



Solid partners, flexible solutions

Fortfinlux S.A.
(incorporated with limited liability under
the laws of Luxembourg)

Fortis N.V.
(incorporated with limited liability under
the laws of The Netherlands)

Fortis SA/NV
(incorporated with limited liability under
the laws of Belgium)

€1,250,000,000

Undated Floating Rate Equity-linked Subordinated Hybrid ("FRESH") Capital Securities
(par value of €250,000 each)

ISSUE PRICE 100%



The undated Floating Rate Equity-linked Subordinated Hybrid ("FRESH") Capital Securities (the "FRESH Capital Securities") will be duly authorized and issued securities of Fortfinlux S.A. ("Luxco"), who, with Fortis N.V. and Fortis SA/NV (together the "Parent Companies"), shall be the "Co-obligors". The FRESH Capital Securities shall be issued in registered form and shall constitute direct, secured and subordinated obligations of the Co-obligors and shall have no maturity date.

Coupons on the FRESH Capital Securities will be payable quarterly in arrears on February 7, May 7, August 7 and November 7 of each year, commencing on August 7, 2002, at a variable rate per annum on their outstanding principal amount equal to 1.35% above the three-month EURIBOR, calculated on an actual/actual basis.

At any time from 40 days after the date of issuance the FRESH Capital Securities may be exchanged at the option of the holder for units to be issued by Fortis N.V. and Fortis SA/NV, each unit comprised of one ordinary share in the capital of Fortis N.V. twinned with one ordinary share in the capital of Fortis SA/NV, or any successor ordinary share capital issued by either ("Fortis Shares"). The FRESH Capital Securities shall be exchangeable at an exchange ratio of 7,936.5079 Fortis Shares per €250,000 principal amount of FRESH Capital Securities, subject to adjustment on the occurrence of certain events. In addition, all outstanding FRESH Capital Securities shall be automatically exchanged for Fortis Shares, if, at any time after the seventh anniversary of the issue date the Volume Weighted Average Price of the Fortis Shares for 20 consecutive Stock Exchange Business Days equals or exceeds the Automatic Exchange Price Level.

(Continued on inside front cover)

Investing in the FRESH Capital Securities involves certain risks. See "Investment Considerations" beginning on page 24.

The FRESH Capital Securities and the Fortis Shares or other securities deliverable upon exchange of the FRESH Capital Securities or pursuant to the Alternative Coupon Satisfaction Method (as defined in the Terms and Conditions of the FRESH Capital Securities) have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or under any state securities laws and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons, unless registered under the Securities Act or an exemption from the requirements of the Securities Act is available. The FRESH Capital Securities are being offered and sold in the United States only as described herein to qualified institutional buyers (as defined in Rule 144A under the Securities Act) in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The FRESH Capital Securities will be offered and sold to certain investors outside the United States in reliance on Regulation S under the Securities Act. The Fortis Shares to be delivered upon exchange of the FRESH Capital Securities may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Prospective buyers are hereby notified that sellers of the FRESH Capital Securities or the Fortis Shares to be delivered upon exchange of the FRESH Capital Securities or pursuant to the Alternative Coupon Satisfaction Method (as defined in the Terms and Conditions of the FRESH Capital Securities) may be relying on an exemption from the registration provisions of Section 5 of the Securities Act provided by Rule 144A thereof, if available.

JPMorgan
Joint Global Co-ordinator,
Sole Bookrunner and
Joint Lead Manager

Fortis Bank
Joint Global Co-ordinator and
Joint Lead Manager

May 2, 2002

*FRESH Capital Securities were jointly developed by Fortis and JPMorgan. "FRESH Capital" is a service mark of J.P. Morgan Chase & Co.

(Continued from front cover)

The sole recourse of the holders of FRESH Capital Securities against any of the Co-obligors with respect to the principal amount of the FRESH Capital Securities shall be to 39,682,540 Fortis Shares that are pledged by Luxco in favor of such holders as further described in this offering memorandum. These Fortis Shares are referred to as the Underlying Shares and are also the only Fortis Shares available to secure the exchange rights under the FRESH Capital Securities.

Fortis Shares have a dual primary listing on Euronext Amsterdam N.V. ("Euronext Amsterdam") and on Euronext Brussels SA/NV ("Euronext Brussels"). The Fortis Shares are also listed on the Luxembourg Stock Exchange and Fortis has a sponsored over-the-counter ADR program in the United States.

In the event that dividends are not to be paid on the Fortis Shares, or that the dividends to be declared on the Fortis Shares are below a certain threshold in any fiscal year, and in certain other circumstances, payments on Coupons will be made only in accordance with the Alternative Coupon Satisfaction Method, as further described in this offering memorandum. If investors are not able to hold the Fortis Shares deliverable upon exchange or pursuant to the Alternative Coupon Satisfaction Method, such Fortis Shares will be sold on the investors' behalf in the market and such holder will receive a pro rata portion of the net proceeds from such sale.

The FRESH Capital Securities are not redeemable at the option of the Co-obligors at any time, and neither any of the Co-obligors nor any of their respective subsidiaries may acquire any of the FRESH Capital Securities, other than in connection with dealing in securities in the ordinary course of business.

All payment obligations of each of the Co-obligors under the FRESH Capital Securities will be deeply subordinated obligations ranking behind the claims of holders of all other liabilities of such Co-obligor, except any indebtedness or obligation that, expressly or by applicable law, is *pari passu* with or subordinated to the FRESH Capital Securities, and except any ordinary shares of Luxco and the Fortis Shares.

Application has been made to list the FRESH Capital Securities on the Luxembourg Stock Exchange.

The Joint Lead Managers (as defined herein) will purchase all of the FRESH Capital Securities offered hereby, if they purchase any of them.

The Joint Lead Managers expect the FRESH Capital Securities will be delivered on or about May 7, 2002.

Each of Luxco, Fortis N.V. and Fortis SA/NV, having made all reasonable inquiries, confirms that this offering memorandum contains all information with regard to each of them and the FRESH Capital Securities, which is material in the context of the issue and offering of the FRESH Capital Securities, that the information contained in this document is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which would make this document or any of such information or the expression of any such opinions or intentions materially misleading. Each of Luxco, Fortis N.V. and Fortis SA/NV accepts responsibility for the information contained in this document.

In making an investment decision, investors must rely on their own examination of each of Luxco, Fortis N.V. and Fortis SA/NV and the terms of the offering, including the merits and risks involved. This offering is being made on the basis of this offering memorandum and any decision to purchase the FRESH Capital Securities in this offering must be based on the information contained herein. No representation is made to any offeree or purchaser of the FRESH Capital Securities regarding the legality of an investment therein by such offeree or purchaser under any applicable investment or similar laws or regulations. The contents of this offering memorandum are not legal, business or tax advice. Each prospective investor should consult his or her advisors as to legal, business and tax advice.

Each of J.P. Morgan Securities Ltd. and Fortis Bank (together the “Joint Lead Managers”) reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the full amount of the FRESH Capital Securities offered hereby.

This offering memorandum has been prepared solely for use in connection with the placement of the FRESH Capital Securities and for the listing of the FRESH Capital Securities on the Luxembourg Stock Exchange. This offering memorandum is not an offer to sell or a solicitation of an offer to buy any of the FRESH Capital Securities to any person in any jurisdiction where it is unlawful to make such an offer or solicitation.

No person has been authorized to give any information or to make any representations other than those contained in this offering memorandum and, if given or made, such information or representations must not be relied upon as having been authorized. This offering memorandum is not an offer to sell or a solicitation of any offer to buy any securities other than the FRESH Capital Securities. Neither the delivery of this offering memorandum nor any sale hereunder shall create, under any circumstances, any implication that there has been no change in the affairs of Luxco, Fortis N.V., Fortis SA/NV or the Fortis Group (as defined herein) since the date hereof or that the information contained herein is correct as of any time after its date.

In connection with this offering, J.P. Morgan Securities Ltd., on behalf of the Joint Lead Managers, may, in accordance with applicable law, over-allot or engage in transactions which stabilize or maintain the market price of the FRESH Capital Securities or the Fortis Shares at levels which might not otherwise prevail. Such stabilizing, if commenced, may be discontinued at any time.

The distribution of this offering memorandum and the offering and sale of the FRESH Capital Securities in certain jurisdictions may be restricted by law. For information on such restrictions investors should turn to the section entitled “Subscription and Sale—Selling Restrictions” on page 226 and “Transfer Restrictions” on page 230.

Additional information relating to the listing of the FRESH Capital Securities on the Luxembourg Stock Exchange is set out under “General Listing Information” on page 236.

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Investor Notices

FRESH Capital Securities sold in offshore transactions in reliance on Regulation S (the “Unrestricted Securities” which expression shall include the Unrestricted Global Certificate) and FRESH Capital Securities sold to investors in the United States in reliance on Rule 144A (the “Restricted Securities” which expression shall include the Restricted Global Certificate) will be represented by Global Certificates in fully registered form. The Unrestricted Global Certificate and the Restricted Global Certificate are referred to in this offering memorandum as “Global Certificates”. Each Global Certificate will be registered in the name of and held by a common depository on behalf of Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Luxembourg Banking société anonyme, Luxembourg (“Clearstream Luxembourg”). It is expected that delivery of the Global Certificates will be made on or about May 7, 2002. Interests of participants in Euroclear and Clearstream Luxembourg will be represented by book entries in the records of Euroclear or Clearstream Luxembourg, as the case may be. The Restricted Securities will be subject to restrictions on transfer and the Restricted Global Certificate with respect to such FRESH Capital Securities will bear a legend unless the Co-obligors determine otherwise in accordance with applicable law. See “General Listing Information—Global Clearance and Settlement Procedures” and “Transfer Restrictions”.

Presentation of Financial Information

Consolidated Financial Statements

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 prepared in accordance with the applicable legal and regulatory requirements in Belgium, hereinafter referred to as “GAAP in accordance with Belgian Law”. Fortis has, as described in the footnotes and description of the accounting principles included in its consolidated financial statements, both in terms of presentation and content, utilized a number of options applicable in the law for consortium by taking into account art. 117§2 of the Belgian Code of Companies, in order to reflect in a most reliable manner in its financial statements the bank and insurance activities.

Fortis SA/NV Financial Statements

Fortis SA/NV prepares financial statements which reflect its share in Fortis. In these financial statements, Fortis SA/NV accounts for its share in Fortis on a cost basis. Fortis SA/NV’s financial statements are prepared in accordance with generally accepted accounting principles in Belgium (“Belgian GAAP”). The consolidated financial statements are an important part of Fortis SA/NV’s financial statements.

Fortis N.V. Financial Statements

Fortis N.V. prepares financial statements which reflect its share in Fortis. In these financial statements, Fortis N.V. accounts for its share in Fortis on an equity basis. Fortis N.V.’s financial statements are prepared in accordance with generally accepted accounting principles in The Netherlands, (“Dutch GAAP”). The consolidated financial statements are an important part of Fortis N.V.’s financial statements.

Some figures in this offering memorandum may not sum due to rounding. Some percentages in this offering memorandum have been calculated using rounded figures.

Some financial information in this offering memorandum is presented on a geographic basis. Unless otherwise stated, we have prepared information in respect of 2001, 2000 and 1999 based on the locus of such activity.

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Summary

This summary highlights information contained elsewhere in this offering memorandum. This summary is not complete and does not contain all of the information that may be important to you. You should read the entire offering memorandum, including all of the financial statements and related notes, before making an investment decision. Unless otherwise stated, all share data have been adjusted to give effect to all stock splits. A glossary of selected insurance and banking terms used in this summary and elsewhere in this offering memorandum can be found at the end of this offering memorandum under "Glossary".

Issuer and Co-obligor

Luxco

Fortfinlux S.A., ("Luxco") is a company with limited liability (*société anonyme*) under Luxembourg law established in Luxembourg and registered with the Register of Commerce and Companies kept at the District Court of Luxembourg under number Luxembourg B-86976. The registered office of the company is located at Rue Aldringen 14, L-1118 Luxembourg.

Luxco is part of the Fortis Group.

Co-obligors

Fortis N.V.

Fortis N.V. is a public company with limited liability (*naamloze vennootschap*) incorporated under Dutch law. Fortis N.V. was incorporated on April 19, 1984. Fortis N.V. has its corporate seat in Utrecht, The Netherlands, with its head office at Archimedeslaan 6, 3584 BA Utrecht, The Netherlands, and is registered with the Trade Register at the Chamber of Commerce of Utrecht under number 30072145.

Fortis SA/NV

Fortis SA/NV is a public company with limited liability (*société anonyme/naamloze vennootschap*) incorporated under Belgian law. Fortis SA/NV was incorporated on November 16, 1993 and has its registered office at Rue Royale/Koningsstraat 20, 1000 Brussels, Belgium. Fortis SA/NV is registered with the Brussels Trade Register under number 577615.

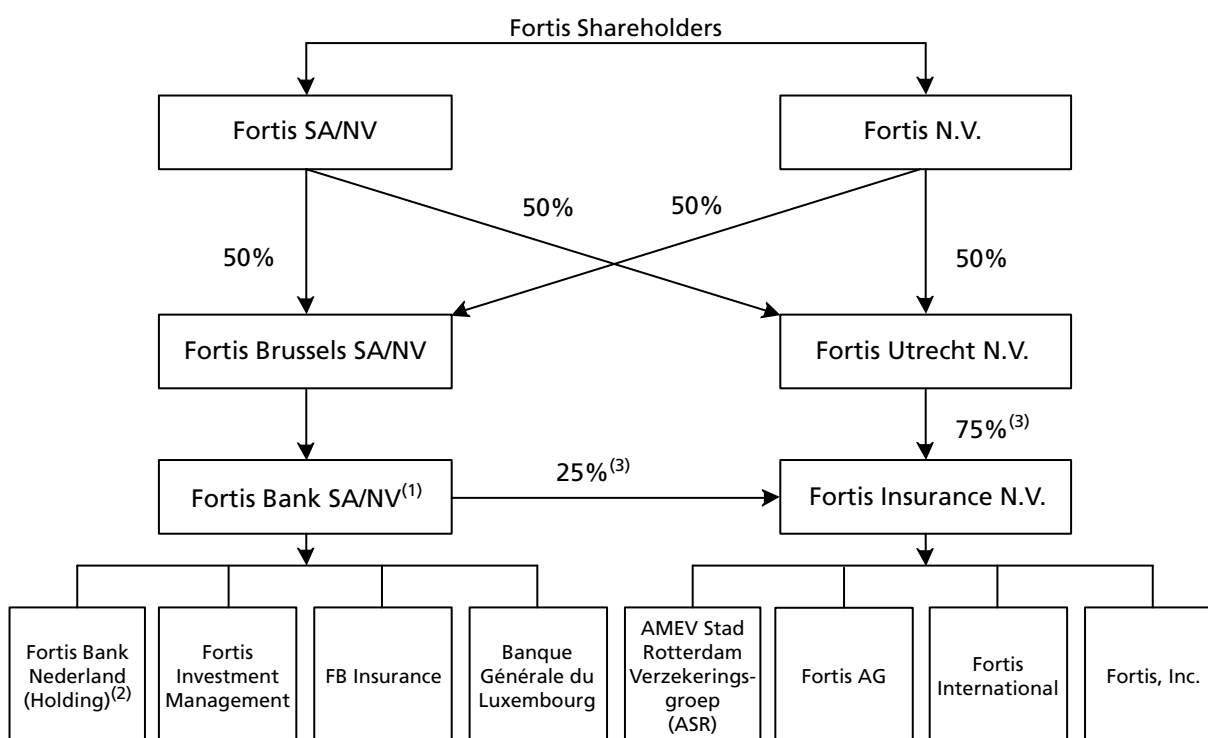
Fortis Group

Fortis was created in 1990 when AG Group (the predecessor of Fortis SA/NV), a large Belgian insurer and AMEV/VSB (the predecessor of Fortis N.V.), a large Dutch insurer, merged their respective operations. The parent companies remained separate legal entities. Since the merger, the operating businesses of Fortis have been managed together. Fortis is not a legal entity but collectively refers to Fortis SA/NV and Fortis N.V. and the group of companies owned and/or controlled by Fortis SA/NV and Fortis N.V. In this offering memorandum "Fortis Group" and "Fortis" refer to Fortis SA/NV, Fortis N.V. and such companies.

The Fortis Share that was created after a unification process which was completed in December 2001, represents the twinned shares of Fortis SA/NV and Fortis N.V. 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 secondary listing on the Luxembourg Stock Exchange and a sponsored over-the-counter ADR program in the United States.

As part of the unification process, Fortis implemented a number of mergers and other legal steps which resulted in the following legal structure. The operating companies of the Fortis Group are owned by Fortis Bank SA/NV (principally banking and asset management) and Fortis Insurance N.V. (principally insurance).

The diagram below summarizes the legal structure of Fortis as of December 31, 2001.



(1) Fortis Bank SA/NV is the successor to the merger of Generale Bank and ASLK-CGER Bank.

(2) Fortis Bank Nederland (Holding) is the successor to the merger of VSB Bank, Generale Bank Nederland and MeesPierson.

(3) Fortis Bank SA/NV holds preference shares in Fortis Insurance N.V. Fortis Utrecht N.V. holds 100% of the ordinary shares in Fortis Insurance N.V. The percentage interests included in the table represent voting interest.

All holders of a 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.

Overview

Fortis is an international financial services provider active in the fields of insurance, banking and asset management. Fortis has strong roots in the Benelux countries (Belgium, The Netherlands and Luxembourg) and has particular strength in delivering insurance products through its banking distribution network of bancassurance. Outside its home market, Fortis concentrates on selected market segments in Europe, the United States and Asia. In the United States, Fortis has operations through Fortis, Inc., primarily in specialty insurance.

The Fortis Group:

- ranks as one of the two largest providers of integrated financial services in the Benelux countries;
- caters to approximately seven million customers through an extensive branch network worldwide and 8,500 insurance brokers; and
- believes Fortis is ranked number one in private banking and number two in asset management in the Benelux based on assets under management as of December 31, 2001.

In addition, Fortis was Europe's 18th largest financial institution in terms of market capitalization as of December 31, 2001 and Europe's 18th largest bank in terms of assets as of December 31, 2000.

Fortis Operating Structure

Businesses are organized within two distinct pools of activity: one for insurance and the other for banking and asset management. These groupings reflect in part the use of two primary channels for distributing Fortis' products, intermediaries (brokers and agents), and proprietary distribution networks (bank branches).

