955.3	1,230.8	( 1,101.5 )
Exchange-traded	27,605.8	358.0	( 184.9 )
Subtotal	43,561.1	1,588.8	( 1,286.4 )
<b>Total</b>	<b>976,733.7</b>	<b>8,341.2</b>	<b>( 5,976.5 )</b>

	<i>2000</i>		
	<i>Notional amount</i>	<i>Positive fair value</i>	<i>Negative fair value</i>
<b>Interest rate contracts:</b>			
OTC:			
- swaps	280,994.9	3,502.1	( 3,786.1 )
- forwards	55,485.8	113.7	( 113.6 )
- options	211,859.6	1,238.5	( 1,149.5 )
Exchange-traded:			
- forwards	6,943.0	820.2	( 501.2 )
- options	40,222.6		
Subtotal	595,505.9	5,674.5	( 5,550.4 )
<b>Currency contracts</b>			
OTC:			
- swaps	92,313.2	962.3	( 1,082.4 )
- forwards	224.0	0.7	( 1.3 )
- options	11,563.9	95.7	( 108.5 )
Subtotal	104,101.1	1,058.7	( 1,192.2 )
<b>Other contracts</b>			
OTC	17,876.1	1,162.2	( 1,610.3 )
Exchange-traded	13,926.6	639.3	( 430.5 )
Subtotal	31,802.7	1,801.5	( 2,040.8 )
<b>Total</b>	<b>731,409.7</b>	<b>8,534.7</b>	<b>( 8,783.4 )</b>

	<b>1999</b>		
	<i>Notional amount</i>	<i>Positive fair value</i>	<i>Negative fair value</i>
<b>Interest rate contracts:</b>			
OTC:			
- swaps	185,116.3	2,867.9	( 2,133.8 )
- forwards	66,950.6	72.5	( 59.0 )
- options	73,001.8	426.1	( 401.6 )
Exchange-traded:			
- forwards	6,103.5	1.1	1.1
- options	3,743.4	39.4	( 7.3 )
Subtotal	334,915.6	3,407.0	( 2,600.6 )
<b>Currency contracts</b>			
OTC:			
- swaps	88,223.8	608.9	( 123.7 )
- forwards	60.5	18.0	( 39.2 )
- options	10,871.6	190.2	( 80.4 )
Subtotal	99,155.9	817.1	( 243.3 )
<b>Other contracts</b>			
OTC	13,871.8	1,280.8	( 669.9 )
Exchange-traded	14,361.6	1,835.8	7.7
Subtotal	28,233.4	3,116.6	( 662.2 )
<b>Total</b>	<b>462,304.9</b>	<b>7,340.7</b>	<b>( 3,506.1 )</b>

Gains / losses on derivative financial instruments represent the net amount earned from trading activities, which include entering into transactions to meet customer demands and taking positions for own account in a diverse range of financial instruments and markets. The profitability of these trading activities depends largely on the volume and diversity of the transactions Fortis executes, the level of risk it is willing to assume and the volatility of price and rate movements.

### *Risk management derivatives*

In addition to utilizing derivative financial instruments for trading purposes, Fortis uses derivative financial instruments to manage interest rate risk related to assets and liabilities, primarily fixed-rate and adjustable-rate loans, long-term debt and deposits. Foreign exchange derivative financial instruments are used to hedge net capital exposures and foreign currency exposures. In the execution of its risk management strategy, Fortis employs the use of interest rate swaps to modify the interest rate characteristics of certain assets and liabilities. For example, Fortis may enter into an interest rate swap to alter cash flows on its long-term debt from fixed to floating rate in an effort to reduce gap mismatches.

Another hedging strategy used by Fortis is the purchase of options to protect against significant loss due to extreme interest rate movements. For example, Fortis may purchase interest rate floors on its adjustable-rate mortgage loans to reduce the risk of loss from a rapid or prolonged decline in interest rates. In addition, Fortis may use interest rate swaps to hedge against market fluctuations of trading securities. The aforementioned hedging strategies would be rendered ineffective if Fortis disposed of the underlying products being hedged or if certain unexpected events occurred. In addition, Fortis may terminate its hedging-related contracts in response to certain events and circumstances. The deferred gains or losses on terminated contracts recorded in the consolidated balance sheet at

31 December 2001, 2000 and 1999 and the amortization of such amounts for the years 2001, 2000 and 1999 were insignificant.

The following table reflects the notional amounts and fair values at 31 December of derivative financial instruments used for risk management. All significant intercompany contracts have been excluded.

	<i>2001</i>		
	<i>Notional amount</i>	<i>Positive fair value</i>	<i>Negative fair value</i>
<b>Interest rate contracts</b>			
OTC:			
- swaps	95,654.9	709.3	( 427.3 )
- forwards	6,583.9	2.2	( 6.6 )
- options	950.7	6.5	( 5.6 )
Exchange-traded:			
- forwards			
- options			
Subtotal	103,189.5	718.0	( 439.5 )
<b>Currency contracts</b>			
OTC:			
- swaps	12,795.3	94.6	( 138.1 )
- forwards		151.3	( 267.8 )
- options	220.1	1.6	( 1.6 )
Subtotal	13,015.4	247.5	( 407.5 )
<b>Other contracts</b>			
OTC	4,904.6	178.9	( 191.5 )
Exchange-traded	49.8	2.2	( 3.0 )
Subtotal	4,954.4	181.1	( 194.5 )
<b>Total</b>	<b>121,159.3</b>	<b>1,146.6</b>	<b>( 1,041.5 )</b>

	<i>2000</i>		
	<i>Notional amount</i>	<i>Positive fair value</i>	<i>Negative fair value</i>
<b>Interest rate contracts</b>			
OTC:			
- swaps	70,183.5	524.5	( 538.9 )
- forwards	1,468.9	146.4	( 135.0 )
- options	506.9	11.3	( 2.7 )
Exchange-traded:			
- forwards	55.2	0.1	
- options			
Subtotal	<u>72,214.5</u>	<u>682.3</u>	<u>( 676.6 )</u>
<b>Currency contracts</b>			
OTC:			
- swaps	10,254.2	213.0	( 398.3 )
- forwards	5.4		
- options	518.6	11.2	( 13.9 )
Subtotal	<u>10,778.2</u>	<u>224.2</u>	<u>( 412.2 )</u>
<b>Other contracts</b>			
OTC	6,815.7	481.4	( 287.9 )
Exchange-traded	1,432.8	4.5	( 4.5 )
Subtotal	<u>8,248.5</u>	<u>485.9</u>	<u>( 292.4 )</u>
<b>Total</b>	<u><b>91,241.2</b></u>	<u><b>1,392.4</b></u>	<u><b>( 1,381.2 )</b></u>

	<i>1999</i>		
	<i>Notional amount</i>	<i>Positive fair value</i>	<i>Negative fair value</i>
<b>Interest rate contracts</b>			
OTC:			
- swaps	163,000.6	1,518.6	( 1,463.3 )
- forwards	13,418.3	4.4	( 6.4 )
- options	7,956.1	29.7	( 15.3 )
Exchange-traded:			
- forwards	507.4		
- options			
Subtotal	184,882.4	1,552.7	( 1,485.0 )
<b>Currency contracts</b>			
OTC:			
- swaps	13,190.3	182.6	( 393.5 )
- forwards	24.3	0.1	( 0.2 )
- options	253.4	5.7	( 8.0 )
Subtotal	13,468.0	188.4	( 401.7 )
<b>Other contracts</b>			
OTC	6,859.9	476.2	( 293.1 )
Exchange-traded	17.6	1.5	( 0.1 )
Subtotal	6,877.5	477.7	( 293.2 )
<b>Total</b>	<b>205,227.9</b>	<b>2,218.8</b>	<b>( 2,179.9 )</b>



**B16 Maturities**

The following table sets forth the maturities of debts and receivables as at 31 December:

	<i>2001</i>				
	<i>Repayable on demand</i>	<i>&lt; 3 months</i>	<i>3 months - 1 year</i>	<i>1 - 5 years</i>	<i>&gt; 5 years</i>
Loans and advances to credit institutions	13,309.0	25,750.7	22,389.6	720.9	289.7
Loans and advances to customers	32,355.6	35,836.4	11,704.4	27,156.2	57,037.2
Amounts owed to credit institutions	6,992.6	68,362.4	19,618.2	1,775.8	1,524.7
Amounts owed to customers	115,636.9	47,091.7	10,695.8	5,706.7	2,193.7
	<i>2000</i>				
	<i>Repayable on demand</i>	<i>&lt; 3 months</i>	<i>3 months - 1 year</i>	<i>1 - 5 years</i>	<i>&gt; 5 years</i>
Loans and advances to credit institutions	6,640.0	43,508.5	10,254.6	496.6	259.3
Loans and advances to customers	12,437.6	45,612.7	11,428.4	27,607.5	52,753.9
Amounts owed to credit institutions	14,739.7	66,532.9	11,931.6	879.4	218.0
Amounts owed to customers	86,837.2	44,392.9	8,062.0	4,865.9	4,209.6
	<i>1999</i>				
	<i>Repayable on demand</i>	<i>&lt; 3 months</i>	<i>3 months - 1 year</i>	<i>1 - 5 years</i>	<i>&gt; 5 years</i>
Loans and advances to credit institutions	3,181.9	49,016.9	27,183.4	773.8	237.7
Loans and advances to customers	16,782.9	20,720.1	23,507.3	25,720.3	45,620.1
Amounts owed to credit institutions	5,908.0	87,580.6	22,869.3	846.3	143.6
Amounts owed to customers	86,175.9	36,984.4	5,740.8	4,920.4	1,657.3

The following table provides details of subordinated debt and long-term debt instruments:

	<i>2001</i>						<i>2000</i>	
<b>Maturity</b>	<i>&lt; 1 year</i>	<i>1-2 year</i>	<i>2-3 year</i>	<i>3-4 year</i>	<i>4-5 year</i>	<i>&gt; 5 year</i>	<i>Total</i>	<i>Total</i>
Subordinated liabilities:								
- Fixed rate	304.1	351.5	301.7	546.2	540.5	5,348.6	7,392.6	6,187.6
- Variable rate	197.9	85.6	61.8	141.1	99.2	2,007.4	2,593.0	2,288.7
	502.0	437.1	363.5	687.3	639.7	7,356.0	9,985.6	8,476.3
Debt certificates:								
- Fixed rate	1,251.1	1,465.7	1,208.2	1,470.3	638.1	803.2	6,836.6	7,746.4
- Variable rate			2.9		3.0		5.9	610.4
	1,251.1	1,465.7	1,211.1	1,470.3	641.1	803.2	6,842.5	8,356.8
Amounts owed to customers	54.5	89.1	39.8	23.7	73.4	132.3	412.8	964.5
Amounts owed to credit institutions	448.3	347.8	225.6	308.0	226.6	1,293.6	2,849.9	64.8
<b>Total</b>	<b>2,255.9</b>	<b>2,339.7</b>	<b>1,840.0</b>	<b>2,489.3</b>	<b>1,580.8</b>	<b>9,585.1</b>	<b>20,090.8</b>	<b>17,862.4</b>

## B17 Revenues

The following table provides details of banking revenues based on the country in which the Fortis company is located.