Insurance

Fortis' insurance activities worldwide (other than bancassurance, which will remain under the banking group), have been aggregated to form the building blocks of a single, Netherlands-based, insurance group, headed by Fortis Insurance N.V.

- *Insurance Belgium and International*: this insurance business serves independent insurance intermediaries in Belgium and insurance intermediaries/bancassurance internationally (other than Belgium, The Netherlands and the United States).
- *Insurance Netherlands*: this insurance business serves independent insurance intermediaries in The Netherlands.
- *Insurance United States*: this insurance business serves insurance customers in the United States.

Banking and Asset Management

Substantially all of Fortis' banking and asset management activities have been integrated into Fortis Bank since June 30, 2000.

- *Network Banking*: this banking business serves retail customers including individuals, professionals and small enterprises, as well as medium-size and large enterprises. As an integrated bancassurer FB Insurance forms part of the business line Network Banking although for financial reporting purposes FB Insurance's results are included in the insurance segment.
- *Merchant Banking*: this banking business serves institutional and professional customers as well as large enterprises.
- *Private Banking and Asset Management*: this banking business serves individuals, institutional investors and institutions, as well as the insurance and banking arms of Fortis.

Fortis Bank is also the brand name for substantially all of Fortis' banking activities. The integration of the banking activities is scheduled for completion in 2003.

Fortis believes that this structure ensures:

- the greatest management efficiency;
- the widest development of commercial opportunities;
- the most effective integration of businesses; and
- the optimal use of available skills and best practices within Fortis.

Fortis' insurance operations contributed approximately 61% to consolidated net profit for 2001 and its banking operations, which includes its asset management operations, contributed approximately 46% to its consolidated net profit for 2001. The general segment reduced net profit by approximately 7%.

Insurance

Fortis offers a comprehensive range of life and non-life insurance products in Belgium and The Netherlands.

Fortis' group of Belgian insurance companies is the leading group of insurance companies in Belgium based on 2000 gross premiums written, the most recent year for which such information is available.

In The Netherlands, Fortis' group of Dutch insurance companies, which includes ASR Verzekeringsgroep N.V. ("ASR") acquired at the end of 2000, is the second largest insurer based on 2001 gross premiums written based on Fortis' analysis of publicly available information.

Fortis also offers a range of life and non-life products in the United States through Fortis, Inc. with an emphasis on pre-need, health and credit-related insurance and other specialty markets in which Fortis believes it can achieve leading market shares. In addition, Fortis offers life and non-life products in Luxembourg and a number of other countries around the world, including Spain, and the United Kingdom. In Spain, Fortis offers a broad range of products and is the leading provider of life insurance to individuals based on technical reserves as of December 31, 2001. Fortis' product offerings are more specialized in other countries.

In February 2001, Fortis announced a joint venture with Maybank's life and non-life insurance businesses in Malaysia to offer bancassurance products in Malaysia. In July 2001 Fortis sold its operations in Australia. In December 2001 Fortis began a life business in China by taking a 24.9% stake in Tai Ping Life. See "— Recent Developments".

Banking

Fortis offers a wide range of retail banking, corporate banking, private banking, investment banking and asset management services in the Benelux countries (Belgium, The Netherlands and Luxembourg). Outside the Benelux Fortis offers a more selective range of financial products.

In March 2000 Fortis began offering most of its banking services under the core brand name Fortis Bank. This name was introduced in connection with the merger of certain of Fortis' banks on June 23, 1999. Fortis Bank consists principally of the following predecessor banks:

- Generale Bank, Belgium's largest bank in terms of total assets when acquired in 1998;
- ASLK-CGER Bank, Belgium's fifth largest bank in terms of total assets at December 31, 1998;
- VSB Bank N.V. (The Netherlands);
- Generale Bank Nederland N.V. (The Netherlands); and
- MeesPierson N.V. (The Netherlands).

In June 1999 Fortis merged ASLK-CGER Bank with Generale Bank to form Fortis Bank and VSB Bank with Generale Bank Nederland to form Fortis Bank (Nederland). MeesPierson merged with Fortis Bank (Nederland) in June 2000.

In Luxembourg, Fortis increased its stake in Banque Générale du Luxembourg ("BGL") from 53.0% to 97.7% in 2000. Fortis completed the integration of Fortis Banque Luxembourg with BGL during 2001 and on November 26, 2001, the legal merger between both banks was completed.

Fortis also offers certain banking services in other European countries and in certain Asia/Pacific and African countries.

Fortis' third party asset management activities are now part of its private banking and asset management business within the banking operations and was created through the integration of Fortis' and Generale Bank's asset management businesses, creating Fortis Investment Management (Fortis IM). In addition, Fortis IM offers a wide range of asset management services to third parties in the Benelux, the United States and Asia. Fortis believes its Benelux asset management operations are number two in the Benelux countries based on assets under management at December 31, 2001. See "Recent Developments".

Strategic Direction

Goals

Since Fortis' creation in 1990, it has built leadership positions in its home market of the Benelux, in life and non-life insurance, retail banking and banking for small and medium-sized enterprises, private banking, asset management and certain merchant banking activities.

Having completed the acquisition of ASR in December 2000, Fortis' primary attention has shifted from consolidating its position in its home markets through acquisitions to growing into a single, strong, efficient customer-focused company, focusing on core businesses and developing solid growth platforms in Europe, the United States and Asia.

Fortis' goal is to become the preferred supplier of financial services in its chosen markets. To achieve this, Fortis is now organised around specific customer focused "Businesses". Each Business is given substantial autonomy to develop its own strategy and growth.

Competitive Strengths

Fortis believes that there are certain characteristics that set it apart from its competitors in its core Benelux markets and which contribute generally to its strength:

- Fortis has a clear strategy focused on the growing savings market in the Benelux. This strategy is designed to reach its existing and expanding customer base by offering many products, using multiple channels of distribution, with a particular emphasis on its strength in bancassurance, where Fortis intends to leverage its success.
- Fortis' market position in banking and insurance in the Benelux countries has provided it with stable earnings and cash flow. This has enabled it to finance its strategy of strengthening its home market position while expanding selectively internationally.
- Fortis has been able to increase or maintain its market share in the Benelux despite intense competition. The acquisition of Generale Bank significantly enhanced its market position in banking and asset management in the Benelux. It has also broadened its distribution channels in its core Benelux markets and increased the scale of its operations internationally, particularly in Europe and Asia. Fortis' acquisition of ASR further strengthened the group's position in its core Benelux markets.

In addition to its strong position in its domestic markets, Fortis has followed a strategy of selective expansion outside the Benelux, principally focused on credit-related insurance and a number of other specific specialty insurance market segments in the United States. In other international markets, Fortis' main focus has been on insurance, while the MeesPierson and Generale Bank acquisitions have contributed to expand the scope of Fortis' international banking activities.

Strategic Objectives

Fortis' stated strategic objectives consist of improving significantly its home market performance, exploring European leadership opportunities and expanding the group's presence in selected regions around the world.

In order to implement its stated objectives, there are three basic principles underlying the strategic direction of Fortis:

- reinforcing Fortis' position in the Benelux by focusing on serving its customers and reducing costs;
- using Fortis' Benelux platform to expand in certain businesses in Europe; and
- diversifying Fortis' business development through development in Asia and in the United States.

Achieve Financial Targets

Fortis has pursued its stated strategic objectives within the overall context of providing sustainable high value creation for its shareholders. In this regard, Fortis has stated minimum financial targets relating to annual earnings growth and returns on equity.

Fortis' minimum financial targets include at least a 12% growth in net operating profit per share and at least a 15% return on equity. The table below provides such data since 1997. However, Fortis cannot provide assurances that it will be able annually to meet or exceed its minimum financial targets.

Net Operating Profit

Beginning in 2000 Fortis showed net operating profit and based its growth targets on such net operating profit per share. Net operating profit is net profit, including operating capital gains and before the inclusion of non-operating items included in net profit such as non-operating capital gains and certain releases of, or the establishment of, certain provisions. Fortis' reported net profit includes these non-operating items. Management believes that this presentation provides a better indication of the overall operating trends in the Fortis business by focusing on results which exclude on a consistent basis non-operating items. The following table shows net profit growth, net operating profit growth per share and return on net equity since 1998.

	Year Ended December 31,			
	2001	2000	1999	1998
Net profit growth	(6%)	19%	24%	46% ⁽⁴⁾
Net operating profit growth per share ⁽¹⁾	(9.8%)	13.5%	—	—
Return on net equity ⁽²⁾	17.9%	20.0%	18.7%	16.4% ⁽³⁾

(1) Since Fortis only began publishing net operating profit figures in 2000, net operating profit growth per share for earlier periods is not available.

(2) Return on net equity consists of combined net profit as a percentage of average net equity, on a basis of GAAP prepared in accordance with Belgian law.

(3) Compared to pro forma 1997, which gives effect to a restructuring implemented in 1998 and the acquisition of Generale Bank.

(4) Growth versus pro forma 1997.

Set forth below is net operating profit and non-operating items for the years ended December 31, 2001, 2000 and 1999.

(€ millions)	Year Ended December 31,		
	2001	2000	1999
Net operating profit	2,267	2,356	1,963
Non-operating capital gains	511	249	353
Release of millennium provisions	—	163	—
Reorganization reserves ⁽¹⁾	(211)	—	—
Change in tax rate Luxembourg	31	—	—
Non-operating items after taxation	331	412	353
Net profit	2,598	2,768	2,316

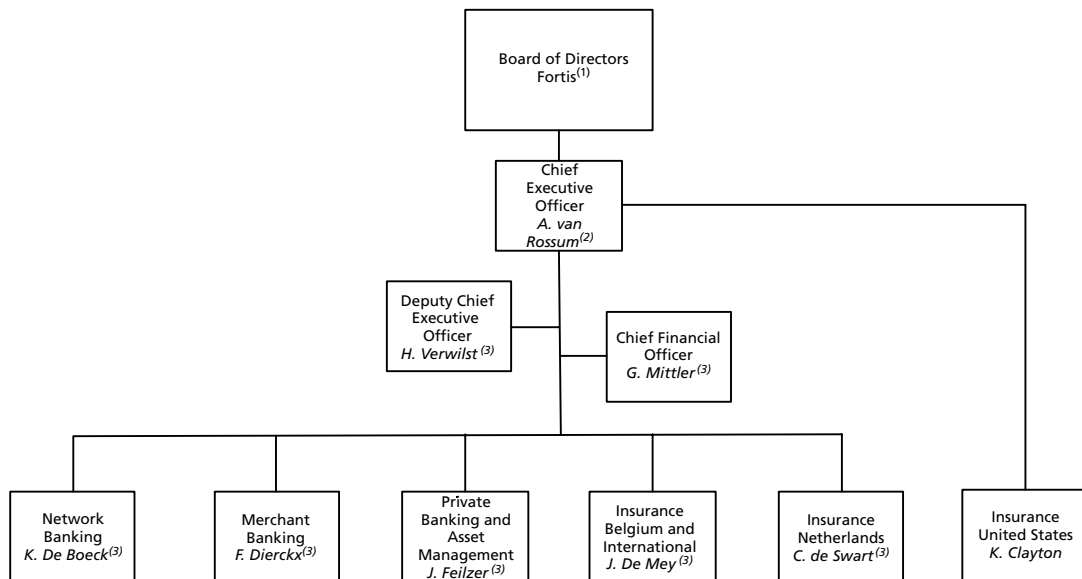
(1) These amounts relate to a personnel reduction plan. These reductions will be achieved through early-retirement plans.

Fortis Management Structure

The management structure of Fortis provides unity of management within Fortis and contributes to transparency and management efficiency. This structure can be summarized as follows:

- one board, with the Boards of Directors of Fortis SA/NV and Fortis N.V. identically composed of the same members with the Chief Executive Officer as the only board member holding an executive position;
- one Chief Executive Officer (with the appointment of Anton van Rossum as of September 1, 2000); and
- one Executive Committee, chaired by the Chief Executive Officer responsible for the day-to-day operations of Fortis, with Executive Committee members responsible for the businesses of the Fortis Group.

The diagram below outlines Fortis' operating and management structure.



(1) Members of the Board of Directors of Fortis are also directors of Fortis N.V. and Fortis SA/NV and the sub-holding companies, Fortis Utrecht N.V. and Fortis Brussels SA/NV, through which Fortis operates its insurance and banking and asset management businesses.

(2) Mr. van Rossum is a member of the Fortis Board of Directors and Chairman of the Executive Committee.

(3) Member of the Executive Committee.

Recent Developments

In line with its strategy to focus on consolidation of its position in its home market, developing solid growth platforms in Europe, the United States and Asia, and divesting non-core activities, Fortis has taken some steps forward in the first half of 2002.

In February 2002 Swiss Life (France) and Fortis announced that they had concluded an agreement on the transfer by Fortis of the holding company Fortis France S.A. to Swiss Life. The main asset of Fortis France S.A. is the life insurance company Fortis Assurances. The purchase price will be fully paid in cash and will be determined on the basis of Fortis France's accounts for 2001. The transaction is expected to close in the second quarter of 2002.

On April 2, 2002 Fortis announced that it had concluded an agreement in principle to acquire Intertrust Group, an international trust and corporate management organization. The acquisition will be effected through a cash transaction, subject to customary closing conditions. The transaction is expected to be finalized in the second quarter of 2002.

On April 12, 2002 Fortis and ING Lease signed an agreement with respect to the transfer of TOP Lease, Fortis' operational car leasing operations in The Netherlands and Belgium. The purchase price will be fully paid in cash. The transaction is expected to close in the second quarter of 2002, subject to approval by the relevant authorities.

The Offering

The following overview highlights important provisions of the offering. This overview is not complete and does not contain all of the information that may be important to you. You should read the entire offering memorandum, including the financial statements and related notes included herein and the indenture relating to the securities, before making an investment decision.

Issuer	Fortfinlux S.A., a company incorporated with limited liability under the laws of Luxembourg ("Luxco").
Parent Companies	Fortis SA/NV, a listed public company with limited liability incorporated under the laws of Belgium, having its registered office in Brussels ("Fortis SA/NV") and Fortis N.V., a listed public company with limited liability incorporated under the laws of The Netherlands, having its corporate seat in Utrecht ("Fortis N.V.").
Co-obligors	<p>The Parent Companies and Luxco (together, the "Co-obligors") shall each be parties to the Indenture governing the FRESH Capital Securities (the "Indenture").</p> <p>As separate, continuing, independent and absolute obligations, each Co-obligor shall unconditionally and irrevocably agree, jointly and severally, to make or cause to be made the due and punctual performance of all of the obligations under the terms of the FRESH Capital Securities and the Indenture.</p>
Trustee, Registrar, Paying Agent, Collateral Agent, Transfer Agent, Interest Rate Calculation Agent and Exchange Agent . . .	JPMorgan Chase Bank
Calculation Agent	J.P. Morgan Securities Ltd.
Luxembourg Exchange Agent	Banque Générale du Luxembourg S.A.
Luxembourg Paying Agent	Banque Générale du Luxembourg S.A.
Securities Offered	Undated Floating Rate Equity-linked Subordinated Hybrid ("FRESH") Capital Securities in an aggregate principal amount of €1,250,000,000, subject to increase (the "FRESH Capital Securities").
Issue Date	May 7, 2002
Coupons	Coupons on the FRESH Capital Securities shall be payable from the Issue Date quarterly in arrears on February 7, May 7, August 7 and November 7 of each year (each such date is a "Coupon Date"), commencing on August 7, 2002, at a variable rate per annum on the outstanding principal amount of the FRESH Capital Securities equal to 3-month EURIBOR (as defined in the Terms and Conditions of the FRESH Capital Securities below) plus 1.35%. If any Coupon Date is not a Business Day (as defined in the Terms and Conditions of the FRESH Capital Securities below), Coupons shall be payable on the next Business Day (without additional interest payable in respect of such delay) unless such Business Day falls in the next calendar month in which case it will be the preceding Business Day (without any reduction in coupon amount in respect of such early payment). Each successive period from and including a Coupon Date to,

but excluding, the next Coupon Date is referred to as a "Coupon Period"; *provided* that the first such period shall run from and including the Issue Date to, but excluding, the first Coupon Date.

Subordination The indebtedness evidenced by the FRESH Capital Securities constitutes direct, secured and subordinated obligations of the Co-obligors, jointly and severally. The FRESH Capital Securities rank and at all times shall rank (i) junior to any indebtedness or obligation, including any preference shares, of the Co-obligors other than such indebtedness or obligation set forth in clauses (ii) and (iii) below (such indebtedness and obligations, together "Senior and Subordinated Obligations"), (ii) *pari passu* and without any preference among themselves and any other indebtedness or obligation that, expressly or by applicable law, ranks *pari passu* with the FRESH Capital Securities and (iii) senior to (A) any indebtedness or obligation of the Co-obligors that, expressly or by applicable law, is subordinated to the FRESH Capital Securities and (B) any ordinary shares of Luxco and any Fortis Shares. Subject to the terms set forth below under the heading "Limited Recourse", in the event of Bankruptcy Proceedings applicable to all of the Co-obligors, the cash payment obligations of the Co-obligors under the Indenture with respect to Coupons shall rank behind the claims of holders of Senior and Subordinated Obligations of the Co-obligors and before the claims of holders of ordinary shares of Luxco and holders of Fortis Shares.

Limited Recourse The sole recourse of the registered holders (the "Holders") of FRESH Capital Securities against any of the Co-obligors with respect to the principal amount of the FRESH Capital Securities shall be the Underlying Shares (or other securities that replace the Underlying Shares pursuant to the Indenture) that are pledged by Luxco in favor of the Holders of FRESH Capital Securities.

In the event of Bankruptcy Proceedings applicable to all of the Co-obligors, the Holders' of FRESH Capital Securities sole right with respect to the principal amount of the FRESH Capital Securities shall be the right to exchange their FRESH Capital Securities pursuant to the Optional Exchange for Underlying Shares, or to seek to institute foreclosure proceedings under the Pledge Agreement with respect to such Underlying Shares. Notwithstanding the foregoing, in the event of Bankruptcy Proceedings applicable to all of the Co-obligors, the Holders of FRESH Capital Securities shall continue to have claims for any past due Coupons.

Underlying Shares 39,682,540 Fortis Shares newly issued for market value by the Parent Companies to J.P. Morgan Securities Ltd. and subsequently purchased by Luxco and pledged to the Collateral Agent for the benefit of the Holders (the "Initial Underlying Shares") or any other Fortis Shares substituted for such Initial Underlying Shares in accordance with the terms of the Pledge Agreement, as such shares may be adjusted from time to time in accordance with the terms of the FRESH Capital Securities, resulting in an adjustment in the Exchange Price.

Threshold Dividend

Coupon All Coupons which are payable on any Coupon Date with respect to a Coupon Period after the first public announcement by either or both of the Parent Companies stating an intention to propose that no dividend on the Fortis Shares be declared or that a dividend be declared that represents a dividend yield in any fiscal year lower than 0.5% (the

“Threshold Dividend Yield”) until the day first occurring after the first public announcement by either or both of the Parent Companies stating an intention that a dividend on the Fortis Shares be declared that equals or exceeds in aggregate the Threshold Dividend Yield, shall be paid in the form of a Stock Settlement Coupon in accordance with the Alternative Coupon Satisfaction Method.

For the avoidance of doubt, in the event that the general meeting of shareholders of either or both Parent Companies declares a dividend on the Fortis Shares that equals or exceeds in aggregate the Threshold Dividend Yield, all Coupons that become due and payable from and after the date of such general meeting shall be paid in cash until such time as a requirement to pay a Coupon through the Alternative Coupon Satisfaction Method subsequently arises.

On an annual basis and prior to the board of directors of each Parent Company meeting in March of each year that considers the level of dividend to be proposed to shareholders of Fortis Shares for the prior fiscal year, Fortis will present a calculation to the Belgian Commissie voor het Bank-en Financieuzen/Commission bancaire et financière (“CBF”) setting out the level of distributable reserves available to cover any such dividends to shareholders as well as other obligations. Before proposing any such ordinary dividend Fortis must obtain the authorization of the CBF. The CBF has informed Fortis that, prior to authorizing the payment of a dividend on the Fortis Share, it will take into account the following factors:

- *the solvency of Fortis; and*
- *the availability of distributable reserves to cover the proposed dividend on the Fortis Shares as well as any coupons due during the coming year on outstanding hybrid Tier 1 capital securities including the Coupons to be payable on the FRESH Capital Securities.*

Senior and Subordinated Obligations Default Coupon

All Coupons which are payable on any Coupon Date with respect to a Coupon Period in which:

- (i) a default in the payment of the interest or other payment obligations in respect of Senior and Subordinated Obligations occurs and is continuing beyond any applicable period of grace; or
- (ii) a default, other than as described in subparagraph (i) above, occurs and is continuing with respect to any Senior and Subordinated Obligation that permits the holders of such Senior and Subordinated Obligation as to which the default relates to accelerate its maturity and the Co-obligors receive written notice of such default from any holder of such Senior and Subordinated Obligation or a holder’s representative, or from a trustee under an indenture under which such Senior and Subordinated Obligation has been issued, accelerating the maturity thereof;

shall be paid in the form of a Stock Settlement Coupon in accordance with the Alternative Coupon Satisfaction Method.

For the avoidance of doubt, in the event that the default on such Senior and Subordinated Obligation is cured or waived or ceases to exist, all Coupons that become due and payable on any Coupon Date from and

after such event shall be paid in cash until such time as a requirement to pay a Coupon through the Alternative Coupon Satisfaction Method subsequently arises.

Alternative Coupon

Satisfaction Method . . .

For the application of the Alternative Coupon Satisfaction Method, a "Stock Settlement Coupon" shall be equal to 103% of the Coupon.

The Co-obligors shall satisfy their obligation to pay any Stock Settlement Coupon in accordance with the procedure described below (the "Alternative Coupon Satisfaction Method").

The Co-obligors' obligation to pay Stock Settlement Coupons in accordance with the Alternative Coupon Satisfaction Method shall be satisfied as follows:

(i) On the Business Day following a Dividend Announcement to which the Alternative Coupon Satisfaction Method will apply or the occurrence of a Senior and Subordinated Payment Default or a Senior and Subordinated Non-Payment Default, the Co-obligors shall give notice to the Trustee, any Paying Agent (if different from the Trustee), the Interest Rate Calculation Agent, the Calculation Agent and the Holders of FRESH Capital Securities thereof that the Alternative Coupon Satisfaction Method will apply to subsequent Coupon Dates until notice is provided otherwise;

(ii) By the end of the Business Day prior to the Coupon Date, the Interest Rate Calculation Agent shall inform the Co-obligors of the number of Fortis Shares to be issued in respect of such Coupon Date. The number of Fortis Shares to be issued with respect to a Coupon shall be determined by the Interest Rate Calculation Agent by dividing the fair market value of a Fortis Share, determined by the Calculation Agent as described below, into the amount of the Coupon payable on such Coupon Date and multiplied by 103% (as so calculated, a "Stock Settlement Coupon"). On each Coupon Date with respect to a Stock Coupon Period, the Co-obligors shall give notice to the Trustee and the Holders of FRESH Capital Securities (A) as to the number of Fortis Shares that will be issued for each Coupon with respect to such Stock Coupon Period and (B) that unless a Holder provides the certification described in sub-paragraph (vi) below by the seventh Business Day following a Coupon Date with respect to a Stock Coupon Period (the "Certification Date"), the relevant Stock Settlement Coupon will be settled by the Cash Settlement Method;

For the purpose hereof, the "fair market value" of one Fortis Share shall be calculated by the Calculation Agent and notified to the Trustee, the Interest Rate Calculation Agent and the Co-obligors and shall be equal to the Volume Weighted Average Price on the first Stock Exchange Business Day preceding the Coupon Date. In the event that the Volume Weighted Average Price is not available on such date, "fair market value" shall be the first available Volume Weighted Average Price in the seven Stock Exchange Business Days immediately preceding such Coupon Date. In the event that the Volume Weighted Average Price is not available during such period, then the fair market value shall be determined by the Co-obligors in conjunction with two investment banks (unaffiliated with the Co-obligors) of international repute selected by the Co-obligors.

(iii) Upon receipt of the notice from the Co-obligors referred to in sub-paragraph (i) above, the Holders will be deemed to have transferred

to the Trustee and the Trustee shall have the right to receive the relevant coupons on their behalf;

(iv) On the Coupon Date, the Trustee shall subscribe, on behalf of the Holders of FRESH Capital Securities, for the number of new Fortis Shares determined in accordance with sub-paragraph (ii) above, through a contribution of the relevant Coupons in equal portions to the capital of both Parent Companies.

(v) On or as soon after the Coupon Date as reasonably practicable, the Parent Companies shall issue (in compliance with any applicable regulations relating to the contribution of share capital in kind) to the Trustee on behalf of the Holders of FRESH Capital Securities, the Fortis Shares subscribed by the Trustee. Fractions of a share will be aggregated to the nearest whole share and such shares will be issued to the Trustee as part of such subscription.

(vi) As soon as reasonably practicable after delivery to the Trustee in accordance with subparagraph (v) above but in no event earlier than the relevant Certification Date and subject to the certification requirements described in this offering memorandum, the newly issued Fortis Shares (other than any fractional entitlements) shall be credited to the accounts of (or if in registered form, delivered to) the Holders of FRESH Capital Securities. If any Holder fails to provide any required certification, the obligation to deliver Fortis Shares to such Holder will be satisfied pursuant to the Cash Settlement Method.

(vii) With respect to Fortis Shares representing fractional entitlements, the Holders will be deemed to have directed the Trustee to instruct the Calculation Agent on such Holder's behalf to use reasonable endeavours on normal market terms to procure purchases for such Fortis Shares (to the extent they can be aggregated into whole shares) as soon as practicable but within the five Stock Exchange Business Days following receipt of such Fortis Shares by the Trustee and as soon thereafter as reasonably practicable thereafter to distribute the net proceeds of such sales to the Holders on a pro rata basis.

(viii) Except in the case of a Market Disruption Event, the delivery of the Fortis Shares to the Trustee in accordance with clause (v) above will be in full satisfaction of the obligations of the Co-obligors to settle the Coupon payable on such Coupon Date using the Alternative Coupon Satisfaction Method. Coupons settled pursuant to the Cash Settlement Method will be deemed satisfied without regard to whether the net sales proceeds ultimately delivered equal the Coupon payable on such Coupon Date. Net sale proceeds from the sale of any Fortis Shares representing fractional entitlements or pursuant to the Cash Settlement Method shall be aggregated and distributed to Holders on a pro rata basis; and

(ix) Fortis Shares issued pursuant to the Alternative Coupon Satisfaction Method shall be fully paid and shall rank *pari passu* in all respects with the fully paid Fortis Shares in issue on the Stock Coupon Date, except that Fortis Shares so allotted shall not rank for any dividend or other distribution paid or made by reference to a record date for the payment of a dividend or other distribution with respect to the Fortis Shares prior to such Stock Coupon Date.

Sufficiency and Availability of Fortis Shares

The Parent Companies shall jointly and severally undertake to use all reasonable efforts to ensure that the Parent Companies have sufficient authorised and unissued Fortis Shares for the purpose of satisfying their obligations in connection with the Alternative Coupon Satisfaction Method; *provided* that the Parent Companies shall not be required to acquire any issued and outstanding Fortis Shares. If, notwithstanding such efforts, the available Fortis Shares are not sufficient to satisfy a Stock Settlement Coupon when it is due pursuant to the Alternative Coupon Satisfaction Method then (and only in such event) the Stock Coupon Date with respect to such Stock Settlement Coupon, shall be postponed until such time as the shareholders of the Parent Companies approve resolutions authorising the issuance of a sufficient number of Fortis Shares.

The Parent Companies have undertaken in the Indenture to (i) convene an Extraordinary General Meeting of the shareholders of each Parent Company concurrent with, or as soon as reasonably possible following, each annual general meeting and (ii) propose that their respective shareholders approve resolutions authorising the issue of such number of Fortis Shares as the Parent Companies reasonably determine are sufficient to satisfy the next four Coupons on the FRESH Capital Securities by way of the Alternative Coupon Satisfaction Method, *unless* the Board of Directors of each Parent Company determines prior to such annual general meeting that the authorised capital is sufficient to satisfy such Coupons.

Market Disruption Event

If a Market Disruption Event exists on any Coupon Date with respect to any Stock Coupon Period or any Exchange Settlement Period, the requirement to pay a Coupon through the Alternative Coupon Satisfaction Method and/or to effect any exchange shall be deferred, subject to certain conditions, until such Market Disruption Event ceases to exist.

Arrears of Interest and Additional Interest

Any Coupon not paid on a Coupon Date (except such Coupon required to be paid in accordance with the Alternative Coupon Satisfaction Method but which is not paid due to insufficient availability of authorised but unissued Fortis Shares or due to a Market Disruption Event) together with any other such Coupons not paid on any other prior Coupon Date (except such Coupon required to be paid in accordance with the Alternative Coupon Satisfaction Method but which is not paid due to insufficient availability of authorized but unissued Fortis Shares or due to a Market Disruption Event) shall, so long as the same remains unpaid, constitute "Arrears of Interest". Arrears of Interest shall not be payable in respect of Coupons paid pursuant to the Alternative Coupon Satisfaction Method.

Any amount of Arrears of Interest shall bear interest (to the extent permitted by applicable law) as if it constituted the principal of such FRESH Capital Securities at the applicable Interest Rate ("Additional Interest"). The amount of Additional Interest accrued as of a Coupon Date for the then-ended Coupon Period shall be added, for purposes only of the calculation of the amount of Additional Interest due after such Coupon Date, to the amount of respective Arrears of Interest unpaid as

	of such Coupon Date as if such amount would itself constitute Arrears of Interest.
Exchange Rights	Holders of FRESH Capital Securities shall be entitled to exchange their FRESH Capital Securities for Underlying Shares and in certain circumstances described below such exchange shall be automatic.
Exchange Price	Each of the FRESH Capital Securities shall be exchangeable for Underlying Shares at an initial Exchange Price equal to €31.50 per Fortis Share. Any FRESH Capital Securities in respect of which an exchange is effected, whether upon the exercise of an Optional Exchange or pursuant to the Automatic Exchange, shall be cancelled and cease to be entitled to any interest that could otherwise have been payable in respect of such FRESH Capital Securities.
Optional Exchange	Holders of FRESH Capital Securities may exchange their FRESH Capital Securities for Underlying Shares, at the Exchange Price, at any time from the day that is 40 days after the Issue Date.
Automatic Exchange . . .	All FRESH Capital Securities outstanding shall automatically be exchanged for Underlying Shares ("Automatic Exchange") at the Exchange Price if, at any time after the seventh anniversary of the Issue Date, the Volume Weighted Average Price (as defined in the Terms and Conditions of the FRESH Capital Securities) for 20 consecutive Stock Exchange Business Days equals or exceeds the Automatic Exchange Price Level.
Automatic Exchange Price Level	The Automatic Exchange Price Level is equal to 150% of the Exchange Price, as such price may be adjusted from time to time as described below. The initial Automatic Exchange Level is €47.25 per Fortis Share.
Protection Mechanisms for Holders of FRESH Capital Securities	<p>(a) Stock Split, Reverse Stock Split or Capital Increase. If there shall have occurred a subdivision or consolidation of the Fortis Shares (except for a subdivision or consolidation arising as a result of a Merger/Change in Control Event) into a greater or lesser number of Fortis Shares or an issuance of Fortis Shares by the means of a capital increase from reserves, the Exchange Price shall be adjusted as of the date upon which such event occurred by multiplying the Exchange Price then in effect by the following fraction:</p> $\frac{X}{Y}$ <p>where: X = The number of Fortis Shares outstanding immediately prior to the occurrence of such event.</p> <p>Y = The number of Fortis Shares outstanding immediately after the occurrence of such event.</p> <p>(b) Entitlement of Holders of FRESH Capital Securities to Certain Parent Company Distributions. Except as otherwise provided under this heading, the Co-obligors shall promptly arrange to make available to the Holders of FRESH Capital Securities (i) the proceeds of any Capital Distribution and (ii) any rights, securities or other property offered on a pre-emptive basis by either of the Parent Companies to its shareholders.</p>

Without limiting the generality of the foregoing, and subject to compliance with all applicable laws and the certification requirements of the Indenture, if either of the Parent Companies offers to its shareholders on a pre-emptive basis notes, warrants, preference shares or other similar securities convertible into Fortis Shares, then it shall notify the Trustee and the Holders of such preemptive rights and the Holders of FRESH Capital Securities shall be entitled to such pre-emptive rights on the same terms and conditions. Any such entitlement of Holders of FRESH Capital Securities under this subparagraph (b) shall be made to Holders of FRESH Capital Securities in proportion to the exchange ratio.

For the avoidance of doubt, Holders of FRESH Capital Securities shall have no entitlement under this subparagraph (b) to cash dividends that are not Capital Distributions.

(c) **Merger or Change in Control.** Upon the occurrence of a Merger/Change in Control Event, the Parent Companies shall use their best efforts to cause the surviving or successor entity, following such Merger/Change in Control Event, to:

- (i) assume the obligations of the Parent Companies under the Indenture,
- (ii) replace the Fortis Shares that have been pledged in favor of the Holders of FRESH Capital Securities with equity securities of the surviving or successor entity that are listed on a recognized exchange and have an equivalent market value to such Fortis Shares immediately prior to such Merger/Change in Control Event, and
- (iii) adjust the Coupon of the FRESH Capital Securities to reflect any deterioration in the credit quality of the surviving or successor entity, on a consolidated basis, following such Merger/Change in Control Event compared with the credit quality of the Parent Companies immediately prior to such Merger/Change in Control Event.

Any determination of equivalent market value pursuant to subparagraph (ii) and any adjustment to the Coupon pursuant to subparagraph (iii) shall be made by Luxco and such surviving or successor entity in conjunction with two investment banks (unaffiliated with such surviving or successor entity) of international repute selected by Luxco and such surviving or successor entity and notified to the Trustee. Such replacement or adjustment shall take effect in accordance with such determination.

(d) **Other Events.** Should the Co-obligors believe in good faith that an event or circumstance that has occurred or shall occur that is different from those expressly contemplated under this heading, but that could or shall have similar effects as those discussed in subparagraphs (a), (b) or (c) above, the Co-obligors shall take such actions or decisions as they deem necessary or appropriate in order to ensure that, following the occurrence of such event or circumstance, the Holders of FRESH Capital Securities enjoy economic and other rights under the Indenture that, so far as practicable, are substantially similar to those enjoyed by them immediately prior to the occurrence of such event or circumstance. If, and only if, the Co-obligors believe in good faith that any such actions or decisions may be necessary or appropriate, then such actions or decisions shall be taken by the Co-obligors only in conjunction with two investment

banks (unaffiliated with the Co-obligors) of international repute selected by the Co-obligors.

(e) **Certain Definitions.** For the purposes hereof, "Merger/Change in Control Event" means, in respect of the Fortis Shares, any (i) reclassification or change of the Fortis Shares that results in a transfer of or an irrevocable commitment to transfer all of the outstanding Fortis Shares, (ii) consolidation, amalgamation or merger of Fortis N.V. or Fortis SA/NV with or into another entity or of Fortis N.V. and Fortis SA/NV with or into each other (other than a consolidation, amalgamation or merger in which Fortis N.V. or Fortis SA/NV is the continuing entity and which does not result in any such reclassification or change of all of such outstanding Fortis Shares), (iii) other takeover offer for the Fortis Shares that results in a transfer of or an irrevocable commitment to transfer all of the Fortis Shares (other than the Fortis Shares owned or controlled by the offeror) or (iv) a statutory split-up (*juridische splitsing*).

For the purposes hereof, "Capital Distribution" means (i) any distribution of assets *in specie* or (ii) any cash dividend or distribution of any kind charged or provided for in the accounts of either of the Parent Companies for any financial period (whenever paid or made and however described) if the amount of the proposed dividend or distribution per Fortis Share, together with the amount per Fortis Share of any other dividends or distributions on such Fortis Shares charged or provided for in the accounts for such financial period (other than any part thereof previously deemed to be a Capital Distribution) exceeds 5% of the Volume Weighted Average Price on the Stock Exchange Business Day immediately preceding the date on which such dividend or distribution is publicly announced (the "Yield Threshold"). In the event that the Volume Weighted Average Price is not available on such date, the "Yield Threshold" shall be based on the first available Volume Weighted Average Price in the preceding seven Stock Exchange Business Days immediately preceding the date on which such dividend or distribution is publicly announced. In the event that the Volume Weighted Average Price is not available during such period, then the Yield Threshold shall be determined by the Co-obligors in conjunction with two investment banks (unaffiliated with the Co-obligors) of international repute selected by the Co-obligors. The amount of such Capital Distribution shall be the amount by which such proposed dividend or distribution per Fortis Share together with the amount per Fortis Share of any other dividends or distributions of the Fortis Shares charged or provided for in the accounts for such financial period exceeds the Yield Threshold.