	<i>2001</i>						
	<i>Belgium</i>	<i>The Netherlands</i>	<i>Luxembourg</i>	<i>Benelux</i>	<i>United States</i>	<i>Rest of the world</i>	<i>Total <sup>1)</sup></i>
Net interest income	2,230.6	1,136.7	325.0	3,692.3	147.7	564.0	4,404.0
Commissions and fees	580.1	569.0	270.8	1,419.9	52.6	505.9	1,978.4
Results from financial							
Transactions	605.2	118.5	49.8	773.5	7.1	221.9	1,002.5
Other revenues	334.2	249.0	112.2	695.4	( 0.4 )	202.3	897.3
<b>Total revenues, net of interest expenses</b>	<b>3,750.1</b>	<b>2,073.2</b>	<b>757.8</b>	<b>6,581.1</b>	<b>207.0</b>	<b>1,494.1</b>	<b>8,282.2</b>
	<i>2000</i>						
	<i>Belgium</i>	<i>The Netherlands</i>	<i>Luxembourg</i>	<i>Benelux</i>	<i>United States</i>	<i>Rest of the world</i>	<i>Total <sup>1)</sup></i>
Net interest income	2,364.4	914.9	292.4	3,571.7	143.6	440.7	4,156.0
Commissions and fees	875.9	571.7	303.8	1,751.4	6.1	406.1	2,163.6
Results from financial							
Transactions	349.9	373.6	167.5	891.0	8.6	125.5	1,025.1
Other revenues	272.2	200.0	115.5	587.7	( 8.0 )	97.8	677.5
<b>Total revenues, net of interest expenses</b>	<b>3,862.4</b>	<b>2,060.2</b>	<b>879.2</b>	<b>6,801.8</b>	<b>150.3</b>	<b>1,070.1</b>	<b>8,022.2</b>
	<i>1999</i>						
	<i>Belgium</i>	<i>The Netherlands</i>	<i>Luxembourg</i>	<i>Benelux</i>	<i>United States</i>	<i>Rest of the world</i>	<i>Total <sup>1)</sup></i>
Net interest income	2,253.0	925.8	499.9	3,678.7	128.9	362.0	4,169.6
Commissions and fees	777.4	504.5	242.3	1,524.2	6.3	307.7	1,838.2
Results from financial							
Transactions	323.9	209.8	119.9	653.6	( 11.9 )	62.4	704.1
Other revenues	334.2	210.9	62.4	607.5	0.2	69.7	677.4
<b>Total revenues, net of interest expenses</b>	<b>3,688.5</b>	<b>1,851.0</b>	<b>924.5</b>	<b>6,464.0</b>	<b>123.5</b>	<b>801.8</b>	<b>7,389.3</b>

1) Including eliminations

Movements in net interest income are as follows:

	<i>2001</i>		
	<i>Average balance</i>	<i>Interest</i>	<i>Interest in %</i>
<b>Assets:</b>			
- Loans and advances to credit institutions	69,947.8	3,258.7	4.66
- Loans and advances to customers	159,620.9	9,471.4	5.93
- Interest-bearing securities	84,677.8	4,390.7	5.19
<b>Total interest-bearing assets</b>	<b>314,246.5</b>	<b>17,120.8</b>	<b>5.45</b>
<b>Liabilities:</b>			
- Amounts owed to credit institutions	104,050.8	4,578.5	4.40
- Amounts owed to customers	160,640.7	6,460.7	4.02
- Debt certificates and subordinated liabilities	49,451.2	2,492.6	5.04
<b>Total interest-bearing liabilities</b>	<b>314,142.7</b>	<b>13,531.8</b>	<b>4.31</b>
Other interest on balance		815.0	
Net interest income		4,404.0	
Net interest income / interest-bearing assets			1.40
			<i>2000</i>
	<i>Average balance</i>	<i>Interest</i>	<i>Interest in %</i>
<b>Assets:</b>			
- Loans and advances to credit institutions	82,298.2	3,478.0	4.23
- Loans and advances to customers	141,264.7	8,918.4	6.31
- Interest-bearing securities	80,182.8	4,599.1	5.74
<b>Total interest-bearing assets</b>	<b>303,745.7</b>	<b>16,995.5</b>	<b>5.60</b>
<b>Liabilities:</b>			
- Amounts owed to credit institutions	109,499.3	5,233.8	4.78
- Amounts owed to customers	146,312.0	5,708.9	3.90
- Debt certificates and subordinated liabilities	43,741.1	2,218.9	5.07
<b>Total interest-bearing liabilities</b>	<b>299,552.4</b>	<b>13,161.6</b>	<b>4.39</b>
Other interest on balance		322.1	
Net interest income		4,156.0	
Net interest income / interest-bearing assets			1.37

	<b>1999</b>		
	<i>Average balance</i>	<i>Interest</i>	<i>Interest in %</i>
<b>Assets:</b>			
- Loans and advances to credit institutions	71,234.4	2,722.8	3.82
- Loans and advances to customers	126,435.2	7,054.2	5.58
- Interest-bearing securities	79,797.5	4,370.9	5.48
<b>Total interest-bearing assets</b>	<b>277,467.1</b>	<b>14,147.9</b>	<b>5.10</b>
<b>Liabilities:</b>			
- Amounts owed to credit institutions	99,944.0	4,129.2	4.13
- Amounts owed to customers	137,117.9	3,895.4	2.84
- Debt certificates and subordinated liabilities	40,444.3	2,035.9	5.03
<b>Total interest-bearing liabilities</b>	<b>277,506.2</b>	<b>10,060.5</b>	<b>3.63</b>
Other interest on balance		82.2	
Net interest income		4,169.6	
Net interest income / interest-bearing assets			1.50

## B18 Commissions and fees

The following table sets forth details of commission income and commissions paid:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
<b>Commissions income</b>			
- issuance	88.9	186.6	170.8
- securities transactions	700.4	780.3	608.6
- insurance	148.1	165.8	162.2
- asset management	654.3	649.7	502.9
- payment services	338.3	294.0	242.8
- miscellaneous	631.1	616.9	563.2
<b>Total commissions income</b>	<b>2,561.1</b>	<b>2,693.3</b>	<b>2,250.5</b>
Commissions paid	582.7	529.7	412.3
<b>Net commissions income</b>	<b>1,978.4</b>	<b>2,163.6</b>	<b>1,838.2</b>

## B19 Results from financial transactions

The following table sets forth details of net results from financial transactions:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Gains / losses on trading derivative financial instruments	357.7	75.2	58.2
Realized gains on sale of investments	424.1	495.2	436.7
Foreign exchange gains and losses	166.7	235.2	132.1
Gains / losses on trading securities	54.0	219.5	77.1
<b>Total</b>	<b>1,002.5</b>	<b>1,025.1</b>	<b>704.1</b>

**B20 Other revenues**

The following table sets forth details of other revenues:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Dividends from equity securities	32.9	82.6	91.3
Revenues land and buildings	145.5	141.7	151.3
Revenues from participating interests	50.7	18.6	46.1
Income from leasing activities	463.6	290.4	219.9
Other revenues	204.6	144.2	168.8
<b>Total</b>	<b>897.3</b>	<b>677.5</b>	<b>677.4</b>

Revenues from land and buildings include rental income related to land and buildings in company use amounting to EUR 128.9 million (2000: EUR 120.6 million; 1999: EUR 120.4 million) and EUR 16.6 million (2000: EUR 21.1 million; 1999: EUR 30.9 million) rented to third parties. Revenues from participating interests include EUR 1.9 million, negative (2000: EUR 0.7 million, negative; 1999: EUR 19.3 million) related to the share in profits of participating interests valued by the equity method.

**B21 Interest expense**

The following table summarizes interest expenses:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Amounts owed to credit institutions	4,578.6	5,233.8	4,129.2
Amounts owed to customers	6,460.7	5,708.9	3,895.4
Interest expense risk management derivatives contracts	2,878.1	5,975.8	4,350.6
Debt certificates	1,942.0	1,725.2	1,633.6
Subordinated liabilities	550.5	493.8	402.3
Other	4.7	7.4	8.2
<b>Total</b>	<b>16,414.6</b>	<b>19,144.9</b>	<b>14,419.3</b>

**B22 Value adjustments**

The following table summarizes value adjustments:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Value adjustments on receivables and debt securities	452.5	461.4	402.0
Change in provisions contingent liabilities	3.5	3.3	4.2
Value adjustments fund for general banking risks	169.8	154.8	140.7
<b>Total</b>	<b>625.8</b>	<b>619.5</b>	<b>546.9</b>

**B23 Operating expenses**

The following table summarizes operating expenses:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Wages and salaries	2,290.4	2,188.1	1,958.9
Social costs:			
- Pension and early retirement	169.1	163.3	151.2
- Other social costs	535.3	505.7	464.5
Depreciation and amortization	275.2	250.1	262.2
Cost of assets held for lease	343.6	226.8	162.1
Value (re)adjustments land and buildings	24.2	( 8.1 )	49.3
Other	2,020.1	2,002.1	1,851.8
<b>Total</b>	<b>5,657.9</b>	<b>5,328.0</b>	<b>4,900.0</b>

## Balance sheet general

	Note	31-12-2001	31-12-2000	31-12-1999
<b>Assets</b>				
Cash		10.4	84.1	54.6
Investments	C1	322.1	454.4	337.5
Loans and advances to credit institutions		5.0		17.4
Loans and advances to customers	C2	6,371.8	3,575.3	3,288.6
Prepayments and accrued income		244.7	138.4	111.6
Other assets	C3	3,114.1	4,301.5	1,240.6
<b>Total assets</b>		<b>10,068.1</b>	<b>8,553.7</b>	<b>5,050.3</b>
<b>Liabilities</b>				
Amounts owed to credit institutions		0.1		16.0
Debt certificates	C4	8,652.1	2,730.9	2,628.0
Accruals and deferred income		330.0	149.2	128.3
Other liabilities	C5	334.1	5,105.9	3,084.3
Convertible notes	C6	1,255.9	1,255.9	1,255.9
Subordinated liabilities	C7	1,004.8	294.9	294.9
		<b>11,577.0</b>	<b>9,536.8</b>	<b>7,407.4</b>
Minority interests in group equity	C8	639.6	606.3	
Net equity		(2,148.5)	(1,589.4)	(2,357.1)
Group equity		(1,508.9)	(983.1)	(2,357.1)
<b>Total liabilities</b>		<b>10,068.1</b>	<b>8,553.7</b>	<b>5,050.3</b>

## Profit and loss account general

	Note	2001	2000	1999
<b>Revenues:</b>				
Interest income		480.3	304.6	120.6
Results from financial transactions	C9			2.5
Other revenues	C10	17.5	12.1	115.4
<b>Total revenues</b>		<b>497.8</b>	<b>316.7</b>	<b>238.5</b>
Interest expenses		( 504.9 )	( 369.5 )	( 305.5 )
<b>Total revenues, net of interest expenses</b>		<b>( 7.1 )</b>	<b>( 52.8 )</b>	<b>( 67.0 )</b>
Operating expenses	C11	( 165.1 )	( 172.9 )	( 107.2 )
<b>Operating result before taxation</b>		<b>( 172.2 )</b>	<b>( 225.7 )</b>	<b>( 174.2 )</b>
Taxation		40.1	40.8	16.8
Operating group profit		( 132.1 )	( 184.9 )	( 157.4 )
Minority interests		48.3	37.7	
<b>Net operating profit</b>		<b>( 180.4 )</b>	<b>( 222.6 )</b>	<b>( 157.4 )</b>
Non-operating items after taxation		( 3.0 )		
<b>Net profit</b>		<b>( 183.4 )</b>	<b>( 222.6 )</b>	<b>( 157.4 )</b>



## Notes to the balance sheet and profit and loss account general

The general segment consists of activities not related to the core banking and insurance business, such as group treasury and finance and other holding activities. Primary assets in the general sector relate to receivables from group companies, while primary liabilities relate to commercial paper and other short-term borrowings held by Fortis' finance companies and convertible notes.

### C1 Investments

Investments of the general sector consist solely of equity securities.