Cash Settlement

Method

In the event that a Holder of FRESH Capital Securities fails to timely provide any required certification of beneficial ownership by or on behalf of such beneficial owner in compliance with U.S. securities laws in connection with any delivery or issuance to such Holder of Fortis Shares, rights or other securities, then the Holder will be deemed to have directed the Trustee to instruct the Calculation Agent (which shall be an internationally recognized investment bank or brokerage firm) on such Holder's behalf to use reasonable endeavours on normal market terms to procure purchasers for such Holder's entitlement to such Fortis Shares, rights or other securities as soon as reasonably practical but within the five Stock Exchange Business Days following receipt of such Fortis Shares

by the Trustee and to deliver to such Holder, as soon thereafter as reasonably practicable, the net proceeds from such sale. Except in the case of a Market Disruption Event, so long as the Co-obligors have satisfied their obligations in full in connection with the delivery of the Fortis Shares, rights or other securities to the Trustee, the Co-obligors shall have satisfied their obligations in full to such Holders. Coupons settled pursuant to the Cash Settlement Method will be deemed satisfied without regard to whether the net sales proceeds ultimately delivered would have satisfied such obligation in full. Net sale proceeds from the sale of any Fortis Shares pursuant to the Cash Settlement Method shall be distributed to holders on a pro rata basis.

Events of Default

“Event of Default” includes any one of the following events:

(i) The Co-obligors fail to pay a Coupon on any Regular Coupon Date and the default continues for a period of seven days;

(ii) The Co-obligors fail to pay a Coupon on any Stock Coupon Date and the default continues for a period of 14 days, except where such default is due to insufficient availability of authorised but unissued Fortis Shares or due to a Market Disruption Event; *provided* that if any Stock Settlement Coupon is not satisfied within 14 days after the date on which any such Market Disruption Event is no longer continuing, such failure to satisfy such Stock Settlement Coupon will constitute an Event of Default; or

(iii) Any Co-obligor defaults in the performance or observance of any other covenant, condition or provision contained in the Indenture or the FRESH Capital Securities, including failure to deliver Underlying Shares in connection with any Optional Exchange or Automatic Exchange, to be performed or observed by it (other than the covenant to pay the Coupons in respect of any of the FRESH Capital Securities) and such default continues for a period of 30 days following the service by the Trustee on the Co-obligors of notice requiring such default to be remedied (no such notice shall be required where the Trustee certifies in writing that, in its opinion, such default is not capable of remedy).

Subject to the terms set forth above under the heading “Limited Recourse”, if an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the FRESH Capital Securities then outstanding, by written notice to the Co-obligors (and to the Trustee if the notice is given by the Holders of FRESH Capital Securities), may, and the Trustee at the request of Holders of at least 50% in aggregate principal amount of the FRESH Capital Securities then outstanding shall (subject to the terms and conditions of the Indenture), institute proceedings to obtain the payment of any Coupon due or compliance with the defaulted covenant or agreement. Upon the occurrence of an Event of Default, the Holders of FRESH Capital Securities will not have any rights of acceleration or redemption with respect to the FRESH Capital Securities.

Notwithstanding the foregoing, if an Event of Default occurs and is continuing with respect to non-payment on any Regular Coupon Date or any Stock Coupon Date, the Holders, or the Trustee on the Holders’ behalf, may institute proceedings to obtain enforcement of such obligations and such right shall not be impaired or effected without the consent of such Holder. In addition, if an Event of Default occurs and is

continuing due to the failure to deliver Underlying Shares in connection with an Optional Exchange or Automatic Exchange, at the request of a Holder the Trustee shall instruct the Collateral Agent to foreclose on the relevant Underlying Shares in accordance with the terms of the Pledge Agreement.

Undertaking to

Maintain Listing

The Co-obligors shall undertake that the listing of the FRESH Capital Securities shall be maintained on the Luxembourg Stock Exchange, its successor exchange or another European exchange of at least equal standing, except in the case of a winding-up or liquidation of the Co-obligors. The Parent Companies shall undertake that they shall maintain the listings of the Fortis Shares on Euronext Brussels and Euronext Amsterdam, their successor exchanges or another European exchange of at least equal standing, except in the case of a winding-up or liquidation of both Parent Companies. The Parent Companies shall also undertake to list the Underlying Shares on such exchange or such exchanges no later than such time as they are delivered to Holders. In case of de-unification of the Fortis Shares, the Parent Companies shall ensure that all shares resulting therefrom are so listed.

Form and

Denomination

The FRESH Capital Securities shall be in denominations of €250,000 principal amount and integral multiples thereof.

FRESH Capital Securities sold in reliance on Regulation S under the Securities Act shall initially be evidenced by the Unrestricted Global Certificate in fully registered form without interest coupons. FRESH Capital Securities sold in reliance on Rule 144A under the Securities Act shall initially be evidenced by the Restricted Global Certificate in fully registered form without interest coupons. Each Global Certificate shall be deposited with a nominee of a common depository of Euroclear and Clearstream Luxembourg and registered in the name of a nominee of the common depository.

Interests in a Global Certificate shall be exchangeable in whole but not in part for definitive registered FRESH Capital Securities only if (A)(i) the relevant FRESH Capital Securities become ineligible for clearance and settlement through Euroclear and Clearstream Luxembourg, as the case may be, and (ii) the Co-obligors are not able, after using reasonable efforts, to arrange for clearance and settlement of the FRESH Capital Securities through a successor clearing system within 120 days of notice of such event or (B) if as a result of any amendment to, or change in, the laws or regulations of Luxembourg, Belgium or The Netherlands (or any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation, by any revenue authority or a court or administration, of such laws or regulations which become effective, on or after the Issue Date, the Co-obligors or the Trustee or any paying agent is or shall be required to make any deduction or withholding from any payment in respect of the FRESH Capital Securities which would not be required were the FRESH Capital Securities in definitive registered form.

Purchase of FRESH

Capital Securities

Neither any of the Co-obligors nor any of their respective subsidiaries may acquire any FRESH Capital Securities, other than in connection with dealings in securities in the ordinary course of business.

Use of Proceeds	The net proceeds of the issue of the FRESH Capital Securities, before expenses, are estimated to be approximately €1,225,000,000. Of the commissions paid and deducted from the proceeds, half will be paid to affiliates of Fortis acting as Joint Lead Manager. The net proceeds of the issue and sale of the FRESH Capital Securities shall be used for general corporate purposes of the Fortis Group and to strengthen the capital bases of the Parent Companies and their affiliates. See “Operating and Financial Review and Prospects—Liquidity and Capital Resources—Combined Cash Flows”.
Resale Restrictions	<p>Neither the FRESH Capital Securities nor the Underlying Shares have been or will be registered under the Securities Act. Subject to certain exceptions, neither the FRESH Capital Securities nor the Underlying Shares may be offered or sold within the United States or to U.S. persons.</p> <p>However, the FRESH Capital Securities may be initially offered in the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act. See “Subscription and Sale—Selling Restrictions—United States” and “Transfer Restrictions”.</p> <p>In addition, until 40 days after the later of the commencement of the offering and the closing date, any offer or sale of the FRESH Capital Securities within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.</p>
Listing	Application has been made to list the FRESH Capital Securities on the Luxembourg Stock Exchange.
Governing Law	The Indenture and the FRESH Capital Securities shall be governed by the laws of the State of New York, United States of America, except that the subordination provisions of the Indenture and the FRESH Capital Securities, as such provisions relate to the obligations of any Co-obligor, shall be governed by the laws of the jurisdictions of incorporation of such Co-obligors, as applicable and the pledge of the Underlying Shares shall be governed by the laws of The Netherlands. The provisions of Articles 86 to 94-8 of the Luxembourg Laws on Commercial Companies of August 10, 1915, as amended, are hereby excluded.
Lock-up Agreements	The Co-obligors have agreed, subject to certain exceptions, which shall include the ordinary course issuance of Fortis Shares and options granted pursuant to employee stock plans, for a period of 90 days after the date of the Underwriting Agreement not to (i) offer, allot, issue, pledge, sell, contract to sell, sell any option or contract to purchase, allot, issue, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any FRESH Capital Securities, any Fortis Shares or any ordinary or preference shares, subject to certain exceptions, of Fortis N.V., Fortis SA/NV or any other members of the Fortis Group (collectively, with Fortis Shares, the “Fortis Group Shares”) or any securities convertible into or exercisable or exchangeable for or evidence a right to acquire FRESH Capital Securities or Fortis Group Shares or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of FRESH Capital Securities or Fortis Group Shares (including derivative transactions), or (iii) initiate, announce or permit any transactions within the meaning of subparagraphs (i) or (ii) above, whether or not such transaction is to be settled by delivery of FRESH Capital Securities, Fortis Group Shares or such

other securities, in cash or otherwise. See "Subscription and Sale" for more information regarding these arrangements.

Tax Consequences For a discussion of the material Belgian, Dutch, Luxembourg and U.S. tax consequences of purchasing, owning and disposing of the Securities and holding and disposing of the Fortis Shares, see "Taxation".

Summary Consolidated Financial Data

You should read the following summary consolidated financial data set forth below together with the consolidated financial statements and related notes included in this offering memorandum for the year ended December 31, 2001, 2000 and 1999. Amounts for 1997 and 1998 have been restated from the European Currency Unit into the euro using the conversion rate at January 1, 1999 of one-to-one.

The financial information for the years ended and as of December 31, 2001, 2000 and 1999 set forth below is derived from Fortis' consolidated financial statements, which have been prepared in conformity with GAAP in accordance with Belgian law. The consolidated financial statements for 2001, 2000 and 1999 have been jointly audited by KPMG Accountants N.V. and PricewaterhouseCoopers Réviseurs d'Entreprises S.C.C.R.L., independent public accountants for Fortis N.V. and Fortis SA/NV, respectively. The unaudited pro forma 1997 financial data and the audited 1998 financial data are derived from Fortis' pro forma and historical consolidated financial statements included in Fortis' 1999 Annual Report. Beginning in 2001, Fortis is reporting net operating profit, which is Fortis' net profit before inclusion of certain non-operating items after taxation. Fortis restated 2000 and 1999 to give effect to this presentation which has no effect on net profit. The years 1998 and pro forma 1997 have not been restated to give effect to this presentation.

(€ millions)	Year Ended December 31,				
	2001	2000	1999	1998	1997
	(Audited)			(Unaudited Pro forma)	
Income Statement Data					
Insurance premiums	18,162	15,784	12,527	9,981	8,317
Interest Income	23,765	25,713	20,822	19,747	19,178
Commissions and fees	1,978	2,164	1,832	1,660	1,361
Result from financial transactions.....	(1,307)	490	2,732	2,789	1,750
Other revenues.....	2,660	2,917	2,665	1,943	1,689
Total revenues	45,258	47,068	40,578	36,120	32,295
Interest expense	(16,914)	(19,403)	(14,706)	(13,944)	(13,510)
Total revenues, net of interest expense	28,344	27,665	25,872	22,176	18,785
Technical charges insurance	(13,440)	(13,463)	(13,797)	(10,834)	(8,867)
Value adjustments	(626)	(620)	(547)	(872)	(557)
Net revenues.....	14,278	13,582	11,528	10,470	9,361
Operating expenses	(10,785)	(9,964)	(8,489)	(7,863)	(7,144)
Operating result before taxation	3,493	3,618	3,039	2,607	2,217
Taxation	(1,049)	(1,044)	(893)	(778)	(655)
Operating group profit	2,444	2,574	2,146	1,829	1,562
Minority interest	(177)	(218)	(183)	(169)	(282)
Net operating profit	2,267	2,356	1,963		
Non-operating items after taxation	331	412	353		
Net profit before extraordinary results	2,598	2,768	2,316	1,660	1,280
Extraordinary results after taxation	—	—	—	202	—
Net profit	2,598	2,768	2,316	1,862	1,280

(€ millions, except percentages)	At December 31,				
	2001	2000	1999	1998	1997
	(Audited)			(Unaudited Pro forma)	
Balance Sheet Data					
Assets:					
Cash	5,094	6,110	3,660	3,675	1,228
Trading securities	19,447	13,363	9,899	7,112	5,733
Investments	147,676	134,203	127,382	115,096	97,459
Loans and advances to credit institutions ..	63,762	62,383	81,970	58,098	55,502
Loans and advances to customers	176,834	162,093	139,422	122,213	112,259
Reinsurers' share of technical provisions ...	6,891	4,944	4,232	2,107	1,881
Deferred acquisition costs	2,964	3,298	2,081	1,333	1,204
Prepayments and accrued income	19,845	17,038	13,157	10,883	10,264
Investments on behalf of policyholders	23,567	22,013	16,210	11,201	8,185
Other assets	16,890	12,638	8,096	8,544	6,809
Total assets	482,970	438,083	406,109	340,262	300,524
Liabilities:					
Amounts owed to credit institutions	96,337	94,174	116,992	81,114	63,600
Amounts owed to customers	179,687	145,752	134,963	125,164	121,785
Debt certificates	50,896	43,761	35,943	36,456	36,867
Technical provisions	59,533	56,130	44,613	37,055	32,657
Technical provisions related to investments on behalf of policyholders	23,085	21,690	15,824	10,913	7,900
Accruals and deferred income	19,773	15,824	12,236	9,783	8,348
Other liabilities	23,999	31,865	19,523	18,805	11,752
Convertible notes	1,257	1,257	1,256	681	—
Subordinated liabilities	10,209	8,231	6,906	6,294	5,732
	464,776	418,684	388,257	326,265	288,641
Fund for general banking risks	2,217	2,043	1,861	1,706	1,328
Minority interests in group equity	2,133	2,159	2,483	1,026	1,570
Net equity	13,844	15,197	13,508	11,265	8,985
Group equity	15,977	17,356	15,991	12,291	10,055
Total liabilities	482,970	438,083	406,109	340,262	300,524
Statistical Data (at period end)					
Group ratios:					
Return on net equity	17.9%	20.0%	18.7%	16.4%	12.5%
Return on assets	0.5%	0.7%	0.6%	0.6%	0.4%
Average equity to average assets	3.2%	3.4%	3.3%	3.2%	3.4%
Banking ratios:					
Tier 1 capital ratio	8.5%	7.3%	7.6%	7.7%	7.0%
Total capital ratio	13.5%	11.8%	12.2%	10.9%	10.5%
Cost income ratio	68.3%	66.4%	66.3%	63.6%	67.4%
Insurance data:					
Embedded value ⁽¹⁾	10,291	11,034	—	—	—
Claims ratio	60.0%	61.9%	66.2%	68.4%	66.3%
Combined ratio	103.0%	105.4%	108.2%	112.8%	109.7%

(1) Fortis published embedded value for its life business for the first time in 2001. Only 2000 and 2001 are available. Embedded value is an estimate of the economic value of a life company, excluding any value attributed to future new business. Embedded value at December 31, 2000 includes Fortis Financial Group (FFG) sold during 2001 (embedded value at December 31, 2000 excluding FFG was €10,434 million) and embedded value at December 31, 2001 is after giving effect to proposed dividends by the life insurance companies to the Parent Companies.

For a discussion of the important trends affecting Fortis' results of operations, see "Operating and Financial Review and Prospects—Overview".

Investment Considerations

Any investment in the FRESH Capital Securities involves risks, including those described in this section. You should carefully consider the following investment considerations and the other information in this offering memorandum before deciding whether an investment in the FRESH Capital Securities is suitable for you. If any of the following risks actually occurs, the trading price of the FRESH Capital Securities could decline and you could lose all or part of your investment. Additional risks not currently known to Fortis or that Fortis now deems immaterial may also harm Fortis and affect your investment.

Investment Considerations Relating to the Business of Fortis

As Part of the Financial Services Industry, Fortis' Performance is Subject to Substantial Competitive Pressures which could Adversely Affect Fortis' Results of Operations

There is substantial competition in the Benelux and the other regions in which Fortis does business for the types of insurance, banking and asset management and other products and services which the Fortis group provides. Such competition is most pronounced in Fortis' core markets of the Benelux, as well as the United States and in the rest of Europe. Such competition is affected by consumer demand, technological changes, the impact of consolidation, regulatory actions and other factors. If the Fortis Group is unable to provide attractive product and service offerings that are profitable, Fortis may lose market share or incur losses on some or all activities.

Fortis' Results can be Adversely Affected by Market Conditions

Fortis' results are affected by general market conditions. These conditions include economic cycles such as insurance industry cycles, particularly with respect to non-life insurance, the financial markets and banking industry cycles. Fluctuations in interest rates and exchange rates, monetary policy, demographics and changes with respect to mortality, particularly with respect to life insurance, and competitive factors also influence Fortis' performance.

The non-life insurance markets in which Fortis operates tend to be cyclical. Periods of price competition, fluctuations in underwriting results and the occurrence of unpredictable weather-related and other losses characterize the conditions in these markets. Such contingencies can change the risk profile and profitability of current and future products and services.

Fortis' banking income and profit before taxation may vary from year to year depending on fluctuations in interest rates, changes in market conditions and business cycles. The Fortis Group's investment banking, securities trading and brokerage activities income and profit before taxation may vary significantly from year to year depending on market conditions.

Market volatility and overall declines in market indices can negatively affect Fortis' asset management performance as well as its investment banking, securities trading and brokerage activities. Volatility and declines in market indices can reduce unrealized gains in its various portfolios or the excess solvency margin of its insurance subsidiaries. Stock markets around the world experienced meaningful declines in 2000 and 2001, and investments in, and sales of products linked to, financial assets, particularly equity securities, were adversely impacted in 2001. A protracted decline or further steep declines in the stock or bond markets would adversely affect investments, and likely reduce the popularity of products linked to financial assets. See "Operating and Financial Review and Prospects—Overview".

Changes in Interest Rates and Other Market Factors may Adversely Affect Fortis' Insurance, Banking and Asset Management Businesses

Fluctuations in interest rates affect the returns Fortis earns on fixed interest investments. Interest rate changes also affect the market values of, and the amounts of capital gains or losses Fortis takes on, the fixed interest securities it holds.