### C2 Loans and advances to customers

Loans and advances to customers includes EUR 6,351.0 million (2000: EUR 3,565.0 million; 1999: EUR 3,187.4 million) of loans issued to group companies, including subordinated loans of EUR 1,881.3 million for insurance companies and EUR 1,225.0 million for banking companies.

### C3 Other assets

This includes the Fortis shares purchased for the account of Fortis in connection with Fortis' issuance commitments: EUR 65.5 million (2000: EUR 74.1 million; 1999: EUR 26.3 million). Otherwise it relates almost entirely to receivables with a term of less than one year. EUR 2,893.2 million (2000: EUR 4,190.6 million; 1999: EUR 1,147.0 million) of these receivables consists of receivables from group companies.

### C4 Debt certificates

Debt certificates represent primarily a commercial paper programme by Fortis Finance with maturities of up to a maximum of ten years and include loans to group companies for EUR 707.7 million (2000: EUR 624.0 million; 1999: EUR 591.2 million).

### C5 Other liabilities

Other liabilities at 31 December consist of:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Deferred taxation	223.7	227.7	245.4
Other provisions	6.2	1.6	23.2
Other	104.2	4,876.6	2,815.7
	<u>334.1</u>	<u>5,105.9</u>	<u>3,084.3</u>

With effect from reporting year 2001, short-term loans from third parties to Fortis Finance are included under debt securities rather than under other liabilities.

**C6 Convertible notes**

	<i>2001</i>	<i>2000</i>	<i>1999</i>
EUR 680.7 million of convertible bonds with a coupon of 2.625% payable yearly in arrears on 6 November. The loan has a conversion price of EUR 31.51 and matures on 6 November 2003.	680.7	680.7	680.7
EUR 575.2 million of convertible bonds with a coupon of 1.5% payable yearly in arrears on July 29. The loan has a conversion price of EUR 38.35 and matures on 29 July 2004.	575.2	575.2	575.2
	<u>1,255.9</u>	<u>1,255.9</u>	<u>1,255.9</u>

**C7 Subordinated liabilities**

These are primarily mainly subordinated loans entered into for the banking and insurance businesses. These loans are also accounted for under subordinated loans by these companies and have therefore been eliminated in the consolidated balance sheet. This also includes a subordinated loan provided by the directors of (former) Fortis (B) and its subsidiaries and subsubsidiaries. A total of 25,180 warrants are connected to the loan. Exercise of a warrant entitles the holder to 9 Fortis shares. The warrants may be exercised until 20 November 2007 and have a conversion price of EUR 167.58. The outstanding warrants are included in the options overview in note 13 "Employee Stock Option Plans".

**C8 Minority interests in group equity**

Minority interests in group equity relate to a hybrid financing instrument issued in March 2000. Further details are given in note 7.

**C9 Results from financial transactions**

The results from financial transactions relate to realized gains on the sale of investments.

**C10 Other revenues**

The following table sets forth details of other revenues:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Dividends from equity securities	1.0	1.2	0.4
Other revenues	16.5	10.9	115.0
<b>Total</b>	<u>17.5</u>	<u>12.1</u>	<u>115.4</u>

## C11 Operating expenses

The following table summarizes operating expenses:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
Wages and salaries	22.1	40.5	17.3
Social costs:			
- Pension and early retirement	7.2	2.3	0.3
- Other social costs	4.0	2.8	1.7
Depreciation and amortization	7.1	5.4	5.4
Other charges	124.7	121.9	82.5
<b>Total</b>	<b>165.1</b>	<b>172.9</b>	<b>107.2</b>

Brussels / Utrecht, 13 March 2002

### Board of Directors

J.R. Glasz (chairman)  
 Count M. Lippens (chairman)  
 Viscount E. Davignon (vice-chairman)  
 J.J. Slechte (vice-chairman)  
 A. van Rossum (Chief Executive Officer)  
 Baron V. Croes  
 J.M. Hessels  
 H.J. Hielkema  
 Baron D. Janssen  
 Mrs Ch. Morin-Postel  
 Mrs A.J.M. Roobeek  
 Dr. J.M. Schröder  
 Ph. Speeckaert  
 Baron P. Van Waeyenberge  
 N.J. Westdijk

## Post-balance sheet date events

In February 2002 Fortis announced the sale of Fortis France SA to Swiss Life. Fortis France SA concentrated mainly on life insurance activities in France. The sale involved an expected amount of between EUR 150 million and EUR 200 million. The transaction will be completed in the course of the first half of 2002.

That month Fortis also announced the sale of TOP Lease to ING. The transaction is expected to be completed in the second quarter of 2002 and will be paid entirely in cash.



# **Report of the Boards of Directors of Fortis SA/NV en Fortis N.V.**



# Report of the Board of Directors

## General

This past year was not only an exciting year, but a turbulent one as well, one in which Fortis could not dodge the impact of the economic slowdown and adverse market conditions. 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 its deliberately diversified product range, an investment policy that clearly accentuates fixed-income securities, and the geographic spread of activities.

In the year under review Fortis took an important step in its development: the listed shares of Fortis (B) and Fortis (NL) were merged to create a single, new listed security, the Fortis share. This share represents one share in each of the two new parent companies, Fortis N.V. and Fortis SA/NV.

The Fortis share was created as a result of a series of preliminary, interconnected and inter-conditional steps. At the Extraordinary General Meetings of Fortis (NL) and Fortis (B) held on 14 December 2001 the shareholders granted their approval for this series of steps in its entirety. Two separate steps were also approved by the shareholders of Fortis (NL). These involved the amendment to the Articles of Association made with a view to increasing the authorized share capital, and the legal merger between Fortis (NL) and Fortis N.V. All assets and liabilities for Fortis (NL) have been incorporated into Fortis N.V., the acquiring legal entity, retrospective to 30 June 2001. The shareholders of Fortis (B) approved a restructuring of the shareholders' equity of Fortis (B) and the dissolution of Fortis (B) as of 1 July 2001 with a view to incorporation into Fortis SA/NV under Article 671 of the Belgian Companies Code and in accordance with the merger proposal.

## Share capital

In order to unify the shares of Fortis (NL) and Fortis (B), the two parent companies had to have an equal number of outstanding shares. To this end, among other things new shares of Fortis (NL) were issued mid—December 2001. This concerned:

- a total of 84,343,019 shares issued to the amount of the contribution made by Fortis (B), and
- a total of 652,204,957 shares issued to Fortis (B) at a cash price equal to the nominal value.

As compensation to the Fortis (NL) shareholders for the dilution of the Fortis (NL) share arising from the last-mentioned share issue, shareholders received one share of Fortis SA/NV, which is attached to one Fortis N.V. share as a result of the unification, for every Fortis (NL) share they held at that time. The 3,540,389 shares of Fortis (NL) that Fortis held for its own account ceased to exist as a result of the merger between Fortis (NL) and Fortis N.V.

In the course of 2001, Fortis SA/NV issued a total of 23,911,675 shares to Fortis (B) and Fortis (NL). In addition, in connection with the unification of the shares, the following transactions were carried out:

- a total of 407,354,326 shares were issued to the existing shareholders as a result of the share split;
- a total of 736,547,976 shares were issued to the shareholders of Fortis (B) in connection with the absorption of Fortis (B) into Fortis SA/NV;
- a total of 658,830,551 shares were cancelled by Fortis SA/NV as a result of the absorption of Fortis (B).

The total number of outstanding Fortis shares on 17 December 2001, the first day the new share was listed, was 1,293,565,659.



## Shares

The Fortis Share consists of one ordinary share of Fortis N.V. that is twinned to one ordinary share of Fortis SA/NV. The ordinary (twinned) shares take the form of either a registered share or a bearer share, depending on the choice of the shareholder. The registered shares are included in the shareholders' register, which is held by Fortis N.V. and Fortis SA/NV in an identical fashion at the respective head offices. K-certificates are available in different units. Holders of bearer shares may convert their shares into registered shares upon request; likewise, holders of registered shares may convert their shares into bearer shares. Through the Fortis share, Fortis is listed on the Primary Market of Euronext Brussels and on the Official Segment of the stock market of Euronext Amsterdam. Fortis also has a listing in Luxembourg and a sponsored ADR programme in the United States.

Under the unification of the shares, the two Fortis (NL) priority shares that were held by Stichting Prioriteit Fortis were delivered to Fortis (NL) and subsequently cancelled. Stichting Prioriteit Fortis was dissolved as of 15 December 2001.

## Annual accounts

The new management structure introduced by Fortis in 1998 means that, under the terms of Article 10 of the Belgian Companies Code, there is a clear assumption of centralized governance, as a result of which the two parent companies are deemed to form a consortium. The two parent companies must, therefore, be consolidated with their subsidiaries. The Commission Bancaire et Financière (CBF) has agreed to exempt Fortis (B) from the obligation of preparing separate consolidated annual accounts with effect from financial year 1998, provided that these are replaced by consolidated annual accounts for the Fortis consortium.

PricewaterhouseCoopers and KPMG Accountants N.V. have issued unqualified audit opinions on the 2001 Annual accounts for Fortis SA/NV and Fortis N.V. respectively. The Board of Directors will submit the Annual accounts for 2001 for the consideration of the General Meeting of Shareholders on 29 May 2002.

## Dividend

The Board of Directors proposes a dividend for 2001 of EUR 0.88 (2000: EUR 0.88) per share. Shareholders may choose to receive either a Belgian- or a Dutch-sourced dividend. Shareholders must state their choice by filling in a "dividend election form". If no express choice is made by the shareholders, automatic election rules (the so-called Default Rules) will be applicable. Further information on these rules is contained in the Fortis Annual accounts in note 19, Dividend.

## Composition of the Fortis Board of Directors

Mr. Johann Martin Schröder, former Chairman of the Supervisory Board of ASR Verzekeringsgroep, was appointed as non-executive member of the Board of Directors in May 2001. Mr. Jaap Glasz, Mr. Philippe Speeckaert and Mr. Piet Van Waeyenberge were reappointed. Mr. Gerrit Wilmink resigned from the Board on 30 May 2001 on account of reaching the statutory age of retirement; Mr. Jan-Michiel Hessels, former CEO of Koninklijke Vendex KBB and Chairman of the Supervisory Board of Euronext, was appointed in his place. Mr. Wilmink joined the Nutsspaarbank West as supervisory director twenty years ago. Since then, as Fortis has grown to become a worldwide player, Mr. Wilmink has had to take and support many decisions which have been of great significance for the development of the company. The Board of Directors has experienced Mr. Wilmink as a professional director who is loyal both to the company and to the company's employees, and thanks him for everything he has done for Fortis.

On 14 December 2001 Mr. Hans Bartelds announced his decision to step down as Chairman of the Fortis Board of Directors as of 1 February 2002. Mr. Bartelds (55) joined AMEV in 1967 and was one of the architects of Fortis. 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 Groep joined forces to become Fortis. After a career of over 34 years at Fortis – 12.5 years of which as CEO 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. The Board of Directors is grateful to Mr. Bartelds for everything he has done for Fortis over the years. The Board of Directors appointed a new chairman from its number, Mr. Jaap Glasz. Mr. Jan Slechte was appointed vice-chairman.

## Remuneration and combined shareholdings

Total remuneration paid to the members of the Board of Directors, for their mandate as director of Fortis N.V., amounted to EUR 284,368 in 2001 (Fortis (NL) 2000: EUR 193,296) and, for their mandate as director of Fortis SA/NV, to EUR 315,632 in 2001 (Fortis (B) 2000: EUR 870,000). Total remuneration paid to the members of the Board of Directors, charged to all companies, is included in the Fortis Annual accounts in note 18.

The total number of Fortis shares held by members of the Board of Directors amounted to 5,248 on 31 December 2001. The non-executive members did not receive any options on Fortis shares. The non-executive members Maurice Lippens and Henjo Hielkema hold a total of options pursuant to their previous positions as executive members. Further information on the stock option plan and the exercise of options is contained in the Fortis Annual accounts in note 18.

## Meetings

The Fortis Board of Directors met on eleven occasions in 2001. The meetings were devoted to the unification of the Fortis (NL) and Fortis (B) shares, the Annual accounts - at which the external auditors were also present - quarterly figures, budget, strategy, the management and employee stock option plan, and the partnerships with, among others, Maybank and Tai Ping Life. The Board also devoted a great deal of attention to 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. Further topics of discussion were the internal control systems, business risks, developments in the financial world and corporate goals.

Four committees are active within the Board of Directors. The Audit Committee supports the Board of Directors in its duty to supervise and control the financial day-to-day activities within Fortis and its subsidiaries, and met on four occasions in 2001. The Audit Committee consists of non-executive members of the Board of Directors, receives information from the General Auditor of Fortis and from the external auditors, discusses the information with the CEO and submits the conclusions to the Boards of Directors of Fortis N.V. and Fortis SA/NV. For details of the activities of the Audit Committee, please refer to the statement contained in the Fortis Annual review.

The Capital Committee advises the Board of Directors on capital requirements and availability, distribution of the available capital, and the results consequently achieved. The Capital Committee met on two occasions in 2001.

The Chairmen's Committee prepares the meetings of the Board of Directors and met on twelve occasions in 2001 to discuss ongoing matters.

The Compensation & Nominating Committee advises the Board of Directors on remuneration and appointment policy for the members of the Board of Directors and of the Executive Committee. This committee met on four occasions in 2001 and discussed remuneration of the Executive Committee and of the senior management of Fortis for 2001, and appointments and reappointments of members of the Board of Directors.

The International Advisory Council, under the chairmanship of Mr. Etienne Davignon and Mr. Jaap Glasz, met on two occasions in the year under review. Among other things, the council discussed globalization and the position of Fortis in this connection.

## Prospects

The diversity and the way in which Fortis operates in niche markets are important elements of its strength. Fortis' employees are its most valued asset. Basing their efforts on the company's core values – stability, caring, innovation and straightforwardness – they make Fortis what it is. Their enormous commitment inspires confidence in Fortis' ability to achieve its 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.

Utrecht, 13 March 2002

## Board of Directors

J.R. Glasz (chairman)  
Count M. Lippens (chairman)  
Viscount E. Davignon (vice-chairman)  
J.J. Slechte (vice-chairman)  
A. van Rossum (Chief Executive Officer)  
Baron V. Croes  
J.M. Hessels  
H.J. Hielkema  
Baron D. Janssen  
Mrs. Ch. Morin-Postel  
Mrs. A.J.M. Roobeek  
J.M. Schröder  
Ph. Speeckaert  
Baron P. Van Waeyenberge  
N.J. Westdijk

# **Annual accounts 2001 Fortis SA/NV**

On 25 March 2002 the Banking and Finance Commission authorized the use of this annual report as a reference document for any market call made by Fortis SA/NV until publication of its next annual report, under Title II of Royal Decree no. 185 of 9 July 1935, via the separate publication procedure.

Under this procedure, this reference document must be accompanied by an issue note in order to be considered as a prospectus in the sense of Section 29 of Royal Decree no. 185 of 9 July 1935.

Such prospectus must be submitted to the Banking and Finance Commission for approval in accordance with Section 29(3), § 1(1) of Royal Decree no. 185 of 9 July 1935.

## Board of Directors, Statutory Auditor

Chairmen	Count Maurice Lippens	
	Hans Bartelds	(until 31-1-2002)
	Jacob Glasz	(from 1-2-2002)
Vice Chairmen	Viscount Etienne Davignon	
	Jacob Glasz	(until 31-1-2002)
	Jan Slechte	(from 1-2-2002)
Chief Executive Officer	Anton van Rossum	
Directors	Baron Valère Croes	
	Henjo Hielkema	
	Jan-Michiel Hessels	(from 30-5-2001)
	Baron Daniel Janssen	
	Christine Morin-Postel	
	Annemieke Roobeek	
	Johann Schröder	(from 30-5-2001)
	Jan Slechte	(until 31-1-2002)
	Philippe Speeckaert	
	Baron Piet Van Waeyenberge	
Honorary chairman	Klaas Westdijk	
	Gerrit Wilmink	(until 30-5-2001)
	Viscount Charles de Jonghe d'Ardoye	
Statutory auditor	PricewaterhouseCoopers Réviseurs d'Enterprises S.C.C.R.L., represented by Philippe Barbier	



## Company annual accounts

The company financial statements of Fortis SA/NV are presented below in abridged form. In accordance with legal requirements, the company financial statements, the report of the Board of Directors and the report of the statutory auditor have been deposited with the Belgian National Bank. These documents are available on request from:

Fortis SA/NV  
Corporate Administration  
Rue Royale 20  
1000 Brussels  
Belgium

The Statutory Auditor has issued an unqualified opinion on the company financial statements of Fortis SA/NV.

All amounts given in the financial overviews included in these annual accounts are in euros, unless indicated otherwise.



## Balance sheet

	<i>31-12-2001</i>	<i>31-12-2000</i>
<b>Assets</b>		
<b>Fixed assets</b>	<b>19,442,441</b>	20,695,610
Formation expenses	19,495	45,355
Tangible fixed assets	-	801
- Plant and equipment	-	280
- Furniture and rolling stock	-	521
Financial fixed assets	19,422,946	20,649,454
- Affiliated companies		
- Participating interests	19,422,946	19,039,453
- Amounts receivable	-	1,610,000
- Other financial fixed assets	-	1
<b>Current assets</b>	<b>26,852</b>	75,598
Amounts receivable within one year	20,898	7,400
- Trade accounts receivable	-	439
- Other amounts receivable	20,898	6,961
Short-term investments	-	52,704
- Other investments	-	52,704
Liquid assets	5,902	2,381
Prepayments and accrued income	52	13,113
<b>Total assets</b>	<b>19,469,293</b>	20,771,208

	<i>31-12-2001</i>	<i>31-12-2000</i>
<b>Liabilities</b>		
<b>Shareholders' equity</b>	<b>19,437,960</b>	<b>17,649,214</b>
Capital	5,541,596	5,099,785
- Subscribed	5,541,596	5,099,785
Share premium reserve	5,163,072	10,559,586
Reserves	832,682	1,952,289
- Legal reserve	224,445	194,983
- Reserves not available for distribution		
- Other	556,063	-
- Tax-free reserves	-	-
- Reserves available for distribution	52,174	1,757,306
Profit carried forward	978,056	37,554
Profit for the year	6,922,554	-
<b>Provisions and deferred taxes</b>	<b>1,239</b>	<b>-</b>
Provisions for risks and charges	1,239	-
- Other risks and charges	1,239	-
<b>Amounts payable</b>	<b>30,094</b>	<b>3,121,994</b>
Amounts payable after more than one year	564	1,865,920
- Financial debts		
- Subordinated borrowings	564	-
- Non-subordinated bonds	-	1,255,920
- Other borrowings	-	610,000
Amounts payable within one year	29,509	1,221,704
- Other borrowings	-	481,279
- Commercial debts		
- Suppliers	1,620	7,091
- Taxes, remuneration and social charges		
- Taxes	6,762	130
- Remuneration and social charges	21	4,937
- Other amounts payable	21,106	728,267
Accruals and deferred income	21	34,370
<b>Total liabilities</b>	<b>19,469,293</b>	<b>20,771,208</b>

## Profit and loss account

	<i>2001</i>	<i>2000</i>
<b>Charges</b>		
Financial charges	<b>53,129</b>	92,132
- Interest	50,424	91,029
- Reduction in value of current assets	1,944	-
- Other financial charges	761	1,103
Operating expenses	<b>28,897</b>	52,579
- Services and other goods	23,589	43,869
- Remuneration, social charges and pension benefits	5,308	8,429
- Other current charges	-	281
Amortization on formation expenses:		
Intangible and tangible fixed assets	<b>18,878</b>	16,729
Extraordinary charges	<b>1,133,621</b>	-
- Capital loss on realization of financial fixed assets	1,133,621	-
Taxes	<b>10,155</b>	-
Profit for the year	<b>6,922,554</b>	523,939
<b>Total charges</b>	<b>8,167,234</b>	685,379

	<i>2001</i>	<i>2000</i>
<b>Income</b>		
Financial income	<b>877,255</b>	650,770
- Income from financial fixed assets	<b>872,843</b>	648,054
- Income from current assets	<b>3,425</b>	2,544
- Other financial income	<b>987</b>	172
Operating income	<b>126</b>	-
- Other operating income	<b>126</b>	-
Extraordinary income	<b>7,289,853</b>	34,609
Capital gains on realization of financial fixed assets	<b>7,289,853</b>	-
- Other extraordinary income	-	34,609
<b>Total income</b>	<b>8,167,234</b>	<b>685,379</b>

### Appropriation of profit

On 14 January 2000 the Banking and Finance Commission, under Sections 4 and 8 of the Royal Decree of 1 September 1986 concerning the annual accounts and consolidated annual accounts of portfolio companies, gave permission to draw up the accounts prior to the appropriation of profit, as per IAS standard 10 § 11 and 12 (presentation of dividends).

## Extract from the notes to the annual accounts

### I Statement of formation expenses

Net book value at previous year-end	45,355
Changes during the year:	
- New expenses for the year	3,050
- Amortization first six months	( 8,219)
- Transfer to Fortis Brussels SA/NV	( 40,186)
- Merger with Fortis (B)	30,016
- Amortization second six months	(10,521)
Net book value at year-end	<u>19,495</u>
Of which:	
- Formation expenses and capital increase expenses, loan issuance expenses and other formation expenses	19,495

### IV Financial fixed assets

	<i>Affiliated companies</i>
1. Participating interests and equity securities	
a) Acquisition value at previous year-end	19,039,453
- Changes during the year	
- Acquisitions <sup>1)</sup>	19,422,946
- Disposals and withdrawals <sup>2)</sup>	(19,039,453)
At year-end	<u>19,422,946</u>
Net book value at year-end	19,422,946
2. Receivables	
Net book value at previous year-end	1,610,000
Changes during the year	
- Other <sup>2)</sup>	(1,610,000)
Net book value at year-end	<u>0</u>

1) Acquired as a result of the merger with Fortis (B)

2) Transfer to Fortis Brussels SA/NV

**V Participating interests and entitlements in other companies**

Name and registered office	Shares held by			
	<i>Number</i>	<i>the company (directly) %</i>	<i>subsidiaries %</i>	<i>Annual accounts as on</i>
<b>Subsidiaries</b>				
Fortis Brussels SA/NV Koningsstraat 20 1000 Brussels	500,000,000	50	-	n.a.
Fortis Utrecht N.V. Archimedeslaan 6 3584 BA Utrecht	500,000,000	50	-	n.a.

Both companies were incorporated in 2001 and have not previously published annual accounts.