Since the second half of 2000 and in response to the general weakness in the global and U.S. economies and events of September 11, 2001, the U.S. Federal Reserve has significantly reduced interest rates while the European Central Bank and the Bank of England have eased rates modestly. These changing economic conditions have had a significant impact on Fortis' insurance and banking operating result. Over the past several years, movements in short and long-term interest rates have affected Fortis' net interest income and how much and when Fortis recognized gains and losses on securities held in its investment portfolios.

The results of Fortis' banking operations are affected by its management of interest rate sensitivity. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest income. The composition of Fortis banking assets and liabilities, and any gap position resulting from the composition, causes the banking operations' net interest income to vary with changes in interest rates. In addition, variations in interest rate sensitivity may exist within the repricing periods or between the different currencies in which Fortis holds interest rate positions. A mismatch of interest-earning assets and interest-bearing liabilities in any given period may, in the event of changes in interest rates, have a material effect on the financial condition or result from operations of Fortis' banking businesses.

Fortis' Insurance and Banking Businesses are subject to Risks Concerning the Adequacy of its Technical Provisions to Cover Future Losses and Benefits and Borrower Credit Quality

Fortis' technical provisions may prove to be inadequate to cover its actual losses and benefits experience. To the extent technical provisions are insufficient to cover actual losses, loss adjustment expenses or future policy benefits, Fortis would have to add to these technical provisions and incur a charge to its earnings. Additional losses, including losses arising from changes in the legal environment, the type or magnitude of which Fortis cannot foresee, may emerge in the future. Any insufficiencies in technical provisions for future claims could have a material adverse effect on Fortis' future consolidated financial condition, results of operations and cash flows.

The nature of Fortis' banking business is such that it is subject to inherent risks regarding borrower credit quality as well as general economic conditions in Fortis' core Benelux markets, each of which can change the level of demand for Fortis' products and services and effect the overall credit quality of Fortis' core loan portfolio. Changes in the credit quality of Fortis' borrowers and counterparties could reduce the value of Fortis' assets, and increase provisions for bad and doubtful debt. Any such increases in provisions could materially adversely effect Fortis' earnings.

Fortis' Results of Operations can be Adversely Affected by Significant Adverse Regulatory Developments

Fortis conducts its businesses subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies and interpretations in the Benelux and the other regions in which Fortis does business. The timing and form of future changes in regulation are unpredictable and beyond the control of Fortis, and changes made could materially adversely affect Fortis' business, the products and services offered or the value of assets. For additional information, see "Supervision and Regulation".

Risks Relating to Purchasing the FRESH Capital Securities

Holder of FRESH Capital Securities will Have Only Limited Recourse to Recover Repayment of Their Investment

The sole recourse of the Holders of FRESH Capital Securities against any of the Co-obligors with respect to the principal amount of the FRESH Capital Securities will be the Underlying Shares (or other securities that replace the Underlying Shares pursuant to the Indenture). The Holders of FRESH Capital Securities will not have the right to receive any cash payment of principal, including in the event of Bankruptcy Proceedings applicable to all of the Co-obligors, but rather will only have the right to exchange such FRESH Capital Securities for the Underlying Shares in accordance with the

applicable Exchange Ratio. Whether or not the market value of Underlying Shares delivered to a Holder of FRESH Capital Securities is equal to the principal amount of the FRESH Capital Securities, the obligations of the Co-obligors to the Holders will be satisfied in full. Although, in the event of Bankruptcy Proceedings applicable to all of the Co-obligors there is only limited recourse to recover principal, the Holders of FRESH Capital Securities will continue to have claims, as unsecured subordinated creditors for any past due Coupons. Any such payments of past due coupons will be subject to the subordination provisions of the Indenture.

The Parent Companies are not Operating Companies and Rely on Distributions from their Subsidiaries to Satisfy their Obligations; These Subsidiaries are Highly Regulated and such Regulations could Impose Restrictions on Such Distributions

The Parent Companies' assets consist solely of their investments in the operating subsidiaries of the Fortis Group. Accordingly, the cash flow and the consequent ability to service obligations of the Parent Companies are primarily dependent upon the earnings of their subsidiaries, and the distribution of those earnings to the Parent Companies.

In addition, the payment of distributions and the making of loans and other advances to the Parent Companies by their subsidiaries are and may continue to be subject to certain statutory and regulatory restrictions. The Dutch and Belgian banking and insurance regulators and/or United States federal or state regulatory authorities, as well as European Union regulatory authorities, certain Belgian authorities, and regulatory authorities in other countries, have regulatory authority over each Parent Company and its subsidiaries. Under certain circumstances, any of such regulatory authorities, could make determinations or take decisions in the future with respect to the Parent Companies and/or any of the Parent Companies' subsidiaries or a portion of their respective operations or assets that could adversely affect the ability of Luxco or the Parent Companies to, among other things, make distributions to their respective security holders, to engage in transactions with affiliates, to purchase or transfer assets, to pay their respective obligations or to make any redemption or liquidation payments to their security holders. See "Supervision and Regulation".

Furthermore, the Parent Companies' rights and the rights of their creditors, to participate in the distribution of assets of any subsidiary upon such subsidiary's liquidation or reorganization will be effectively subordinated to all existing and future liabilities, including trade payables, of such subsidiary, except to the extent that the Co-obligors are themselves recognized as creditors of such subsidiary, in which case the claims of the Co-obligors would still be subordinate to any security interests in the assets of such subsidiary and any indebtedness of such subsidiary senior to that held by the Co-obligors.

Under Certain Circumstances Coupon Payments will be Paid in the Form of Fortis Shares rather than Cash

If (i) either or both Parent Companies do not declare a dividend or they declare a dividend below the Dividend Threshold Yield in any fiscal year, or (ii) a Co-obligor defaults on any Senior and Subordinated Obligations and such default continues beyond any applicable grace period or results in acceleration of the maturity of such Senior and Subordinated Obligations, the Co-obligors will be required to pay all Coupons which are payable on any Coupon Date during such Coupon Period following the occurrence of such event in the form of a Stock Settlement Coupon in accordance with the Alternative Coupon Satisfaction Method. See "Terms and Conditions of the FRESH Capital Securities—Alternative Coupon Satisfaction Method". The Alternative Coupon Satisfaction Method provides for the equivalent fair market value of the cash Coupon to be issued to the Holders of FRESH Capital Securities in the form of Fortis Shares in lieu of cash. To the extent the market value of such Fortis Shares is not equivalent to the cash Coupon payment due, the Co-obligors are nonetheless deemed to have satisfied their obligations in full.

In the event that the Parent Companies have insufficient authorized and outstanding Fortis Shares to satisfy a Stock Settlement Coupon when it is due pursuant to the Alternative Coupon Satisfaction

Method or upon the occurrence of a Market Disruption Event, then (and only in such events) the Stock Coupon Date with respect to such Stock Settlement Coupon shall be postponed until such time as the shareholders of the Parent Companies approve resolutions authorising the issuance of a sufficient number of Fortis Shares or the Market Disruption Event ceases to exist.

Failure by a Holder to Provide Required Certifications to Comply with Applicable Securities Laws will Result in Receipt of Cash rather than Fortis Shares

If a Holder of FRESH Capital Securities fails to provide any certification of beneficial ownership by or on behalf of such beneficial owner required pursuant to the Terms and Conditions of the FRESH Capital Securities to comply with applicable securities laws in connection with any delivery or issuance to such Holder of Fortis Shares, rights or other securities, such Fortis Shares, rights or other securities will be delivered to the Trustee on behalf of such Holder and the Trustee will use reasonable endeavors on normal market terms to provide purchasers for such Fortis Shares, rights or other securities and the proceeds from such sale will be distributed to such beneficial owner in accordance with the terms of the Indenture. Even if the proceeds from such sale are less than the market value of such Fortis Shares, rights or securities at the time of delivery or issuance, the Co-obligors will nonetheless be deemed to have satisfied their obligations in full.

Because the Co-obligors' Obligations Under the FRESH Capital Securities will be Deeply Subordinated, Each of the Co-obligors will Pay Its Other Debt Obligations before It Pays You

The obligations of each Co-obligor under the FRESH Capital Securities rank subordinate to and junior in right of payment to all its other indebtedness and obligations, including any preference shares, except any indebtedness or obligations that, expressly or by applicable law, is *pari passu* with or subordinated to the FRESH Capital Securities, and except any ordinary shares of Luxco and any Fortis Shares. This means that if any of the Co-obligors fails to pay any liability that is senior to the FRESH Capital Securities, it may not make payments on the FRESH Capital Securities. Also, if any of the Co-obligors is bankrupt or liquidates or dissolves, such Co-obligor or its trustee will use the assets of such Co-obligor to pay obligations on all liabilities ranking senior to the FRESH Capital Securities before making cash payments on the past due Coupons. In addition, under the terms of the FRESH Capital Securities you will only be entitled to receive the Fortis Shares with respect to your principal in the event of a bankruptcy or insolvency proceeding applicable to all of the Co-obligors.

Each of the Co-obligors can Issue Additional Debt which It would Pay before Making Payments on the FRESH Capital Securities

Neither the FRESH Capital Securities nor the Indenture prohibit any of the Co-obligors from incurring any debt and each of the Co-obligors may incur additional debt (including secured debt) that is senior or ranks equal to the FRESH Capital Securities at any time without your approval. The Co-obligors' obligations under the FRESH Capital Securities rank subordinate to substantially all of its other obligations, including indebtedness for money borrowed, and any preference shares of such Co-obligor.

There are Limitations on the Transferability of the FRESH Capital Securities and of the Fortis Shares Deliverable upon Exchange of the FRESH Capital Securities or pursuant to the Alternative Coupon Satisfaction Method

The FRESH Capital Securities and the Fortis Shares deliverable upon exchange of the FRESH Capital Securities or pursuant to the Alternative Coupon Satisfaction Method have not been registered under the Securities Act nor with any securities commission or regulatory authorities of any state of the United States and may not be offered or sold in the United States unless registered under the Securities Act or exempt from such requirements. As a result the FRESH Capital Securities will not be freely tradeable in the United States upon their acquisition. Investors will be subject to certain transfer restrictions imposed under applicable securities laws since the FRESH Capital Securities and

the Fortis Shares deliverable upon exchange of these securities or pursuant to the Alternative Coupon Satisfaction Method may not be sold, transferred or otherwise disposed of by any investors in the United States without registration under the Securities Act, except in accordance with the transfer restrictions imposed under applicable securities laws or pursuant to an applicable exemption from registration. See “Transfer Restrictions”.

Holders of the FRESH Capital Securities have no Voting Rights

Holders of the FRESH Capital Securities will not have any voting rights, except as described under “Terms and Conditions of the FRESH Capital Securities—Modifications of the Indenture”.

Because the FRESH Capital Securities are a New Issue, there is no Assurance that a Trading Market will Exist or that it will be Liquid

The FRESH Capital Securities are a new issue of securities and have no established trading market. Although application has been made to list the FRESH Capital Securities on the Luxembourg Stock Exchange, you cannot assume that an active trading market will develop. Even if an active trading market does develop, no one, including the Joint Lead Managers, is required to maintain its liquidity. There may be a limited number of buyers and the market prices may be uncertain when you decide to sell your FRESH Capital Securities. The liquidity and market prices for the FRESH Capital Securities will vary depending on changes in market and economic conditions, the financial conditions of, and prospects for, Fortis, and other factors that generally influence the market prices of securities. Accordingly, there is no assurance that a trading market for the FRESH Capital Securities will exist and no assurance as to the liquidity of any trading market.

You May Face Foreign Exchange Risks by Investing in the FRESH Capital Securities

The FRESH Capital Securities will be denominated in, and Coupons will be paid in, euro. If you measure your investment returns by reference to a currency other than the euro, an investment in the FRESH Capital Securities will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which you measure the return on your investment because of economic, political and other factors over which Fortis has no control. Depreciation of that currency against the currency by reference to which you measure the return on your investments could cause a decrease in the effective yield of the FRESH Capital Securities below the Interest Rate (as defined in the Terms and Conditions of the FRESH Capital Securities) and could result in a loss to you when the return on the FRESH Capital Securities is translated into the currency by reference to which you measure the return on your investment. In addition, there may be tax consequences for you as a result of any foreign exchange gains resulting from an investment in the FRESH Capital Securities.

Validity and Enforceability of the FRESH Capital Securities under Belgian and Luxembourg Law

The FRESH Capital Securities and the Indenture are both governed by New York law. Currently, there is no legal precedent in Luxembourg or Belgium regarding the enforceability of instruments with terms such as those contained in the FRESH Capital Securities. However, each of the Co-obligors believes, and has warranted in the Underwriting Agreement, that the Indenture and the FRESH Capital Securities are valid and binding obligations of each of the Co-obligors, enforceable against each of them (including in the courts of Luxembourg and Belgium) in accordance with their respective terms. Investors should seek their own legal advice with respect to these issues prior to purchasing the FRESH Capital Securities.

Forward-Looking Information

There are statements in this offering memorandum, such as statements that include the words or phrases “will likely result”, “are expected to”, “will continue”, “is anticipated”, “estimate”, “project”, or similar expressions, that are “forward-looking statements”. These statements are subject to certain risks and uncertainties. Actual results may differ materially from those suggested by these statements due to risks or uncertainties associated with Fortis’ expectations with respect to, among others, its market risk evaluations or potential acquisitions, potential cost and revenue synergies associated with acquisitions, or with respect to expansion and premium growth and investment income or cash flow projections and, more generally, to general economic conditions, including changes in interest rates and the performance of the financial markets, changes in domestic and foreign laws, regulations and taxes, changes in competition and pricing environments, regional or general changes in asset valuations, the occurrence of significant natural disasters, the inability to reinsure certain risks economically, the adequacy of technical provisions, as well as general market conditions, competition, pricing and restructurings.

Capitalization

Fortis

The following table sets forth as of December 31, 2001 the capitalization of Fortis, prepared in accordance with GAAP in accordance with Belgian law, as adjusted to give effect to the offering of the FRESH Capital Securities offered hereby.

(€ millions)	At December 31, 2001		
	Historical	Offering	Adjusted
Long-term debt ⁽¹⁾	33,406	—	33,406
Convertible notes	1,257	—	1,257
Subordinated liabilities	10,209	1,250	11,459
Fund for general banking risks	2,217	—	2,217
Minority interests	2,133	—	2,133
Net equity	13,844	—	13,844
Total capitalization	63,066		64,316

(1) Includes debts over one year for banking operations and debts over five years for insurance operations.

Except as disclosed in this offering memorandum, there has been no material change in the capitalization of Fortis since December 31, 2001.

Luxco

The following table sets forth as of April 22, 2002 the capitalization of Luxco, prepared in accordance with generally accepted accounting principles in Luxembourg, as adjusted to give effect to (i) certain capitalization transactions associated with the acquisition of Fortis Shares in connection with the offering and (ii) the offering of the FRESH Capital Securities offered hereby. Luxco is a newly organized company established on April 22, 2002.

(€ millions, except historical in € thousands)	At April 22, 2002		
	Historical	Offering	Adjusted
Subordinated liabilities	—	1,250	1,250
Net equity	31	1,031	1,031
Total capitalization	31		2,281

Except as disclosed in this offering memorandum, there has been no material change in the capitalization of Luxco since April 22, 2002.

Use of Proceeds

The net proceeds of the issue of the FRESH Capital Securities, before expenses, are estimated to be approximately €1,225,000,000. Of the commissions paid and deducted from the proceeds, half will be paid to the affiliates of Fortis acting as Joint Lead Manager. The net proceeds of the issue and sale of the FRESH Capital Securities shall be used for general corporate purposes of the Fortis Group and to strengthen the capital bases of the Parent Companies and their affiliates. See “Operating and Financial Review and Prospects—Liquidity and Capital Resources—Combined Cash Flows”.

Market Information

On December 14, 2001 Fortis replaced the separately listed securities of Fortis (B) and Fortis (NL) with one single listed security (the “Fortis Share”) which began trading on December 17, 2001. The new share represents one share in each of the new parent companies that were established under the restructuring (Fortis SA/NV in Belgium and 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 December 14, 2001. The proposal included, among other things, 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, respectively, to Fortis Brussels SA/NV and Fortis Utrecht N.V., two newly incorporated companies.

The economic rights of shareholders have not changed as a result of the unification and creation of the Fortis Share. With effect from the financial year ended December 31, 2001 the explicit distinction that was previously made between net equity of Fortis (B) and Fortis (NL) is no longer made. The comparative figures have been 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.

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 parent 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.

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 over-the-counter ADR program in the United States.

At April 30, 2002, the Fortis Shares made up 21.67% of the total weight of the BEL 20 Index of Euronext Brussels, based on the market price on such date of €25.48. At April 30, 2002, the Fortis Shares made up 8.73% of the total weight of the AEX index of Euronext Amsterdam, based on the market price on such date of €25.49.

Fortis Shares

The table below sets forth the market price and trading volume for the Fortis Shares for the periods since it began trading on December 17, 2001. Prior to this date, the Parent Companies each had their own separate listing.

(€)	Fortis Shares		
	Euronext Brussels and Euronext Amsterdam		
	High ⁽¹⁾	Low ⁽¹⁾	Trading Volume in Millions of Shares ⁽²⁾
2001			
Fourth Quarter (from December 17, 2001)	29.29	26.78	40.6
2002			
First Quarter	29.10	24.01	306.8
Second Quarter (through April 30, 2002)	27.17	24.29	103.0

(1) Highest and lowest of Euronext Brussels and Euronext Amsterdam.

(2) Includes purchases only.

Fortis (NL)

Fortis (NL) is the legal predecessor of Fortis N.V. Euronext Amsterdam was the principal trading market of the Fortis (NL) shares. The table below sets forth the reported quarterly high and low quotations and trading volumes for the Fortis (NL) shares from January 11, 1999 through December 14, 2001, as reported on the official price list (*Officiële Prijscourant*) of Euronext Amsterdam.

(€)	Fortis (NL) Shares		
	Euronext Amsterdam		
	High	Low	Trading Volume in Millions of Shares ⁽¹⁾
1999			
First Quarter (from January 11, 1999)	39.20	29.78	78.2
Second Quarter	35.80	30.00	78.1
Third Quarter	33.00	26.80	109.2
Fourth Quarter	35.75	29.66	97.3
2000			
First Quarter	35.21	24.88	122.8
Second Quarter	30.50	26.42	129.0
Third Quarter	36.42	30.49	149.6
Fourth Quarter	36.75	32.36	157.8
2001			
First Quarter	35.75	25.56	168.0
Second Quarter	30.17	27.27	148.6
Third Quarter	31.24	20.85	144.8
Fourth Quarter (through December 14, 2001)	29.38	25.10	144.2

(1) Includes purchases only.