**VIII Specification of equity**

	<i>Amounts</i>	<i>Number of shares</i>
<b>A. Authorized capital</b>		
1. Subscribed capital		
At previous year-end	5,099,785	784,582,233
Changes during the year:		
- Capital increases	147,192	23,911,675
- share split	-	407,354,326
- Absorption Fortis (B)	294,619	736,547,976
- Purchase of own shares	-	(658,830,551)
At year-end	5,541,596	1,293,565,659
2. Capital represented by:		
2.1 Types of shares		
- Ordinary shares	5,541,596	1,293,565,659
2.2 Registered and bearer shares		
- Registered shares		218,956,546
- Bearer shares		1,074,609,113
<b>C. Own shares held by</b>		
- direct and indirect subsidiaries	119,181	27,820,189

**D. Commitments to issue shares**

<b>Number of shares as at 31 December 2001</b>		<b>1,293,565,659</b>
Shares potentially to be issued:		
	34,686,173	
In connection with option plans (see notes 13 and C7 Annual accounts Fortis)	226,620	
In connection with warrants (see note C7 Annual accounts Fortis)	40,284,590	
In connection with convertible notes (see notes A9 and C6 Annual accounts Fortis)		75,197,383
Shares already purchased in connection with issuance commitments		(2,465,346)
<b>Total potential number of shares as at 31 December 2001</b>		<b>1,366,297,696</b>

At the shareholders' meeting of 12 December 2001, it was decided that the Capital may be increased above the capital authorized but not subscribed (EUR 500 million) by a maximum of EUR 310.6 million in connection with the Issuance commitments arising from outstanding options, warrants and Convertible bonds.

**E. Capital authorized but not subscribed** 500.000

**G. Structure of shareholder group**

As far as Fortis SA/NV is aware, as on 31 December 2001 the structure of the stable shareholder group of the company is as follows, excluding Asahi Mutual Life Insurance, which sold its participating interest in the first trimester of 2002:

		<i>Number of shares</i>	<i>%</i>
1.	Société Générale de Belgique, Contassur et Finoutremer	144,641,710	11.18
2.	Immoran	3,105,000	0.24
3.	Fortales	35,792,585	2.77
4.	Swiss Reinsurance Company	13,663,539	1.05
5.	Mutuelle Solvay	10,468,773	0.80
6.	Caixa Holding SA	10,976,220	0.84

On 31 December 2001 the members of the Board of Directors of Fortis SA/NV together owned 1,892,820 shares, 1,700 warrants and 58,550 options.

**IX Provisions for other risks and costs**

- Auditing costs Banking and Finance Commission 1,239

**X Specification of amounts payable****A. Breakdown of amounts payable originally due after more than one year,  
According to their remaining term to maturity**

1. Subordinated loans		
Remaining term to maturity of up to one year		564

**D. Amounts payable with respect to taxes, remuneration and social charges**

1. Taxes		
b) Taxes not yet due		6,762
2. Remuneration and social charges		
b) Other amounts payable		21

**XII Results of operations**

	<i>2001</i>	<i>2000</i>
<b>C1 Employees listed in the staff register</b>		
a) Total number as on balance sheet date	-	65
b) Average number of employees in FTE	34.2	64.8
c) Number of hours actually worked	61,560	117,845
<b>C2 Staff costs</b>		
a) Remuneration and direct social benefits	3,547	5,733
b) Employer's social security contributions	1,020	1,883
c) Employer's premiums voluntary insurance	693	495
d) Other staff costs	48	318
<b>F. Other operating expenses</b>		
Taxes and levies on business operations	-	281
<b>G. Temporary staff and persons available to the company</b>		
1. Total number on balance sheet date	-	-
2. Average number in FTEs	-	-
Number of hours actually worked	330	1,380
Costs for the company	50	209

**XVI Taxes on value added and taxes to the debit of third parties**

	<i>2001</i>	<i>2000</i>
<b>B. Amounts withheld to the debit of third parties in the form of:</b>		
1. Advance levy withheld from wage, salaries and benefits	-	4,470
2. Withholding tax	5,655	-



## XVII Rights and commitments not reflected in the balance sheet

Fortis SA/NV and Fortis N.V. jointly stand surety towards third parties for a number of debts due by Fortis companies. At the end of 2001 these debts amounted to EUR 26,696,021. Fortis SA/N.V. has furthermore undertaken to stand surety towards Fortis N.V. for two convertible loans issued by Fortis N.V. for a total amount of EUR 1,255,914.

## XVIII Relationships with affiliated companies and companies in which Fortis SA/NV holds participating interests

	<i>2001</i>	<i>2000</i>
<b>1. Affiliated companies</b>		
1. Financial fixed assets		
Participating interests	<b>19,422,946</b>	19,039,453
Other amounts receivable	-	1,610,000
2. Amounts receivable		
Within one year	<b>10,586</b>	-
3. Amounts payable		
After one year	<b>564</b>	610,000
Within one year	-	481,279
5. Personal and collateral security provided or irrevocably pledged by the company by way of surety for amounts payable by or commitments of affiliated companies	<b>27,951,935</b>	14,654,000
7. Financial results		
Income from financial fixed assets	<b>872,843</b>	648,054
Income from current assets	<b>3,425</b>	-
Interest in respect of amounts payable	<b>504,424</b>	91,029
8. Disposal of fixed assets		
Capital losses realized	<b>1,135,565</b>	-
Capital gains realized	<b>7,289,853</b>	-

## XIX Financial relationships with

a) Managing directors and managers	
4. Direct and indirect remuneration and awarded pensions charged to the profit and loss account, insofar as their disclosure does not solely or mainly relate to the status of a single identifiable individual	2,759

**XX In the course of 2001 Fortis SA/NV entrusted a number of support and consultancy assignments to its statutory auditors and the companies with which it works in partnership.**

The fees paid in respect of these services amounted to remuneration EUR 4,544,567.

**XXI Summary of valuation principles**

*Formation expenses*

Expenses relating to a capital increase or an issue of shares and convertible and non-convertible bonds, are amortized over a maximum period of five years.

*Financial fixed assets*

Financial fixed assets consist only of ownership interests in Fortis companies. They are accounted for at their acquisition price.

*Amounts receivable and liquid assets*

Amounts receivable and liquid assets are accounted for at face value or acquisition price. These items are reduced in value if, at the balance sheet date, and taking into account the value of any guarantees attached to each receivable or liquid asset, recovery is uncertain or doubtful.

*Short-term investments*

Transferable securities are capitalized at their acquisition value. At the end of each year, each security is valued at the latest stock exchange quotation at the end of the year. Reductions in value are recorded to the amount of the capital losses observed. If these reductions in value subsequently diminish, they will be reversed to the extent of such diminution.

*Conversion of assets and liabilities denominated in foreign currencies*

The assets and liabilities denominated in foreign currencies are translated at the exchange rates at the end of the financial year. Gains or losses arising from these conversions and exchange rate differences in connection with transactions in the course of the financial year are taken to the profit and loss account.

# General information

## 1. Foreword

During the year under review the listed shares of Fortis (NL) and Fortis (B) were unified into a single new listed security, the Fortis share. This share represents one ordinary share in each of the two new parent companies, i.e. Fortis N.V. and Fortis SA/N.V. In order to implement the new structure, a series of interconditional steps was taken during the year under review. During the Extraordinary General Meeting of Shareholders of 14 December 2001 the shareholders approved all the proposed steps, the amendment of the Articles of Association that was required to increase the amount of authorized capital and the legal merger of Fortis (B) and Fortis SA/N.V., in which Fortis SA/N.V. was the acquiring legal entity. The aforementioned steps have been processed using values as per 30 June 2001. Fortis SA/NV has become one of the two parent companies of the Fortis group, the other being Fortis NV. The following information therefore concerns Fortis SA/NV. The reference to Fortis (B) will be maintained, however, as the events and / or decisions described in this part of the annual report took place before Fortis (B) was absorbed by Fortis SA/NV. Readers of these annual accounts should bear in mind the effect of the unification of the Fortis shares, which makes it difficult to compare the figures for 2001 with those for 2000.

## 2. Identification

The company is a public limited company bearing the name "Fortis SA/NV". Its registered office is at Koningsstraat 20, 1000 Brussels. This office may be transferred anywhere else in Belgium by resolution of the Board of Directors. The company is registered in the Brussels commercial register under no. 577,615.

## 3. Incorporation and publication

The company was incorporated on 6 November 1993 under the name of "Fortis Capital Holding".

## 4. Places where the public can inspect company documents

The company's Articles of Association can be inspected at the office of the Clerk of the Commercial Court in Brussels and at the company's registered office.

The annual accounts are filed with the National Bank of Belgium. Decisions on the appointment and removal of members of company boards are published in the annexes to Belgium's Official Gazette. Financial reports on the company and notices convening General Meetings are published in the financial press, the newspapers and periodicals. The company's annual reports are available from its registered office and are also filed with the National Bank of Belgium. They are sent each year to registered shareholders and to others on request.

## 5. Evolution of the capital and its representation

Date	Authorized capital	Representation of the authorized capital		Important events
November 1993	BEF 15,000,000,000	150,000	Ordinary Shares	Incorporation of the company
November 1993	BEF 14,655,000,000	150,000	Ordinary Shares	Capital reduction
October 1996	BEF 72,295,082,912	369,986	Cat. A. shares	Capital increase
		369,986	Cat. B shares	Division into categories
March 1997	BEF 84,309,072,952	410,340	Cat. A	Capital increase
		410,340	Cat. B	
November 1998	BEF 173,437,038,884	1,253,918	Cat. A	Capital increase
		434,350	Cat. B	
January 1999	EUR 4,399,714,741.50	445,918,004	Cat. A	Share split
		230,961,187	Cat. B	Capital increase
April 1999	EUR 4,567,151,355.50	445,918,004	Cat. A	Capital increase
		256,720,663	Cat. B	
August 1999	EUR 4,578,018,113.50	445,918,004	Cat. A	Capital increase
		258,392,475	Cat. B	
February 2000	EUR 4,755,000,731	450,040,569	Cat. A	Capital increase
		281,498,005	Cat. B	
May 2000	EUR 5,099,784,514.50	469,320,456	Cat. A	Capital increase
		315,261,768	Cat. B	
May 2001	EUR 5,172,342,532.50	457,166,406	Cat. A	Capital increase
		338,578,599	Cat. B	
June 2001	EUR 5,325,976,427.50	459,796,985	Cat. A	Capital increase
		345,737,850	Cat. B	
August 2001	EUR 5,246,976,427.50	460,351,237	Cat. A	Capital increase
		348,142,671	Cat. B	
December 2001	EUR 5,541,595,617.90	1,293,565,659	Ordinary shares	Share unification

## 6. Authorized capital

“The Board of Directors is empowered to increase the authorized capital, in one or more operations, by a maximum amount of five hundred million (500,000,000) euro, subject to the provisions of article 9. This authorization is granted to the Board of Directors for a period of three years as from the Extraordinary General Meeting of Shareholders held on 12 December 2001. The Board of Directors is further empowered to make use of the authorized capital subject to the conditions set out in article 607 of the Companies Code in the event of a public take-over bid, for a period of three years as from the Extraordinary General Meeting of Shareholders held on 12 December 2001. (...)”

*(article 10 of the Articles of Association)*

## 7. Warrants and options issued by Fortis (B)

In its meeting of 30 October 1997 the Board of Directors of Fortis (B) decided to issue a subordinated bond with warrants, reserved for the directors of Fortis (B) and its direct and indirect subsidiaries. Holders of the 30,350 warrants are entitled to subscribe, until 20 November 2007, to nine new shares in Fortis (B) at a price of EUR 167.58. At 31 December 2001, 5,170 of the 30,350 warrants issued had been exercised.

The Fortis (B) Board of Directors decided to issue options, reserved for the management of Fortis (B) and its direct and indirect subsidiaries. The option plan was offered on 26 April 1999. A total of 186,950 options were taken up. Each option entitles the holder to subscribe to one share of Fortis (B) at a price of EUR 31.75 in the period from 1 January 2003 until 31 December 2009.

The Fortis (B) Board of Directors decided to issue options, reserved for the management of Fortis (B) and its direct and indirect subsidiaries. The option plan was offered on 15 April 2000. A total of 356,950 options were taken up. Each option entitles the holder to subscribe to one share of Fortis (B) at a price of EUR 38.40 in the period from 1 January 2004 until 14 April 2006.

The Fortis (B) Board of Directors decided to issue options, reserved for the management of Fortis (B) and its direct and indirect subsidiaries. The option plan was offered on 10 April 2001. A total of 344,750 options were taken up. Each option entitles the holder to subscribe to one share of Fortis (B) at a price of EUR 37.57 in the period from 1 January 2005 until 18 April 2007.

## **8. Exceeding the thresholds set down in the Articles of Association**

“All natural or legal persons who possess or acquire rights or shares, within the meaning of the act of 2 March 1989 governing the publication of substantial holdings in listed companies and regulating public takeover bids must declare to the Board of Directors and the Banking and Finance Commission the number of rights or shares owned directly or indirectly or owned in concert with one or more other persons when these rights or shares confer on them voting rights amounting to three per cent or more of total voting rights at the time the circumstances necessitating such declaration arise.

All additional rights or shares acquired or transferred under the same circumstances as those laid down in the preceding paragraph must also be declared to the Board of Directors and to the Banking and Finance Commission if, as a result of this operation, the voting rights attached to the rights or shares rise above or drop below a higher or lower band of three per cent of total voting rights at the time of the operation necessitating the declaration. (...)

*(article 15 of the Articles of Association)*

## **9. Chief characteristics of the shares: General Meetings**

“All holders of twinned shares may attend General Meetings, take part in the deliberations and, within the limits prescribed by the Companies Code, may vote at these meetings provided that those persons holding bearer shares have lodged these at the company’s registered office or any other place nominated in the notice convening the meeting at least four working days prior to the date of the meeting. Holders of registered shares must inform the company within the same period of their intention to attend the meeting. Holders of twinned shares held in safekeeping by third parties must deposit a certificate at the company’s registered office or any other place nominated in the notice convening the meeting, at least four working days prior to the date of the meeting. This certificate must be drawn up by the acknowledged account holder or administration agency and must confirm that the twinned shares are unavailable until the day of the meeting. Shareholders are entitled to one vote for each twinned share they possess, within the limits laid down in the Companies Code.”

*(article 25 of the Articles of Association)*

## 10. Corporate Governance

In December 1998 the Brussels stock exchange and the Banking and Finance Commission drew up a joint report in which each individually formulated a number of recommendations concerning Corporate Governance.

The following information on Corporate Governance meets the recommendations of the Banking and finance Commission that apply specifically to the information which must be disclosed in the annual report.

As a result of the far-reaching changes made to the structure of the group as on 14 December 2001 and ensuing from the unification of the shares, Fortis has decided to give precedence to the situation as from 14 December 2001, given the nature of information provided. The information relating to the period prior to 14 December 2001 will nevertheless be taken into account, as this information appears relevant in terms of the basic principles of Corporate Governance.

### *Internal Order Regulations*

Pursuant to Article 19 of the Articles of Association, the Board compiled a set of Internal Order Regulations on 13 February 2001. An extract may be consulted by all shareholders at the registered office of the company.

### *Composition of the Board of Directors*

The Fortis SA/NV Board of Directors consists of fifteen members. Article 18 of the Articles of Association provides for a maximum of seventeen directors. The fifteen directors also make up the Board of Directors of Fortis N.V. and of Fortis Brussels SA/NV and Fortis Utrecht NV.

No member of the Board of Directors holds a permanent management function within Fortis, with the exception of the Chief Executive Officer, who has been granted full control over the day-to-day management of Fortis by the Board of Directors.

Article 18 of the Articles of Association contains the rules for the appointment of directors of Fortis SA/NV and the renewal of their mandates. The Compensation & Nominating Committee, which has been set up by the Board of Directors, draws up the proposals for appointments that the Board presents to the General Meeting for approval. In drawing up its proposals the Compensation & Nominating Committee takes all advice that can be useful to the Board in making the most appropriate choices in the interests of the company.

Directors are appointed for a maximum term of six years. As a rule the General Meeting of Shareholders is invited to appoint directors for a term of three years. The mandate of retiring directors ceases immediately following the annual general meeting. When it becomes necessary to replace a director who was appointed at the nomination of Fortis N.V., Fortis N.V. has the right to propose candidates to the General Meeting of Shareholders.

As per Internal Order Regulations formulated by the Board in principle the age limit for directors who do not perform a permanent management function in the Fortis group is set at 70 years. This age limit is 60 years for the Chief Executive Officer but can be raised to 65 years pursuant to a resolution by the Board.

The functions performed by directors on the Boards of Fortis and in the specialized committees, as well as information on each of the directors, can be found in the Annual review of Fortis.

Fortis SA/NV has no dominant shareholders. The presence of a balanced shareholder structure is a principle which has been upheld continuously by the Fortis group, and Fortis SA/NV in particular, for several years.

In addition to the provisions of the Articles of Association and the rules included in the Internal Order Regulations, the Board has adopted no formal rules relating to the performance of the function of director. Pursuant to the relevant statutory provisions, all directors perform their functions independently, in the interests of the company and, where applicable, in the interests of the shareholder represented by the director.

### *Working method of the Board of Directors*

#### **Basic principles**

The Internal Order Regulations contain a number of rules on the working method of the Board, its meetings, the decision-making process and the division of responsibilities among its members. They also describe the composition and tasks of the committees installed by the Board. In addition to the Executive Committee, chaired by the Chief Executive Officer and the members of which some are charged with assisting the CEO in formulating the group's strategy and in the day-to-day management of the group, the Board has also confirmed the existence of the Audit Committee – composed exclusively of persons who have no responsibility for the day-to-day management – , the Compensation & Nominating Committee and the Chairmen's Committee, charged with preparation of Board meetings. A Capital Committee has also been formed, charged with advising the Board on matters relating to capital requirements and asset allocation. The composition of the various Committees is shown in the Annual review of Fortis.

#### **Fundamental rules on decision-making within the Board of Directors**

Except where a decision has to be taken urgently in the interests of the company, the Board of Directors may only engage in valid deliberations and take valid decisions if at least twelve members are present or represented. Decisions must be approved by at least twelve present or represented members.

A power of attorney may be conferred upon other members of the Board, but a director may not represent more than two of his / her colleagues. But for exceptional circumstances, as specified in the Internal Order Regulations, a director may not represent more than one of his / her colleagues.

In exceptional cases as provided for by the law, the decisions of the Board may be taken with the unanimous written consent of the directors.

#### **Procedure for supplying information to directors**

Detailed documentation is made available to directors on all points placed on the agenda of a Board meeting and on which the Board must deliberate because of their nature or significance.

### Number of meetings of the Board of Directors and main topics of discussion

The Fortis SA/NV Board of Directors met on ten occasions in 2001.

The topics discussed at the meetings of the Fortis SA/NV Board of Directors were all topics that provided the directors with essential information on the state of affairs, developments in the financial world and matters on which the Board of Directors needed to take a decision.

The latter consist mainly of business plans and budgets, quarterly and annual figures, sizeable investments in external growth, proposals from the Compensation & Nominating Committee, capital market borrowing for which the approval of the Board of Directors or the guarantee of Fortis SA/NV is required, and in general every topic that needs to be submitted to the General Meeting of Shareholders.

During the course of the financial year 2001, the Board of Directors devoted part of a number of their meetings to examining and taking decisions on changes in the structure of the group in connection with the unification of the Fortis share.

### Day-to-day management

Day-to-day management of the group is the exclusive responsibility of the Chief Executive Officer, who is the chairman of the Executive Committee. The CEO's responsibilities include analyzing and defining strategy and proposing strategic plans to the Board of Directors that can contribute to the company's development.

The other members of the Executive Committee who hold management functions within Fortis are appointed by the Board of Directors on the recommendation of the CEO. The Executive Committee meets once every two to three weeks.

### Auditing

The auditors maintain no direct or indirect relationships with the company. The internal control of the group is organized in levels. Each legal entity of the group or each group of entities has an internal Audit and an Audit Committee. For the group as a whole a central Group Audit has been put in place.

The tasks of the Group Audit include setting up and developing, in conjunction with the local auditors, the audit methods and resources, based on a common methodology adopted throughout the group.

Group Audit reports to the Audit Committee which has been formed within the Board of Directors.

Twice a year, Group Audit compiles a Management Letter, in which it formulates an opinion on the control systems within the group and reports on the weaknesses found. The measures that need to be taken to resolve those points are monitored systematically.

The Audit Committee supports the Board of Directors in its duty to supervise and control the financial day-to-day activities within Fortis and its subsidiaries, and met on four occasions in 2000. The Audit Committee consists of non-executive members of the Board of Directors, receives information from the General Auditor of Fortis and from the external auditors, discusses the information with the chairmen and submits the conclusions to the Boards of Directors of Fortis NV and Fortis SA/NV. For details of the activities of the Audit Committee, please refer to the statement contained in the Fortis Annual Review for 2001.



The external audit of the group is performed by a board of external auditors, consisting of representatives from the firms PricewaterhouseCoopers and KPMG. The same or other firms perform the external audit for each legal entity within the group.

Well-defined procedures are in place for the coordination of the external and internal audit assignments.

Finally, the supervisory authorities for both the banking and insurance industries each perform an external audit on the combined activities of Fortis within the specific statutory and regulatory frameworks relevant for each of them.

#### **Policy on appropriation of the result**

The policy on the appropriation of the result is that, at the level of Fortis SA/NV and Fortis NV, 40-45% of the consolidated profit of the Fortis group is distributed in the form of dividends.

#### **Reimbursement of directors**

Article 22 of the Articles of Association stipulates that the General Meeting may allocate a fixed or variable sum to the directors, charged to the profit and loss account.

Article 18 of the Articles of Association stipulates among other things that the Board adopts the reimbursement which is allocated to the directors who fulfill special offices. The decisions which the Board may take in this connection form the subject of proposals formulated by the Compensation & Nominating Committee.

For the detailing of its proposals, the Compensation & Nominating Committee calls on the group's external experts. It is their task to provide information to the Compensation & Nominating Committee on the reimbursement levels and structures which are customary for management of groups with an international dimension in Europe, and possibly beyond.

The provisions of Articles 18 and 22 of the Articles of Association apply, taking into account the new corporate governance and management structures of the group. The Compensation & Nominating Committee comprises seven directors and met four times during 2001.

#### **Relationships between the major shareholders**

The cartelisation of 14 December 2001 has been ended. Since then, individual agreements have been signed with a number of major shareholders. On the basis of these agreements, Fortis has a right to information as well as a pre-emption right in case the shareholder who has signed the agreement should decide to sell his Fortis shares.

## 11. Provision of information to shareholders and investors

### *Listed shares*

At present the Fortis shares are listed on Euronext Brussels, Euronext Amsterdam and on the Luxembourg stock exchange. The VVPR are listed only on Euronext Brussels.

### *Ways in which shares can be held*

Shares may be registered or bearer shares. Bearer shares:

- 1) may be deposited in a securities account at a financial institution or the issuer;
- 2) may be held in material form.

Shares are available in denominations of 1, 10, 25, 100 or 500.

### *Services to shareholders*

#### **Nominative subscription for and depositing of bearer shares**

In addition to the nominative subscription for registered shares, the company offers its shareholders the possibility of depositing their bearer shares. Once deposited, these shares remain bearer shares and are administered at no cost. The holder of bearer shares may, on request and at no cost, have his shares converted into registered shares. A holder of registered shares may, on request and at no charge, have his shares delivered in the form of bearer shares.

Fortis SA/NV has worked out a procedure for the rapid conversion of bearer shares, facilitating rapid delivery.