Fortis (B)

Fortis (B) is the legal predecessor of Fortis SA/NV. Euronext Brussels was the principal trading market of the Fortis (B) shares. The table below sets forth the reported high and low quotations and trading volume for Fortis (B) shares for each year from 1999 through December 14, 2001 as reported on the official price list of Euronext Brussels.

(€)	Fortis (B) Shares		
	Euronext Brussels		
	High	Low	Trading Volume in Millions of Shares ⁽¹⁾
1999			
First Quarter	38.25	32.30	72.6
Second Quarter	34.41	29.31	60.0
Third Quarter	33.28	27.50	62.2
Fourth Quarter	35.82	29.84	75.1
2000			
First Quarter	35.20	24.71	98.6
Second Quarter	30.48	26.41	76.4
Third Quarter	36.24	30.20	71.3
Fourth Quarter	36.82	32.30	73.8
2001			
First Quarter	35.75	25.52	100.8
Second Quarter	30.35	27.32	79.0
Third Quarter	31.25	20.26	95.3
Fourth Quarter (through December 14, 2001)	29.35	25.08	83.4

(1) Includes purchases only.

Exchange Rate Information

Fortis presents its consolidated financial statements in euro. The following table shows certain information concerning the exchange rate between the euro and U.S. dollars (from January 1, 1999). Since January 1, 1999 the euro has been the legal currency of the twelve states in the European Union participating in the Economic and Monetary Union. Beginning January 1, 2002 these member states have issued new euro-denominated bills and coins for use in cash transactions, and by July 1, 2002, the respective national currencies will no longer be legal tender for any transactions.

Year € per US\$1.00	Period-end Rate	Average Rate ⁽¹⁾	High	Low
2002 (through April 30, 2002)	1.1101	1.1375	1.1658	1.1064
2001	1.1347	1.1172	1.1952	1.0445
2000	1.0747	1.0854	1.2118	0.9626
1999	0.9954	0.9387	0.9985	0.8481

(1) The average of the applicable exchange rates on the last business day of each month during the relevant period.

These rates are provided solely for the convenience of investors and are not necessarily the rates used by Fortis in the preparation of its consolidated financial statements. For a list of rates actually used, see the consolidated financial statements included elsewhere in this offering memorandum.

Dividend Policy

The dividend policy of Fortis is, in principle, to pay out between 40% and 45% of Fortis' combined profit to the shareholders. The payment and amount of dividends, however, is dependent upon Fortis' results of operations, financial condition, cash requirements, future prospects and other relevant factors. Fortis can provide no assurances that Fortis will declare and pay any dividends in the future.

The table below sets forth, in respect of the years indicated, the amount of dividends paid on the Fortis Share. The stated figures for 2000 and 1999 in the table below relate to the dividend paid on the Fortis (NL) and Fortis (B) shares (the predecessor companies to Fortis N.V. and Fortis SA/NV, respectively).

(€ per share)	Year Ended December 31,		
	2001 (proposed)	2000	1999
Fortis			
Dividends per share	0.88 ⁽¹⁾	0.88	0.76

(1) Shareholders will vote on the proposed dividend for the year 2001 during the General Meetings of Shareholders of Fortis SA/NV and Fortis N.V. to be held on May 29, 2002.

Luxco

Incorporation and Registered Office

Fortfinlux S.A. ("Luxco") is a company with limited liability (*société anonyme*) under Luxembourg law established in Luxembourg and registered with the Register of Commerce and Companies kept at the District Court of Luxembourg under number Luxembourg B-86976. The registered office of Luxco is located at Rue Aldringen 14, L-1118 Luxembourg.

Luxco was established and registered on April 22, 2002.

The Articles of Association of Luxco will be published in the Luxembourg Official Gazette ("*Mémorial C'*") on May 2, 2002.

Activities

Luxco was established to obtain financing through the issuance of the FRESH Capital Securities. Luxco has no employees. It has no trading activities.

In connection with offering of the FRESH Capital Securities, Luxco will enter into the Underwriting Agreement with the Parent Companies and the initial purchasers of the FRESH Capital Securities, J.P. Morgan Securities Ltd. and Fortis Bank SA/NV (together the Joint Lead Managers), and will also enter into the Indenture, the Escrow Agreement and the Pledge Agreement, all as further described in this offering memorandum.

Business Purposes

The primary business purpose of Luxco is to finance the business operations of the Parent Companies and other eligible companies within the Fortis Group.

According to its articles of incorporation, Luxco may:

- hold participations, in any form whatsoever, in Luxembourg and foreign companies, the acquisition by purchase, subscription, or in any other manner as well as the transfer by sale, exchange or otherwise of stock, bonds, debentures, notes and other securities of any kind, the possession, the administration, the development and the management of its portfolio.
- participate in the establishment and development of any financial, industrial or commercial enterprises and may render any assistance by way of loan, guarantees or otherwise to subsidiaries and affiliated or group companies and to non group companies. The corporation may borrow in any form, proceed to the issuance of bonds and other securities, enter into any and all financial transactions whatsoever including foreign exchange, interest rate and other swaps, options and other derivative transactions.
- take any controlling and supervisory measures and carry out any financial, movable or immovable, commercial and industrial operation which it may deem useful in the accomplishment and development of its purpose.

Directors

The directors of Luxco are:

- Michel Baise (Chairman),
- Jean Paul Quoilin,
- Harry Leijssen,
- Edward Bruin, and
- Gérard Birchen.

Share Capital

The authorized share capital of Luxco is €500,000,000 divided into 50,000,000 ordinary shares with a nominal value of €10 each.

As of the date of this offering memorandum, the subscribed share capital of Luxco is €31,000, consisting of 3,100 ordinary shares, having a par value of €10 each. All of these shares have been issued and are fully paid up.

3,099 shares are held by Fortis Brussels SA/NV and one share is held by FGF Lux SA, a company incorporated under the laws of Luxembourg. FGF Lux SA is an indirect, wholly-owned subsidiary of Fortis.

It is expected that on May 3, 2002, the share capital of Luxco shall be increased from €31,000 to €38,500 by the issuance of 750 fully paid ordinary shares with a nominal value of €10 each plus a share premium of €1,030,564,381.26.

The board of directors of Luxco is prohibited from issuing preference shares under the authorised capital pursuant to Luxco's articles of incorporation.

Financial Information

Since the date of incorporation, no financial statements of Luxco have been prepared. The financial year end of Luxco is December 31. The statutory auditors ("*Commissaire aux Comptes*") of Luxco are PricewaterhouseCoopers, Route d'Esch 400, L-1471 Luxembourg.

Selected Financial and Statistical Data

The financial information for the years ended and as of December 31, 2001, 2000 and 1999 set forth below is derived from Fortis' consolidated financial statements, which have been prepared in conformity with GAAP in accordance with Belgian law. The consolidated financial statements for 2001, 2000 and 1999 have been jointly audited by KPMG Accountants N.V. and PricewaterhouseCoopers Réviseurs d'Entreprises S.C.C.R.L., independent public accountants for Fortis N.V. and Fortis SA/NV, respectively. The unaudited pro forma 1997 financial data and the audited 1998 financial data are derived from Fortis' pro forma and historical consolidated financial statements included in Fortis' 1999 Annual Report. Beginning in 2001, Fortis is reporting net operating profit, which is Fortis' net profit before inclusion of certain non-operating items after taxation. Fortis restated 2000 and 1999 to give effect to this presentation which has no effect on net profit. The years 1998 and pro forma 1997 have not been restated to give effect to this presentation.

The historical and pro forma data set out below are only a summary. You should read it in conjunction with the financial statements and related notes for the years ended December 31, 2001, 2000 and 1999 and "Operating and Financial Review and Prospects" included elsewhere in this offering memorandum.

Amounts from 1997 and 1998 have been restated from the European Currency Unit into the euro using the conversion rate at January 1, 1999 of one-to-one.

(€ millions)	Year Ended December 31,				
	2001	2000	1999	1998	1997
	(Audited)			(Unaudited Pro forma)	
Income Statement Data					
Insurance premiums	18,162	15,784	12,527	9,981	8,317
Interest Income	23,765	25,713	20,822	19,747	19,178
Commissions and fees	1,978	2,164	1,832	1,660	1,361
Result from financial transactions	(1,307)	490	2,732	2,789	1,750
Other revenues	2,660	2,917	2,665	1,943	1,689
Total revenues	45,258	47,068	40,578	36,120	32,295
Interest expense	(16,914)	(19,403)	(14,706)	(13,944)	(13,510)
Total revenues, net of interest expense	28,344	27,665	25,872	22,176	18,785
Technical charges insurance	(13,440)	(13,464)	(13,797)	(10,834)	(8,867)
Value adjustments	(626)	(620)	(547)	(872)	(557)
Net revenues	14,278	13,581	11,528	10,470	9,361
Operating expenses	(10,785)	(9,964)	(8,489)	(7,863)	(7,144)
Operating result before taxation	3,493	3,617	3,039	2,607	2,217
Taxation	(1,049)	(1,044)	(893)	(778)	(655)
Operating group profit	2,444	2,573	2,146	1,829	1,562
Minority interest	(177)	(217)	(183)	(169)	(282)
Net operating profit	2,267	2,356	1,963		
Non-operating items after taxation	331	412	353		
Net profit before extraordinary results	2,598	2,768	2,316	1,660	1,280
Extraordinary results after taxation	—	—	—	202	—
Net profit	2,598	2,768	2,316	1,862	1,280

(€ millions, except percentages)	Year Ended December 31,				
	2001	2000	1999	1998	1997
	(Audited)			(Unaudited Pro forma)	
Balance Sheet Data					
Assets:					
Cash	5,094	6,110	3,660	3,675	1,228
Trading securities	19,447	13,363	9,899	7,112	5,733
Investments	147,676	134,203	127,382	115,096	97,459
Loans and advances to credit institutions ..	63,762	62,383	81,970	58,098	55,502
Loans and advances to customers	176,834	162,093	139,422	122,213	112,259
Reinsurers' share of technical provisions ...	6,891	4,944	4,232	2,107	1,881
Deferred acquisition costs	2,964	3,298	2,081	1,333	1,204
Prepayments and accrued income	19,845	17,038	13,157	10,883	10,264
Investments on behalf of policyholders	23,567	22,013	16,210	11,201	8,185
Other assets	16,890	12,638	8,096	8,544	6,809
Total assets	482,970	438,083	406,109	340,262	300,524
Liabilities:					
Amounts owed to credit institutions	96,337	94,174	116,992	81,114	63,600
Amounts owed to customers	179,687	145,752	134,963	125,164	121,785
Debt certificates	50,896	43,761	35,943	36,456	36,867
Technical provisions	59,533	56,130	44,613	37,055	32,657
Technical provisions related to investments on behalf of policyholders	23,085	21,690	15,824	10,913	7,900
Accruals and deferred income	19,773	15,824	12,236	9,783	8,348
Other liabilities	23,999	31,865	19,523	18,805	11,752
Convertible notes	1,257	1,257	1,256	681	—
Subordinated liabilities	10,209	8,231	6,906	6,294	5,732
	464,776	418,684	388,257	326,265	288,641
Fund for general banking risks	2,217	2,043	1,861	1,706	1,328
Minority interests in group equity	2,133	2,159	2,483	1,026	1,570
Net equity	13,844	15,197	13,508	11,265	8,985
Group equity	15,977	17,356	15,991	12,291	10,055
Total liabilities	482,970	438,083	406,109	340,262	300,524
Statistical Data (at period end)					
Group ratios:					
Return on net equity	17.9%	20.0%	18.7%	16.4%	12.5%
Return on assets	0.5%	0.7%	0.6%	0.6%	0.4%
Average equity to average assets	3.2%	3.4%	3.3%	3.2%	3.4%
Banking ratios:					
Tier 1 capital ratio	8.5%	7.3%	7.6%	7.7%	7.0%
Total capital ratio	13.5%	11.8%	12.2%	10.9%	10.5%
Cost income ratio	68.3%	66.4%	66.3%	63.6%	67.4%
Insurance data:					
Embedded value ⁽¹⁾	10,291	11,034	—	—	—
Claims ratio	60.0%	61.9%	66.2%	68.4%	66.3%
Combined ratio	103.0%	105.4%	108.2%	112.8%	109.7%

(1) Fortis published embedded value for its life business for the first time in 2001. Only 2000 and 2001 are available. Embedded value is an estimate of the economic value of a life company, excluding any value attributed to future new business. Embedded value at December 31, 2000 includes FFG sold during 2000 (embedded value at December 31, 2000 excluding FFG was €10,434 million) and embedded value at December 31, 2001 is after giving effect to proposed dividends by the life insurance companies to the Parent Companies.

For a discussion of the important trends affecting Fortis' results of operations, see "Operating and Financial Review and Prospects—Overview".

Operating and Financial Review and Prospects

The following review and analysis should be read together with Fortis' consolidated financial statements and the related notes included elsewhere herein. The consolidated financial statements have been prepared in conformity with GAAP in accordance with Belgian law.

Overview

General Market Conditions

Fortis' results of operations are affected by general economic conditions, including economic cycles, insurance industry cycles particularly with respect to non-life insurance, the financial markets, banking industry cycles and fluctuations in interest rates and exchange rates, monetary policy, demographics, particularly with respect to life insurance, and competitive factors.

Demographic studies suggest that over the next decade there will be continued growth in the number of individuals who enter the age group which management believes is most likely to purchase retirement-oriented life insurance products in Fortis' principal life insurance markets of the Benelux. In addition, in a number of European markets, including The Netherlands and Belgium, retirement, medical and other social benefits previously provided by governments have been, or are expected in the coming years to be, curtailed, which management believes will increase opportunities for private sector providers of life insurance, health, pension and other social benefits-related insurance products. Management believes that Fortis' insurance distribution networks, the quality and diversity of its products and its asset management expertise in many of these markets, particularly in the Benelux, position Fortis to benefit from these demographic developments. Conditions in the non-life insurance markets in which Fortis operates are cyclical, and characterized by periods of price competition, fluctuations in underwriting results and the occurrence of unpredictable weather-related and other losses.

Revenues and net profit from Fortis' banking operations may vary from year to year depending on fluctuations in interest rates, changes in market conditions and business cycles. Operating results and income from Fortis' investment banking, securities trading and brokerage activities may vary significantly from year to year depending on market conditions. Market conditions in Fortis' principal markets of Europe and the United States became increasingly volatile during the second half of 1998 due to unsettled market conditions, particularly in the emerging markets of Asia and Latin America. Financial markets generally recovered in 1999 and into the first quarter of 2000 with stock exchanges again recording record high levels but increasing volatility in the rest of 2000 and through 2001 adversely impacted the financial markets. Certain sectors of the stock market have seen significantly lower valuations, particularly technology, media and telecom stocks and stock markets generally declined during the remainder of 2000 and through September 2001, with further significant declines triggered by the terrorist attacks on New York City and Washington D.C. on September 11, 2001. Increased volatility impacted the fixed income markets and 2001 saw continuing weakness in most stock market indices and generally weakening global economic conditions, even prior to the events of September 11, 2001. Since September 11, 2001 market indices have generally recovered from the market lows which occurred immediately after September 11, 2001, but significant volatility has remained.

Fortis' asset management performance as well as its investment banking, securities trading and brokerage activities significantly improved in 1999 following the negative impact of market declines which occurred in 1998. In 2000, strong markets at the beginning of 2000 contrasted with declining indices for most of the remainder of the year. For 2001, overall market trends continued to be negative although, as noted above, market indices generally recovered from the lows arising immediately after September 11, 2001 by the end of 2001. Although the overall market declines have had an adverse impact on Fortis' investment portfolio, significant unrealized gains remain in the portfolio. Market volatility could have negative impacts on future periods. Such volatility and declines in market indices may also adversely affect unrealized gains in the various portfolios or the excess solvency margin of Fortis' insurance subsidiaries. The significant declines in equity prices

immediately following the events in New York City and Washington D.C. had such an impact. See “—Liquidity and Capital Resources—Insurance Cash Flows”. Euronext Amsterdam’s AEX Index declined by 20% in 2001 and by 5% in 2000, and grew by 25% in 1999, 30% in 1998 and 41% in 1997. Euronext Belgium BEL 20 index declined by 8% in 2001, by 9% in 2000 and 5% in 1999, and grew by 45% in 1998 and 28% in 1997.

Interest Rate Fluctuations

Changes in interest rates, including changes in the yield curve, can affect Fortis’ banking and insurance results of operations. Over the past several years, movements in both short and long-term interest rates have affected the level and timing of recognition of gains and losses on securities held in Fortis’ investment portfolios. Generally, a sustained period of lower interest rates will reduce the investment yield of the interest-earning assets investment portfolios of Fortis’ insurance and banking companies over time as higher-yielding investments are called or mature and the proceeds of these investments are reinvested at lower rates. However, declining interest rates can lead to higher returns from Fortis’ banking operations if interest-earning assets reprice more slowly than interest-bearing liabilities or the volume of average interest-earning assets grows as a result of higher amounts of credit demand. Declining interest rates also typically increase demand for mutual funds and investment-linked insurance products. Conversely, rising interest rates should over time increase investment income but may reduce the market value of existing investments in Fortis’ portfolios. This can also lead to higher returns from Fortis’ banking operations if interest-earning assets reprice faster than interest-bearing liabilities or the interest rate spread widens, assuming these effects are not offset by lower volumes of average interest-earning assets as a result of lower levels of credit demand or a deterioration in the quality of Fortis’ loan portfolio or an increase in provisions for possible credit risk.

As a result of the implementation of EMU and introduction of the euro, during the lead up to the introduction of the euro there was a consistent downward trend in interest rates in Fortis’ core Benelux markets and the EU generally. During 2000 the European Central Bank increased rates by 150 basis points to 4.75%. The rates are now fixed at 3.75% after a 25 basis point reduction implemented on May 11, 2001, a further 25 basis point reduction on August 30, 2001 and a 50 basis point reduction on September 17, 2001 in response to increased uncertainty about the U.S. and the world economy following the terrorist attacks in New York City and Washington D.C. It is generally expected that interest rates will remain at these lower levels than has been the case historically, at least in the short term. In the United States interest rates are at all time lows after a series of significant reductions by the U.S. Federal Reserve in response to weak economic conditions and the events of September 11, 2001.

The impact of interest rate fluctuations on Fortis’ life insurance business is reduced in part by product design which operates to transfer partly or entirely from Fortis to the policyholder the exposure to interest rate movements. Examples of such products include investment-linked individual policies and segregated fund pension plans in group business. At December 31, 2001, approximately 32% of Fortis’ insurance investment portfolio consisted of investments relating to insurance policies where gains or losses arising from interest rate fluctuations are entirely for the risk of policyholders. 39% of life gross premium income in 2001 was attributable to unit-linked products. In addition, in many markets Fortis sells profit sharing life insurance policies, where profit sharing may be based either on total profits or excess interest margins to policyholders.

In Europe, however, Fortis has a substantial historic portfolio of contracts with guaranteed investment returns, including returns of 4.75% in Belgium. In response to low levels of interest rates, Fortis established additional technical provisions for its life business during 1998 of €521 million (after tax). At December 31, 2001 total additions to this provision included in the balance sheet was €1,341 million. Although Fortis has lowered its guaranteed rate of return on certain contracts written after December 31, 1998 to 3.25% in Belgium, if interest rates are below 4.00% for any sustained period, the low level of interest rates could require Fortis to significantly increase the levels of provisions required for products with higher guaranteed returns. While

product design reduces the interest rate sensitivity of Fortis' insurance operations, changes in interest rates will impact such business to the extent they result in changes to interest income and to the extent they affect the levels of new product sales or surrenders and withdrawals of the business in force. To the extent interest rates decline or remain at low levels, the reduced returns on investments can also affect the margins on products, particularly products with a guaranteed return.

Fortis' investment banking, securities trading and brokerage activities are significantly affected by the levels of activity in the securities markets, which in turn may be affected by, among other factors, the level and trend of interest rates. Results of asset management activities may also be affected by interest rates, since management fees are generally based on the value of assets under management, which fluctuates with changes in the level of interest rates.

Exchange Rate Fluctuations

Following the introduction of the euro on January 1, 1999, Fortis is no longer subject to exchange rate fluctuations with respect to currencies of participating member states, including the Belgian franc and Dutch guilder. Fortis will, however, remain subject to exchange rate fluctuations with respect to other currencies, including the euro/U.S. dollar exchange rate.

Changes in the Composition of Fortis Impacting Historical Financial Information

Fortis has made significant acquisitions in each of 1999, 2000 and 2001. In 1999 Fortis paid €2.6 billion for the acquisition of American Bankers Insurance Group Inc. ("ABI"). In 2000 Fortis acquired substantially all the remaining equity it did not already own in BGL and made certain other smaller acquisitions for total investment of approximately €2 billion. At the end of December 2000 Fortis acquired ASR (principally using Fortis Shares) for total consideration of €3.4 billion. Fortis also bought back shares in an aggregate amount of €1.2 billion. In April 2001 Fortis sold FFG in the United States for approximately €1.3 billion in cash. In 2001 Fortis also sold its Australian general insurance subsidiary for approximately €200 million. At the year-end 2001 Fortis acquired the Dental Benefits Division from Protective Life Corporation for approximately €350 million. Fortis also made several smaller acquisitions and investments in 2001.

Solvency

Fortis defines a lower and upper limit for its solvency position. At the end of 2001, the net core capital amounted to €19,194 million, which is 16% above the minimum level of €16,557 million and 10% below the maximum of €21,254 million. See "—Liquidity and Capital Resources—Combined Cash Flows".

Consolidated Financial Statements

Preparation of Consolidated Financial Statements

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 prepared in accordance with the applicable legal and regulatory requirements in Belgium, which is referred to in this offering memorandum as GAAP in accordance with Belgian law. 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 Belgian Code of Companies, in order to reflect in a most reliable manner in its financial statements the bank and insurance activities. To emphasize that Fortis is an integrated financial service provider, Fortis chose an integrated presentation of its consolidated balance sheet and profit and loss account. Separate schedules included in the consolidated financial statements and below give a split of the balance sheet and profit and loss account by segment (insurance and banking). The notes to the balance sheet and the profit and loss account are also given by segment. Fortis prepares its balance sheet prior to appropriation of profit. The appropriation of profit will be

recorded at the time of the General Meeting of Shareholders and the adoption of the proposed appropriation of profit and once the shareholders have elected their source of dividend.

Beginning in 2001 Fortis is showing net operating profit, which is net profit before giving effect to certain exceptional non-operating items which previously were included within various line items of the income statement. Management believes this presentation provides better insight into the company's operating performance. 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; and
- changes in deferred taxes in connection with the change in tax rates.

Comparability of Results

2001 Compared to 2000

Results for 2001 compared to 2000 will not be directly comparable for the following principal reasons:

- 2001 includes ASR Verzekeringsgroep (ASR) which was merged with AMEV Nederland effective from April 25, 2001 to create AMEV Stad Rotterdam Verzekeringsgroep (ASR) N.V. ("AMEV Stad Rotterdam"), the second-largest insurer in The Netherlands. Fortis acquired ASR in December 2000. Accordingly, ASR is not included in the results for 2000.
- The sale of FFG in the United States to Hartford Life, Inc. in April 2001.
- The inclusion of American Memorial Life Insurance Company ("AMLIC") for all of 2001 compared to only three months in 2000.
- Fortis' Australian activities were sold, effective in the third quarter of 2001.

2000 Compared to 1999

Results for 2000 compared to 1999 will not be directly comparable for the following reasons:

- The year 2000 includes a full year of operations of ABI, compared to only four and a half months in 1999.
- The acquisition of Northern Star, a provider of motor, household and other retail insurances in the UK was included for the whole of 2000 but only from May in the prior year, 1999.
- Minority interest was impacted by Fortis' increase in ownership of Banque Générale du Luxembourg (BGL) in March 2000 from 53.0% to 97.7%.
- The sale of Fortis Long Term Care in the United States to John Hancock Life Insurance Company in March 2000.

Embedded Value

As part of its 2001 results, Fortis published for the first time the Embedded Value of its life insurance business. Embedded Value of life insurance operations provides additional information on the value of the in-force contracts and the value of new business. Embedded Value is an estimate of the economic value of a life company, excluding any value attributed to future new business. The changes in a company's embedded value from year to year after adjustment for any dividends paid or capital injected, provide a measure of the profitability of the company's life insurance business.

As Fortis has only begun showing Embedded Value in 2001, the years prior to 2000 have not been calculated. See “—Embedded Value”.

Consolidated Results of Operations

The consolidated income statement for the years ended December 31, 2001, 2000 and 1999 are set forth below.

(€ millions)	Year Ended December 31,		
	2001	2000	1999
Life	10,197	8,993	7,030
Non-life	7,965	6,791	5,497
Total insurance premiums	18,162	15,784	12,527
Interest income	23,765	25,713	20,822
Commissions and fees	1,978	2,164	1,832
Results from financial transactions	(1,307)	490	2,732
Other revenues	2,660	2,917	2,665
Total revenues	45,258	47,068	40,578
Interest expenses	(16,914)	(19,403)	(14,706)
Total revenues, net of interest expense	28,344	27,665	25,872
Technical charges insurance	(13,440)	(13,463)	(13,797)
Value adjustments	(626)	(620)	(547)
Net revenues	14,278	13,582	11,528
Operating expenses	(10,785)	(9,964)	(8,489)
Operating result before taxation	3,493	3,618	3,039
Taxation	(1,049)	(1,044)	(893)
Operating group profit	2,444	2,574	2,146
Minority interest	(177)	(218)	(183)
Net operating profit	2,267	2,356	1,963
Non-operating items after taxation	331	412	353
Net profit	2,598	2,768	2,316

2001 Compared to 2000

Total revenue, net of interest expense, increased by 2% to €28,344 million in 2001 compared to €27,665 million in 2000. The increase was attributable to an increase in total revenue, less interest expense, in insurance of 2% and an increase in total revenue, less interest expense, in banking of 3%. Revenue growth in insurance was attributable to growth in premium income, offset in large part by a significant decline in results from financial transactions. The increase in banking revenue was attributable to improved interest margin and income from leasing activities offset in large part by a decrease in commissions and fees and venture capital.

Operating result before taxation decreased by 3% in 2001 compared to 2000 primarily due to higher increases in operating expenses than net revenues, both in the insurance and banking operations. Insurance result decreased by 6% to €1,667 million primarily due to overall lower capital gains, lower investment income together with financing costs on the ASR acquisition, partly offset by strong technical results, mainly in accident and health. Banking result decreased by 4% in 2001 to €1,998 million, primarily due to higher staff costs and lower commissions and fees, lower venture capital income in 2001 compared with 2000 and partly offset by higher interest margin.

The overall effective tax rate in 2001 was 30.0% compared to 28.9% in 2000. The effective tax rate for 2001 increased due to lower tax-exempt income in 2001 compared to 2000.

Minority interests decreased by 19% in 2001 compared to 2000, principally due to the acquisition of most of the remaining BGL shares in late 2000.

Net operating profit decreased by 4% in 2001 compared to 2000 due mainly to the higher expense levels compared to revenue growth. Non-operating items showed a profit of €331 million in 2001 compared to a profit of €412 million in 2000. The non-operating items in 2001 consisted of €511 million in non-operating capital gains offset by certain provisions mainly for personnel reduction plans (2000: €248 million in non-operating capital gains and €164 million due to release of millennium provisions). Net profit decreased 6% due mainly to the decrease of operating result before taxation and reorganization provisions taken in the fourth quarter of 2001. Approximately 25% of the reorganization provision will be used in the insurance business. The remaining 75% will be used in the banking business to cover agreements concluded with the works councils and unions concerning early retirement.

Return on equity, which measures the return generated on shareholders' equity in the company, decreased to 17.9% in 2001 from 20.0% in 2000, principally due to less net profit. Fortis seeks to achieve a return on equity of at least 15% on an annual basis.

2000 Compared to 1999

Total revenue, net of interest expense, increased by 7% to €27,665 million in 2000 compared to €25,872 million in 1999. The increase was attributable to an increase in total revenue, net of interest expense, growth in insurance of 6% and an increase of total revenue, net of interest expense, in banking of 9%. Revenue growth in insurance was attributable to growth in premium income, offset in large part by a significant decline in results from financial transactions. The revenue increase in banking was attributable in large part to increased commissions and fees and an increase in results from financial transactions.

Operating result before taxation increased by 19% in 2000 compared to 1999 primarily due to better operating result in the insurance and banking operations. Insurance result increased by 39% to €1,768 million primarily due to the strong increase in premium income, releases of the low rate interest rate reserve and higher realized capital gains, as well as a full year of contribution from ABI. Banking result increased by 7% in 2000 to €2,075 million, primarily due to increased net commission income and an increase in the results from financial transactions.

The overall effective tax rate in 2000 was 28.9% compared to 29.4% in 1999. The effective tax rate for 2000 decreased due to higher levels of tax-exempt income in 2000 compared to 1999 related to gains on sale of shares.

Minority interests increased by 19% in 2000 compared to 1999, principally due to the issue of capital securities of US\$550 million in the United States in March 2000, the issue of capital securities of €650 million in April 1999 and the issue of €650 million in preference shares in June 1999.

Net operating profit increased by 20% in 2000 compared to 1999. Non operating items showed a profit of €412 million in 2000 compared to a profit of €353 million in 1999. The non operating items in 2000 consisted of €249 million in non operating capital gains and a release of provisions related to the millennium risk of €163 million (1999: €353 million of non-operating capital gains). Net profit improved due to better operating result in insurance and banking.

Return on equity increased to 20% in 2000 from 18.7% in 1999, principally due to higher net profit.

Line of Business Reporting

General

Fortis included for the first time as part of its 2001 results, financial data based on its new management structure and line of business reporting. In its insurance business, the presentation is largely consistent with Fortis' geographic presentation as set forth below in the discussion of results of operations for the years ended December 31, 2001, 2000 and 1999. The main difference is that in Belgium the line of business information does not include Fortis Bank Insurance ("FB Insurance"), Fortis' bancassurance channel in Belgium, as FB Insurance is included within the Network Banking line of business in the banking sector. FB Insurance's results, however, continue to be included in

the full results for the insurance segment. As a result the financial data presented by line of business will not correspond directly to the insurance and banking financial data by sector.

Insurance line of business results include:

- Insurance Netherlands (AMEV Stad Rotterdam)
- Insurance Belgium (Fortis AG)
- Insurance International (Rest of World)
- Insurance United States (Fortis, Inc.).

Banking line of business results include:

- Network Banking (including FB Insurance results)
- Merchant Banking
- Private Banking and Asset Management.

Set forth below is some key information regarding each line of business as it was presented in Fortis' Annual Review. As the factors which impact the lines of business results are discussed in detail in the full review of results of operations below, Fortis has not included any such discussion with the following line of business information.

Insurance Netherlands

The following table sets forth selected unaudited summary financial information for Fortis' line of business Insurance Netherlands for the periods indicated. ASR results are not included in the consolidated 2000 results.

(€ millions, except percentages and employee numbers)	Year Ended December 31,	
	2001	2000
	(Unaudited)	
Gross written life premiums	3,457	1,566
Gross written non-life premiums	1,702	522
Net operating profit	472	400
Costs/Gross written premiums	14%	22%
FTEs end of period ⁽¹⁾	5,269	5,359
Combined ratio non-life	100%	103%

(1) FTE means "full time equivalents" and includes ASR.

Insurance Belgium

The following table sets forth selected unaudited summary financial information for Fortis' line of business Insurance Belgium for the periods indicated. As noted above, for purposes of this line of business information, the following financial data does not include FB Insurance which is included with Network Banking in the banking segment.

(€ millions, except percentages and employee numbers)	Year Ended December 31,	
	2001	2000
	(Unaudited)	
Gross written life premiums	1,568	1,378
Gross written non-life premiums	786	739
Net operating profit	252	249
Costs/Gross written premiums	10%	12%
FTEs end of period	3,272	3,243
Combined ratio non-life	107%	108%

Insurance International

The following table sets forth selected unaudited summary financial information for Fortis' business line Insurance International for the periods indicated.

(€ millions, except percentages and employee numbers)	Year Ended December 31,	
	2001	2000
	(Unaudited)	
Gross Written Life Premiums	1,635	1,755
Gross Written Non-life Premiums	1,035	1,045
Net operating profit	91	108
Costs/Gross Written Premiums	9%	8%
FTEs end of period	3,150	3,402
Combined ratio non-life	100%	102%

Insurance United States

The following table sets forth selected unaudited summary financial information for Fortis' business line Insurance United States for the periods indicated. This financial data relates to Fortis, Inc.

(€ millions, except percentages and employee numbers)	Year Ended December 31,	
	2001	2000
	(Unaudited)	
Gross written premiums life	1,672	1,773
Gross Written premiums non-life	6,922	6,921
Net operating profit	209	300
Costs/Gross Written premiums	16%	16%
FTEs end of period	11,120	10,723

Network Banking

The following table sets forth selected unaudited summary financial information for Fortis' line of business Network Banking for the periods indicated. Network Banking includes FB Insurance.

(€ millions, except percentages and employee numbers)	Year Ended December 31,	
	2001	2000
	(Unaudited)	
Net operating profit	868	853
FTEs end of period	22,604	22,906
Automation rate (Belgium) ⁽¹⁾	80%	76%

(1) Automation rate: number of electronic transactions (three month figures) as a percentage of total transactions on behalf of clients.

The following table sets forth selected unaudited summary financial information for FB Insurance for the periods indicated.

(€ millions, except percentages and employee numbers)	Year Ended December 31,	
	2001	2000
	(Unaudited)	
Gross written premiums life	2,350	3,260
Gross written premiums non-life	152	144
Combined ratio non-life	86	94
FTEs (end of period)	756	756
Penetration of insurance (Belgium) ⁽¹⁾	43%	42%

(1) Penetration rate: number of clients with at least one insurance contract as a percentage of the total number of clients.

Merchant Banking

The following table sets forth selected unaudited summary financial information for Fortis' line of business Merchant Banking for the periods indicated.

(€ millions, except employee numbers)	Year Ended December 31,	
	2001	2000
	(Unaudited)	
Net operating profit	416	413
FTEs end of period	2,735	2,643

Private Banking and Asset Management

The following table sets forth selected unaudited summary financial information for Fortis' line of business Private Banking and Asset Management for the periods indicated.

	Private Banking and Asset Management		Private Banking		Asset Management	
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2001	2000	2001	2000	2001	2000
	(Unaudited)		(Unaudited)		(Unaudited)	
Net operating profit (€ millions)	131	266	85	176	45	90
Assets under management (€ billions) ..	145	158	60	67	85	91
FTEs end of period	3,043	3,192	2,346	2,431	688	761

Insurance

The following table sets forth selected financial information for Fortis' combined insurance operations for the years ended December 31, 2001, 2000 and 1999.

(€ millions)	Year Ended December 31,		
	2001	2000	1999
Life	10,197	8,993	7,030
Non-life	7,965	6,791	5,497
Total insurance premiums ⁽¹⁾	18,162	15,784	12,527
Interest income	3,158	2,533	2,275
Results from financial transactions	(2,309)	(536)	2,025
Other revenues	1,746	2,228	1,930
Total revenues	20,757	20,009	18,757
Interest expense	(688)	(314)	(201)
Total revenues, net of interest expense	20,069	19,695	18,556
Technical charges insurance	(13,440)	(13,463)	(13,797)
Net revenues	6,628	6,232	4,759
Operating expenses	(4,962)	(4,464)	(3,488)
Operating result before taxation	1,667	1,768	1,271
Taxation	(396)	(445)	(298)
Operating group profit	1,271	1,323	973
Minority interests	(62)	(58)	(37)
Net operating profit	1,209	1,265	936
Non-operating items after taxation	368	219	353
Net profit	1,577	1,484	1,289
Life technical result ⁽²⁾	755	690	538
Non-life technical result ⁽²⁾	492	315	138
Non-technical account result ⁽²⁾⁽³⁾	420	763	595
Operating result before taxation	1,667	1,768	1,271

(1) Gross life premiums were €10,682 million (2000: €9,733 million; 1999: €7,457 million) and gross non life premiums were €10,932 million (2000: €9,693 million; 1999: €7,077 million).