Shareholders may apply at any time for the transfer or sale of their deposited shares.

All information on the various procedures may be obtained from Fortis SA/NV:

Corporate Administration  
 Koningsstraat 20  
 1000 Brussels  
 Tel. +32 (0)2 510 54 15 or +32 (0)2 510 54 19  
 Fax. +32 (0)2 510 56 31.

#### **Information and communication**

The company sends its communiqués, including those relating to the quarterly and annual results, as well as the annual report, free of charge to holders of registered shares which have been given to it in custody. The company invites all holders of deposited registered shares to attend the General Meeting personally, and sends them the agenda, the resolution proposals and a proxy form which they can use to have themselves represented at the Meeting and to enable them to take part in voting. When the dividend is made payable, the company automatically credits the bank accounts which have been given to it by the holders of deposited shares, with the amount of dividend accruing to them. The company also provides holders of deposited registered shares with extensive documentation in the event of share transactions concerning the practical aspects of the transaction in question.

#### **Services to investors**

The Investor Relations department provides investors and financial analysts with useful information and explanations, and makes available publications on Fortis to interested parties. Frank Dausy can be contacted on +32 (0)2 510 53 37.

# **Annual accounts 2001 Fortis N.V.**



# Balance sheet

(before appropriation of profit)

	<i>31-12-2001</i>	<i>31-12-2000</i>
<b>Assets</b>		
Financial fixed assets		
- Share in net equity of Fortis	6,922.2	4,720.6
- Receivables from group companies	<u>1,255.9</u>	<u>197.0</u>
	8,178.1	4,917.6
Current assets		
	<u>47.9</u>	<u>11.3</u>
	8,226.0	4,928.9
<b>Liabilities</b>		
Shareholders' equity		
- Capital paid-up and called-up	543.3	467.5
- Share premium reserve	5,611.2	3,000.5
- Goodwill participating interests	(7,723.5)	-
- Revaluation reserve	567.9	-
- Retained profit reserve, participating interests	17.0	19.6
- Exchange differences reserve	308.6	211.1
- Other reserves	6,355.4	67.1
- Retained profit in the current financial year	<u>1,242.3</u>	<u>1,162.7</u>
	6,922.2	4,928.5
Convertible bonds	1,255.9	-
Short-term liabilities	47.9	0.4
	<u>8,226.0</u>	<u>4,928.9</u>

## Profit and loss account

	<i>2001</i>	<i>2000</i>
Results of activities of Fortis N.V., first half 2001 (full year 2000)	5.6	5.9
Results of participating interests, first half of 2001 (full year 2000)	861.8	1,156.8
Share in profit of Fortis, second half of 2001	<u>374.9</u>	<u>-</u>
<b>Profit</b>	<b>1,242.3</b>	<b>1,162.7</b>

# Explanatory notes to the balance sheet and profit and loss account

## General

In the year under review the listed shares of Fortis (NL) and Fortis (B) were merged into a single, new listed security, the Fortis share. This share represents one ordinary share in each of the two new parent companies, Fortis N.V. and Fortis SA/NV. The Fortis Share was created as a result of preliminary, interconnected and inter-conditional steps. At the Extraordinary General Meetings of Shareholders held on 14 December 2001 the shareholders granted their approval for this series of steps in its entirety, for the amendment to the Articles of Association needed to increase the authorized share capital and for the legal merger between Fortis (NL) and Fortis N.V., whereby Fortis N.V. was the acquiring legal entity. These steps have been incorporated into the figures retrospective to 30 June 2001. Readers of these annual accounts should take into account the consequences of the unification of the Fortis shares, as a result of which the figures for 2001 cannot be properly compared with those for 2000.

The Annual report of Fortis N.V. should be seen in connection with the Annual accounts of Fortis.

All amounts stated in the following notes are in EUR million, unless otherwise indicated.

## Balance sheet

The following pages contain explanatory notes to the various balance sheet items, including explanation of the principles of valuation applied. Where no valuation principle is stated, the assets and liabilities are included at nominal value, less provisions where necessary.

## Financial fixed assets

### *Share in net equity of Fortis*

This item is made up of the 50% share in Fortis Brussels SA/NV and the 50% share in Fortis Utrecht N.V. as of year-end 2001. As of year-end 2000, this item consisted of the participating interests in Fortis Insurance N.V., AG 1990 (Nederland) N.V. and Fortis B.V. The share in the net equity of Fortis, valued at net asset value, is determined according to the principles of valuation set forth in the notes to the consolidated balance sheet and profit and loss account contained in the annual accounts of Fortis, note 4 "Principles of valuation and profit determination".

## Movements in the items were as follows:

Balance at 31 December 2000		4,720.6
Share in profit of participating interests, first half 2001		861.8
Dividend paid 2000		( 350.0 )
Revaluations first half 2001		
- Exchange differences	132.2	
- Goodwill	( 77.3 )	
- Other	( 236.7 )	
		<u>( 181.8 )</u>
Closing balance at 30 June 2001		5,050.6
Contribution of participating interests in Fortis Utrecht N.V.		<u>( 5,050.6 )</u>
		0.0
Formation of Fortis Utrecht N.V. through contribution of all activities of Fortis N.V. at 30 June 2001		5,189.9
Capital gain on sale of 50% of participating interest in Fortis Utrecht N.V. to Fortis SA/NV		( 2,595.0 )
Acquisition of 50% of Fortis Brussels SA/NV from Fortis SA/NV		8,775.0
Goodwill on acquisition of 50% of Fortis Brussels SA/NV		( 4,000.0 )
Injection capital, second half 2001		0.3
Share in profit of Fortis over second half 2001		374.9
Revaluations second half 2001		
- Exchange differences	( 34.8 )	
- Goodwill	( 216.0 )	
- Other	( 572.1 )	
		<u>( 822.9 )</u>
Closing balance at 31 December 2001		6,922.2

## Receivables from group companies

This concerns the convertible bond issued by Fortis (NL) in October 1998 to Fortis SA/NV, maturing November 2003 and a convertible bond issued by Fortis (NL) in July 1999 to Fortis SA/NV, maturing July 2004. These bonds were contributed by Fortis SA/NV to Fortis Brussels SA/NV in connection with the unification of the Fortis shares. As a result of the merger between Fortis (NL) and Fortis N.V., these convertible bonds are now held by Fortis N.V.

The coupon rates and conversion conditions of the bonds issued in 1998 are identical to the conditions of the bond borrowed in 1998, stated in the notes to the convertible bonds. The bond from 1999 is connected to the convertible bond borrowed in 1999 and has a coupon rate of 3.6% per year.



*Current assets*

	<i>31-12-2001</i>	<i>31-12-2000</i>
Receivables from Fortis companies	35.2	7.3
Prepayments and accrued income	12.4	4.0
Liquid assets	<u>0.3</u>	<u>-</u>
	47.9	11.3

*Shareholders' equity*

Movements in shareholders' equity were as follows:

	<i>2001</i>	<i>2000</i>
Balance at 1 January	4,928.5	5,847.5
Issue of 35,389,779 A shares	-	1,181.1
Issue of 1,066,976 B shares	-	4.6
Dividend 2000 / 1999	( 424.2)	( 709.9)
Share in exchange differences	132.2	65.0
Share in goodwill	( 77.3)	( 2,132.9)
Share in other revaluations	( 236.7)	( 435.7)
Result from activities of Fortis N.V. and from participating interests, first half 2001 (full year 2000)	<u>867.4</u>	1,108.8
Balance at 30 June 2001	5,189.9	
Merger with Fortis (NL)	( 1,122.5)	-
Capital gain on sale of 50% of Fortis Utrecht N.V. to Fortis SA/NV	7,302.5	-
Goodwill on acquisition of 50% of Fortis Brussels SA/NV from Fortis SA/NV	( 4,000.0)	-
Shares issued in connection with exercise of options from 1998 option plan	0.3	-
Share in exchange differences	( 34.8)	-
Share in goodwill	( 216.0)	-
Share in other revaluations	( 572.1)	-
Share in profit of Fortis, second half 2001	<u>374.9</u>	-
Closing balance at 31 December 2001	6,922.2	4,928.5

**Capital paid-up and called-up**

Movements in paid-up and called-up capital were as follows:

Issued capital at 31 December 2000: 179,332,490 A shares and 270,185,840 B shares	467.5
Issue of 38,051,234 A shares charged to share premium reserve	39.6
Issue of 3,639,002 A shares	3.8
Transfer of 11,317,240 A shares to 11,317,240 B shares	-
Transfer of 1,812,078 B shares to 1,812,078 A shares	-
Issued capital at 14 December 2001: 211,517,564 A shares and 279,691,002 B shares	510.9
Split of shares A and B, from nominal EUR 1.04 to nominal EUR 0.52 (Issued capital after split: 423,035,128 A shares and 559,382,004 B shares)	-
Legal merger with Fortis (NL), withdrawal of all 423,035,128 A shares and 559,382,004 B shares and issue of 1,293,565,659 shares at EUR 0.42	32.4
Capital paid-up and called-up at 31 December 2001	543.3

Shares A and B were ordinary shares. The nominal value of the new ordinary shares at 31 December 2001 was EUR 0.42. The shares are fully paid up.

An option was granted to Stichting Continuïteit Fortis N.V. to acquire preference shares. More information on preference shares can be found in note 9 of the Fortis Annual accounts.

**Share premium reserve**

Movements in share premium reserve were as follows:

Closing balance at 31 December 2000	3,000.5
Issue of 38,051,234 A shares charged to share premium reserve	( 39.6 )
Issue of 3,639,002 A shares	152.2
Legal merger with Fortis (NL), withdrawal of all 423,035,128 A shares and 559,382,004 B shares and issue of 1,293,565,659 shares at EUR 0.42	( 32.4 )
Legal merger of Fortis (NL) and Fortis N.V.	2,530.5
Closing balance at 31 December 2001	5,611.2

Movements in tax-free distributable capital to shareholders were as follows:

Closing balance at 31 December 2000	6,026.7
Issue of 2,865,722 new shares	99.4
Issue of 37,253 new shares	1.2
Issue of 201 new shares	0.1
Other	5.9
Closing balance at 31 December 2001	6,133.3

### Goodwill participating interests

Movements in goodwill were as follows:

Closing balance at 31 December 2000	-
Legal merger of Fortis (NL) and Fortis N.V.	( 7,507.5 )
Share of goodwill paid by Fortis, second half 2001	<u>( 216.0 )</u>
Closing balance at 31 December 2001	( 7,723.5 )

### Revaluation reserve

This reserve relates to the valuation of the shares in the equity of Fortis companies. Movements in the reserve were as follows:

Closing balance at 31 December 2000	-
Deducted from other reserves year-end 2000	( 1,901.8 )
Legal merger of Fortis (NL) and Fortis N.V.	3,041.8
Revaluation of interest in Fortis, second half 2001	<u>( 572.1 )</u>
Closing balance at 31 December 2001	567.9

The revaluation reserve at 31 December 2001 includes an amount of EUR 474.1 million in respect of unrealized revaluations accumulated since 1 January 1985. This part of the revaluation reserve is one of the reserves required by law under Article 373, Book 2 of the Dutch Civil Code.

### Retained profit reserve, participating interests

This item relates to the profits of participating interests retained since 1 January 1985. Movements in this item were as follows:

Closing balance at 31 December 2000	19.6
Retained profit reserve, participating interests	<u>( 2.6 )</u>
Closing balance at 31 December 2001	17.0

No allowance has been made for taxation on dividends which may be paid by Fortis in the future out of existing reserves. The reserve for retained profits of participating interests is a reserve required by law.

### Exchange differences reserve

Exchange rate differences relates to Fortis N.V.'s share of exchange differences on the equity of Fortis Utrecht N.V., Fortis Brussels SA/NV and their subsidiaries. Movements in this item were as follows:

Closing balance at 31 December 2000	211.1
Share in exchange differences Fortis companies, first half 2001	132.3
Share in exchange differences Fortis companies, second half 2001	<u>( 34.8 )</u>
Closing balance at 31 December 2001	308.6

**Other reserves**

Movements in this item were as follows:

Closing balance at 31 December 2000	67.1
From profit appropriation 2000	1,162.7
Dividend 2000	( 424.2 )
Legal merger of Fortis(NL) and Fortis N.V.	3,645.1
From revaluation reserve in connection with decrease of the negative balance	1,901.8
From legally-required retained profit reserve participating interests in connection with decrease of the balance	2.6
Share issue in connection with exercise of 1998 stock option plan	0.3
Closing balance at 31 December 2001	6,355.4

*Convertible bonds*

In October 1998 Fortis N.V. issued a convertible bond maturing in November 2003; the issue raised an amount of EUR 680.6 million with a coupon of 2.625%. The bonds are convertible into Fortis N.V. ordinary shares at a premium of 25% above a share price of EUR 25.21; for Fortis N.V. the bonds are callable at par from November 2001. Approximately 21.6 million new Fortis N.V. ordinary shares will be issued for the exchange.

In July 1999 Fortis (NL) issued a convertible bond which will mature in July 2004. This issue raised EUR 575.25 million at a coupon rate of 1.5%. Repayment will take place at 110.78%. The bonds are convertible into ordinary Fortis (NL) shares above a price of EUR 38.35. Approximately 15 million new Fortis (NL) shares will be issued for the exchange.

As a result of the legal merger between Fortis (NL) and Fortis N.V., these convertible bonds are currently held by Fortis N.V. and the Fortis (NL) shares have been exchanged for Fortis shares.

*Short-term liabilities*

	<i>31-12-2001</i>	<i>31-12-2000</i>
Other liabilities	10.9	0.4
Accruals and deferred income	37.0	-
	<u>47.9</u>	<u>0.4</u>

*Option plans*

A description of the option plans on the shares of Fortis N.V. is included in the Annual accounts of Fortis, notes 13 and 18.

*Commitments not reflected in the balance sheet*

Fortis N.V. has extended a guarantee to the Institute of London Underwriters on behalf of Bishopsgate Insurance Limited. Bishopsgate Insurance Limited terminated its membership of the Institute of London Underwriters on 31 December 1991. Fortis N.V.'s guarantee concerns the current commitments arising out of policies issued by the aforesaid Institute on behalf of Bishopsgate, and for Bishopsgate's commitments to the Institute.

Fortis N.V. has undertaken to third parties to stand surety for liabilities of Fortis companies, to a total amount of EUR 370.1 million. Fortis N.V. has also undertaken to stand surety for forward transactions entered into by Fortis companies in the interest market and the foreign exchange market. The total notional amount of these contracts at 31 December 2001 was EUR 158.7 million (2000: EUR 172.4 million). Fortis SA/NV has issued a counter-guarantee for 50% of each of the above guarantees. Finally, Fortis SA/NV and Fortis N.V. have each undertaken to stand surety for liabilities of Fortis companies in various currencies, equivalent in total to EUR 26,167.2 million (2000: EUR 12,691.6 million).

## **Profit and loss account**

### *General*

In connection with the unification of the Fortis (B) and Fortis (NL) shares into one Fortis share, the profit and loss account for 2001 has been broken down into two accounts. The result for the first half of 2001 is made up of the result from own activities (this consists mainly of interest) before the introduction of the Fortis share. The result for the second half of 2001 is made up solely of the share in the profit of Fortis of 50.0%.

### *Costs*

An explanation of the total compensation of directors is included in note 18 of the Fortis Annual accounts.

Utrecht, 13 March 2002

## **Board of Directors**

J.R. Glasz (chairman)

Count M. Lippens (chairman)

Viscount E. Davignon (vice-chairman)

J.J. Slechte (vice-chairman)

A. van Rossum (Chief Executive Officer)

Baron V. Croes

J.M. Hessels

H.J. Hielkema

Baron D. Janssen

Mrs C. Morin-Postel

Mrs A.J.M. Roobeek

J.M. Schröder

Ph. Speeckaert

Baron P. Van Waeyenberge

N.J. Westdijk

## Other information

### Auditor's report

#### *Introduction*

We have audited the Annual accounts for the year 2001 of Fortis N.V. Utrecht, as included in this report. These Annual accounts are the responsibility of the company's management. Our responsibility is to express an opinion on these Annual accounts based on our audit.

#### *Scope*

We conducted our audit in accordance with generally accepted auditing standards in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Annual accounts. We believe that our audit provides a reasonable basis for our opinion.

#### *Opinion*

In our opinion, the Annual accounts give a true and fair view of the financial position of the company as of 31 December 2001 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands, and comply with the financial reporting requirements included in Part 9, Book 2 of the Dutch Civil Code.

Utrecht, 13 March 2002

KPMG Accountants N.V.

## **Provisions of the Articles of Association concerning profit appropriation**

These provisions are contained in Article 32, clauses 1-22 of the Articles of Association. The provisions concerning the dividend paid out on the cumulative preference shares A and B do not apply, as no such shares are outstanding. The Board of Directors determines which part of the profit is to be retained. The remainder of the profit is at the disposal of the General Meeting of Shareholders.

## **Profit appropriation**

The Board of Directors proposes fixing the dividend for 2001 at EUR 0.88 (2000: EUR 0.88) per share. Shareholders may choose to receive either a Dutch- or a Belgian-sourced dividend. Shareholders must state their choice by filling in a “dividend election form”. If no express choice is made by the shareholders, automatic election rules (the so-called Default Rules) will be applicable. Further information on these rules is contained in the Fortis Annual accounts in note 19.

## Stichting Continuïteit Fortis N.V.

The Stichting Continuïteit Fortis has been granted an option to acquire a number of preference shares of Fortis N.V. such that, following exercise of the option, the nominal amount of the preference share capital subscribed to by the Stichting is equal to the nominal amount of the rest of the share capital.

The Board of the Stichting Continuïteit Fortis consists of six members, two of whom are connected with Fortis and four of whom are independent, who are appointed on the recommendation of the Boards of Directors of Fortis N.V. and Fortis SA/NV. The members are: Mr. R. Mannekens and Mr. J.A. Steenmeijer (co-chairmen), Mr. V. Croes, Mr. H. Santens, Mr. J.J. Slechte and Mr. J.M.M. Maeijer. Mr. J.M.M. Maeijer was appointed in the year under review. Mr. J.M. Hessels stepped down from the Board of the Stichting due to his appointment to the Fortis Board of Directors.

The Board of the Stichting Continuïteit Fortis met on two occasions in 2001. Subjects of discussion included the appointment of the new Board member Mr. J.M.M. Maeijer, consequences of the new share structure of Fortis, the options agreement with Fortis N.V., the amendment to the Stichting's Articles of Association (name change) and expansion of the credit facility.

In the year under review the Stichting held no preference shares.

### Declaration of independence

The Board of Directors of Fortis N.V. and the Board of the Stichting Continuïteit Fortis declare that in their joint opinion the requirements concerning the independence of the Stichting Continuïteit Fortis, as formulated in Annex X to the Listing and Issuing Rules of Euronext Amsterdam N.V., have been met.

Utrecht, 13 March 2002

#### Fortis N.V.

Board of Directors

#### Stichting Continuïteit Fortis

The Board

R. Mannekens (chairman)  
J.A. Steenmeijer (chairman)  
Baron V. Croes  
J.M.M. Maeijer  
H. Santens  
J.J. Slechte



## Stichting Prioriteit Fortis

Two priority shares of Fortis (NL) have been held by the Stichting Prioriteit Fortis since 18 February 1999. Holders of these shares have the authority to approve decisions taken by the Fortis (NL) Board of Directors to amend the Articles of Association of Fortis (NL), to issue shares and to dissolve the company. These authorities were granted in the interests of preserving the equality of the then parent companies of Fortis, Fortis (NL) and Fortis (B). In turn, Fortis (NL) had identical rights at Fortis (B), which are laid down in the Articles of Association.

The Board of the Stichting Prioriteit Fortis was appointed by and consisted of members of the Fortis (B) Board of Directors, Mr. P. Van Waeyenberge (chairman), Mr. J.L.M. Bartelds, Mr. M. Lippens and Mr. N.J. Westdijk.

The Board of the Stichting Prioriteit Fortis met on two occasions in 2001, and also voted unanimously on one occasion without meeting. In the first meeting, the Board approved the decision of the Fortis (NL) Board of Directors to amend the Articles of Association in order to enable Mr. J.M. Schröder, former Chairman of the Supervisory Board of ASR Verzekeringsgroep N.V., to join as non-executive member of the Fortis (NL) Board of Directors. In the second meeting, the Board approved the decision of the Fortis (NL) Board of Directors to unify the shares of Fortis (NL) and Fortis (B) and the different steps required for this move, such as the decisions to amend the Articles of Association regarding an increase in the authorized share capital, to issue shares of Fortis (NL), and to enter into the merger between Fortis (NL) and Fortis N.V.

The priority shares have ceased to exist as a result of the unification of the Fortis (NL) and Fortis (B) shares into a single, listed security. The Board decided - unanimously without meeting - not to transfer the two priority shares to Fortis (NL) and to dissolve the Stichting. The Stichting Prioriteit Fortis was dissolved on 15 December 2001 and thus no longer exists.

Utrecht, 12 December 2001

**Fortis N.V.**

**(formerly) Stichting Prioriteit Fortis**

Board of Directors

The Board

Baron P. Van Waeyenberge (chairman)

J.L.M. Bartelds

Count M. Lippens

N.J. Westdijk

### Cautionary statement with respect to forward-looking statements

Certain of the statements contained in this Annual Report, including, without limitation, certain statements made in the sections hereof entitled “Message to the Shareholders”, “Description of activities”, “Report of the Executive Committee” and “Note 10, Risk management” are statements of future expectations and other forward-looking statements that are based on management’s current views, estimates and assumptions about these future events. These forward-looking statements are subject to certain risks and uncertainties that may cause actual results, performance or events to differ materially from those expressed or implied in such statements, including, without limitation, our expectations regarding cost and revenue synergies associated with the integration of our banking operations, including branch closures and levels of restructuring costs, the impact of recent acquisitions and the levels of provisions relating to our credit and investment portfolios. Other factors, more generally, which may impact our results, include, without limitation:

- general economic conditions, including in particular economic conditions in our core markets of Belgium and the Netherlands,
- changes in interest rates and the performance of financial markets,
- the frequency and severity of insured loss events,
- mortality, morbidity and persistency levels and trends,
- currency exchange rates, including euro-US dollar exchange rate,
- changes in competition and pricing environments, including increasing levels of competition in Belgium and the Netherlands,
- changes in domestic and foreign laws, regulations and taxes,
- regional or general changes in asset valuations,
- the occurrence of significant natural or other disasters,
- the inability to reinsure certain risks economically,
- the adequacy of loss reserves,
- regulatory changes relating to the banking, insurance and / or investment industries,
- changes in the policies of central banks and / or foreign governments, and
- general competitive factors, in each case on a global, regional and / or national basis.



Together with the Annual review Fortis 2001 these Annual accounts constitute the annual report of Fortis. The Annual accounts contain the annual accounts of Fortis, the company annual accounts of Fortis SA/NV in summary form and the company annual accounts of Fortis N.V. The report of the Executive Committee is contained in the Annual review 2001.

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