(2) The total of the life technical result, non-life technical result and the non-technical account result is equal to the operating result before taxation.

(3) Non-technical account result consists of investment results not allocated to the life and non-life technical results, primarily investment proceeds relating to share capital and reserves in Fortis insurance companies, plus other income and other charges. See Note A17 of Notes to the Fortis consolidated financial statements.

The following table sets forth the breakdown of insurance premiums and result before taxation by geographic area for Fortis' consolidated insurance operations for each of the years indicated.

(€ millions)	Insurance Premiums			Operating Result Before taxation		
	Year Ended December 31,			Year Ended December 31,		
	2001	2000	1999	2001	2000	1999
Belgium	4,606	5,352	4,140	554	596	469
The Netherlands	4,938	2,140	2,008	676	558	393
Luxembourg	463	284	176	8	(1)	8
Total Benelux	10,007	7,776	6,324	1,238	1,153	870
United States	5,872	5,519	4,231	300	460	324
Rest of World	2,283	2,489	1,972	129	155	77
Total	18,162	15,784	12,527	1,667	1,768	1,271

2001 Compared to 2000

On a consolidated basis, Fortis' insurance operations contributed €1,667 million and €1,768 million to Fortis' operating result before taxation in 2001 and 2000, respectively; €1,209 million and €1,265 million to Fortis' net operating profit in 2001 and 2000, respectively; and €1,577 million and €1,484 million, respectively to Fortis' net profit in these years.

Total revenue. Total revenue from insurance operations in 2001 increased by €748 million, or 4%, to €20,757 million, from €20,009 million in 2000, primarily reflecting a 15% increase in premium income in Fortis' life and non-life businesses and a 25% increase in interest income. These increases were offset by a decline in result from financial transactions from a loss of €536 million in 2000 to a €2,309 million loss in 2001. Most of the decline in result from financial transactions was due to unrealized losses on investments held on behalf of policyholders, which does not impact the result as reserve levels are reduced. However, there was also a decline in the gains on own account due to overall poor market performance and higher capital losses, mainly in Fortis, Inc.

Net earned premium income increased by 15% in 2001. Gross premium in Fortis' life operations was up 10% over 2000 levels while gross premium for the non-life operations increased by 13%. Growth in gross premium for the life business in 2001 was attributable to the acquisition of ASR in The Netherlands and a full year contribution from AMLIC in the United States. Excluding these two acquisitions gross premium income decreased mainly due to Fortis' insurance operations in Belgium (decrease of 18%) and the rest of the world (decrease of 14%) primarily from unit-linked products. FB Insurance was negatively impacted by its reliance on unit-linked products and individual savings products due to the volatile financial markets. Non-life gross premium increased by 13%, principally in The Netherlands, primarily due to the acquisition of ASR. Fortis' overall retention level in non-life increased to 76% in 2001 from 75% in 2000. The decrease in other revenues of 22% over 2000 levels, mainly in the United States, relates to the sale of FFG. However, most of this decrease is related to investment income on behalf of policyholders and thus has no impact on Fortis' result.

Exchange rate fluctuations, primarily relating to the U.S. dollar and British pound had a positive impact on Fortis' 2001 total insurance-related income in euro-terms of €165 million, consisting of €32 million related to life premiums, €106 million related to non-life premiums and €27 million in the rest of the total revenue lines.

Operating result before taxation. Operating result before taxation from Fortis' insurance activities decreased in 2001 by €101 million, or 6%, to €1,667 million from €1,768 million in 2000, reflecting the lower financial income and capital gains, partly offset by growth in premium income and better technical results in life and non-life. The life technical result increased by 9% to €755 million in 2001 from €690 million in 2000 and non-life technical result increased by 56% to €492 million from €315 million. The non-technical account decreased from €763 million in 2000 to €420 million in 2001. The impact of foreign exchange rate movements resulted in a variance over 2000 by €9 million.

Taxation. The overall effective tax rate in 2001 for Fortis' insurance operations was 24% compared to a 25% rate in 2000 due to a lower effective tax rate in the United States.

Net operating profit and net profit. Net operating profit decreased by 4% to €1,209 million in 2001 compared to €1,265 million in 2000. Non-operating items showed a profit of €368 million in 2001 compared to a profit of €219 million in 2000. The non-operating items in 2001 consisted of €425 million in non-operating capital gains offset by the creation of certain provisions of €57 million for further reorganization (2000: €149 million of non-operating capital gains and €70 million relating to the release of millennium provisions). Net profit increased 6% due principally to the €149 million higher non-operating items offset by a decrease in operating result before taxation.

2000 Compared to 1999

On a consolidated basis, Fortis' insurance operations contributed €1,768 million and €1,271 million to Fortis' operating result before taxation in 2000 and 1999, respectively; €1,265 million and

€936 million to Fortis' net operating profit in 2000 and 1999, respectively; and €1,484 million and €1,289 million, respectively to Fortis' net profit in these years.

Total revenue. Total revenue from insurance operations in 2000 increased by €1,252 million, or 7%, to €20,009 million, from €18,757 million in 1999, primarily reflecting increased premium income in Fortis' life and non-life businesses and a 15% increase in other income, offset by a decline in result from financial transactions from gains of €2,025 million in 1999 to a €536 million loss in 2000. The decline in result from financial transactions was primarily due to unrealized losses on investments held on behalf of policyholders.

Premium income increased by 26% in 2000 with premium income in Fortis' life operations up by 28% over 1999 levels while premium income for the non-life operations increased by 24%. Growth in 2000 premium income for the life business was attributable primarily to Fortis' insurance operations in Belgium, the United States and the rest of the world, which recorded increases in premium income of 35%, 47% and 25%, respectively. Non-life premium income increased by 24%, principally in the United States, primarily due to the acquisition of ABI. Fortis' overall retention level in non-life business decreased to 75% in 2000 from 80% in 1999. This decrease is primarily due to the structure of certain credit products sold by ABI. Result from financial transactions fell significantly due to overall declines in markets offset by a decrease in technical charges relating to investments held on behalf of policyholders and an increase in other income of 21% over 1999 levels, mainly due to overall growth in insurance investments.

Exchange rate fluctuations, primarily relating to the U.S. dollar and the British pound, had a positive impact on Fortis' 2000 total insurance-related income in euro-terms of €1,024 million, consisting mainly of €131 million related to life premiums, €566 million related to non-life premiums, €89 million related to investment income, €112 million on capital gains and €125 million on other revenues.

Operating result before taxation. Operating result from Fortis' insurance activities increased in 2000 by €497 million, or 39%, to €1,768 million from €1,271 million in 1999, reflecting growth in premium income, and improved technical results, in life and non-life. The life technical result increased by 28% to €690 million in 2000 from €538 million in 1999 and non-life technical result increased by 128% to €315 million from €138 million. Eliminating the effect of foreign exchange rate movements, which increased 2000 operating result before taxation by €53 million, operating result before taxation increased by €444 million, or 34%, over 1999 levels.

Realized capital gains in 2000 increased slightly from €359 million in 1999 to €480 million in 2000. 2000 and 1999 both reflected a significant non-technical account result which increased from €595 million in 1999 to €763 million in 2000.

Taxation. The overall effective tax rate in 2000 for Fortis' insurance operations was 25%, compared to a 23% rate in 1999. The effective tax rate increased in insurance as a result of reduced levels of tax-exempt capital gains.

Net operating profit and net profit. Net operating profit increased by 35% to €1,265 million in 2000 compared to €936 million in 1999. Non-operating items showed a profit of €219 million in 2000 compared to a profit of €353 million in 1999. The non-operating items in 2000 consisted of €149 million in non-operating capital gains and a release of provisions for €70 million (1999: €353 million of non-operating capital gains). Net profit increased 15% due to the significant increase in operating result before taxation offset by €134 million of lower non-operating items.

Life Insurance Operations

The following table sets forth certain summarized financial information for Fortis' life insurance operations for each of the years indicated. The information set forth below has been extracted from the reconciliation of Technical Accounts. See Note A17 to the Fortis consolidated financial statements.

(€ millions)	Year Ended December 31,		
	2001	2000	1999
Net insurance premiums written ⁽¹⁾	10,197	8,993	7,030
Allocated investment result	178	1,793	4,341
Other income	331	377	268
Benefits and surrenders, net of reinsurance	(4,634)	(4,191)	(3,355)
Changes in technical provisions	(3,561)	(4,489)	(6,147)
Bonuses and rebates, net of reinsurance	(187)	(304)	(391)
Other technical charges, net of reinsurance	(15)	(20)	(17)
Operating expenses and other charges	(1,555)	(1,469)	(1,191)
Total technical result life	755	690	538

(1) Gross life premiums were €10,682 million (2000: €9,733 million; 1999: €7,457 million). Technical result is based on net rather than gross premiums written.

The following table sets forth Fortis' gross life premiums by geographic area and type of product for each of the years indicated.

(€ millions)	Year Ended December 31,		
	2001	2000	1999
Belgium			
Individual:			
Single premiums	598	297	625
Regular premiums	635	604	396
Sub-Total	1,233	901	1,021
Group	627	646	574
Investment-linked ⁽¹⁾	1,834	2,941	1,718
Total Belgium	3,694	4,488	3,313
The Netherlands			
Individual:			
Single premiums	847	125	116
Regular premiums	681	287	295
Sub-Total	1,528	412	411
Group	343	250	238
Investment-linked ⁽¹⁾	1,586	904	818
Total The Netherlands	3,457	1,566	1,467
Luxembourg			
Individual:			
Single premiums	13	9	85
Regular premiums	5	17	14
Sub-Total	18	26	99
Group	7	7	8
Investment-linked ⁽¹⁾	430	244	63
Total Luxembourg	455	277	170

(€ millions)	Year Ended December 31,		
	2001	2000	1999
United States⁽²⁾			
Individual:			
Single premiums	336	216	130
Regular premiums	290	332	275
Sub-Total	626	548	405
Group	346	360	323
Credit-related premiums	700	865	477
Total United States	1,672	1,773	1,205
Rest of World			
Individual:			
Single premiums	407	505	618
Regular premiums	392	144	183
Sub-Total	799	649	801
Group	319	194	141
Investment-linked ⁽¹⁾	286	786	360
Total Rest of World	1,404	1,629	1,302
Total gross premiums life	10,682	9,733	7,457

(1) Investment-linked premiums relate to policies in which the investment risk is solely for the benefit of the policyholder. Such premiums may be single premium or periodic premium.

(2) Under GAAP in accordance with Belgian law, Fortis accounts for premium income in accordance with local accounting principles. In the U.S. premiums received for annuities and unit-linked policies are not included in gross premium income.

2001 Compared to 2000

Premium income. Gross premium income of Fortis' life operations in 2001 increased €949 million, or 10%, over 2000 levels. Disregarding sales and acquisitions and the effect of exchange rate movements, premium income increased by 5%. The positive impact of exchange rate movements totaled €52 million.

Belgium. In Belgium, gross life premium income decreased 18% or €794 million to €3,694 million in 2001 compared to €4,488 million in 2000. Individual life gross premiums increased 37%. A significant decrease was recorded in investment-linked premiums primarily due to weak financial markets, which was partially compensated for by an increase in short-term investment products which is reflected in an increase of individual premiums. The reduction in investment-linked premiums had a significant negative impact on FB Insurance which largely distributes these types of products to customers of the bank. Group contracts gross premium income decreased by €19 million in 2001, or 3%, compared to 2000.

The Netherlands. In The Netherlands, gross premium income increased by €1,891 million, to €3,457 million in 2001 compared to €1,566 million in 2000. The increase was principally due to the inclusion of ASR representing gross premium income of €1,459 million. Excluding ASR, the increase of 28% was due to an 18% increase in group premiums as a result of a change in legislation regarding back-service pension commitments. The 3% decrease in investment-linked products was due to lower new underwriting and higher surrenders and premium adjustments as a result of the new tax system effective in 2001 that limits the tax advantages for individuals related to life insurance (premiums only limited deductible). Individual life gross premiums were 3% lower in 2001 compared to 2000 also due to the new tax plan which had a negative impact on premium development.

Luxembourg. Gross premium income increased by €178 million, or 64%, from €277 million in 2000 to €455 million in 2001. The increase in sales in Luxembourg was due to a significant increase in sales at General Life and Fortis Luxembourg Assurances (mainly through Freedom Of Service (FOS) underwriting in France and Belgium).

United States. Excluding exchange rate differences, gross premium life decreased 6% to €1,672 million in 2001 from €1,773 million in 2000 due to the absence of premiums from FFG as a result of its sale and lower premiums from Assurant, partly offset by a full year contribution from AMLIC.

Rest of World. Gross life premium income decreased by €225 million, or 14%, from €1,629 million in 2000 to €1,404 million in 2001. In Spain, Fortis' largest insurance market outside the Benelux and the United States, gross premium income was down 18% due to lower premium income from unit-linked products as a result of the instability of the financial markets as well as the fact that last year's premiums were exceptionally good as a result of new favorable regulation which boosted premium income.

Net premiums written. Net life premiums written in 2001 and 2000 reflected premiums ceded to reinsurers of €484 million and €740 million, respectively, resulting in overall retention levels of approximately 95.5% in 2001 and 92.4% in 2000. Net premiums written increased by €1,204 million, or 13%, from €8,993 million in 2000 to €10,197 million in 2001.

Technical charges life insurance. Technical charges life insurance consist of life policy benefits and surrenders paid to policyholders and beneficiaries, changes in life insurance technical provisions and bonuses and rebates. Total technical charges life insurance decreased by €607 million, or 7%, to €8,397 million in 2001 from €9,004 million in 2000, in each case net of reinsurance. Benefits and surrenders paid, net of reinsurance, increased to €4,634 million in 2001 from €4,191 million in 2000. The change in technical provision decreased by €928 million, or 21%, to €3,561 million in 2001 from €4,489 million in 2000. This decrease was principally attributable to the decline in investment income and the decrease in unrealized capital gains on behalf of policyholders partly offset by growth in premium income. Bonuses and rebates, which consist of distributions (in the form of a reduction in premiums or credits) to policyholders on account of portfolio yield or the results of the policy issuing company, totaled €187 million in 2001 and €304 million in 2000. The reduction was due to lower investment income on the portfolio backing such policies.

Operating expenses and other charges. Operating expenses, which consist primarily of salaries and commissions, increased by €86 million, or 6%, from €1,469 million in 2000 to €1,555 million in 2001. Net commissions increased from €605 million in 2000 to €625 million in 2001 primarily due to increased premium income. Administrative expenses increased by €5 million or 1% from €584 million in 2000 to €589 million in 2001.

Technical result life. The technical result from life insurance operations in 2001 increased by €65 million, or 9%, compared with 2000, to €755 million in 2001. The improvement in the technical result in 2001 compared to 2000 is largely attributable to the inclusion of ASR. Although all companies with the exception of Fortis, Inc. showed improvements.

The following table sets forth a geographic breakdown of the technical result of Fortis' life operations for each of the years indicated.

(€ millions)	Year Ended December 31,		
	2001	2000	1999
Belgium	334	319	238
The Netherlands	231	168	155
Luxembourg	4	(14)	2
Total technical result Benelux	569	473	395
United States	155	194	128
Rest of World	31	23	15
Total technical result life	755	690	538

Belgium. In Belgium, the growth in life technical result of €15 million, or 5%, over 2000 levels, was primarily due to better expenses margin in FB Insurance unit-linked business, and to improved financial income at Fortis AG, particularly in group lines.

The Netherlands. In The Netherlands, the increase in life technical result of €63 million, or 38%, above 2000 levels was mainly due to the inclusion of ASR for the first time in 2001. AMEV life technical result also increased due mainly to higher financial income from financing companies.

Luxembourg. In Luxembourg, the life technical result increased from a loss of €14 million in 2000 to a profit of €4 million in 2001.

United States. In the United States, the decline in life technical result of €39 million, or 20%, over 2000 levels was primarily due to unfavorable results in some credit insurance product lines at Assurant and lower life results from the Non-Medical group, which were partly offset by the contribution of AMLIC for a full year compared to four months in 2000.

Rest of World. In Fortis' other operations, technical result increased to €31 million in 2001 from €23 million in 2000 due to Caifor, driven by a better financial income, and to results in France.

2000 Compared to 1999

Premium income. Gross premium income of Fortis' life operations in 2000 increased €2,276 million, or 31%, over 1999 levels. Disregarding the effect of exchange rate movements, which positively impacted 2000 premium income by €189 million, premium income increased by 28%.

Belgium. In Belgium, gross life premium income increased by €1,175 million, or 35%, to €4,488 million in 2000 compared to €3,313 million in 1999. Individual life gross premiums declined 12% mainly due to a decrease in single premium policies partially offset by increases in regular premiums. The primary reason for the overall increase was due to the increased popularity of investment-linked products where gross premium income increased from €1,718 million in 1999 to €2,941 million in 2000. Significant growth was recorded in investment-linked premiums primarily due to a shift from products where the investment risk is partly borne by the company to products where the investment risk is entirely borne by policyholders. Substantial amounts of investment-linked products were sold through the FB Insurance bancassurance channel, especially the new Easy Fund Plan product. Group gross premium income increased by €72 million in 2000, or 12%, compared to 1999. Gross premium income from group life insurance products, where Fortis is the market leader in terms of gross premiums written, increased because of rate increases and higher volumes of new business.

The Netherlands. In The Netherlands, gross premium income increased by €99 million, or 7%, to €1,566 million in 2000 compared to €1,467 million in 1999. The increase was principally due to a 11% increase in investment-linked products, attributable primarily to increased underwriting from the brokerage distribution channel as well as from the bancassurance channel. The increase in investment-linked products reflected their increased popularity in The Netherlands as well. Individual and group premium income was generally flat year on year 2000 compared to 1999. Demand for life products in The Netherlands was negatively impacted by the imminent introduction of the new Dutch tax system on January 1, 2001. Individual life gross premiums were flat year to year.

Luxembourg. Gross premium income increased by €107 million, or 63%, from €170 million in 1999 to €277 million in 2000. The increase of sales in Luxembourg was due to a significant increase in sales at GeneralLife.

United States. In the United States, gross premium income increased by €568 million, or 47%, to €1,773 million in 2000 compared to €1,205 million in 1999 (although in U.S. dollar terms the increase was 31%). The increase in group premium income was attributable to acquisitions made during 2000. Consistent with its strategy of establishing leading market share positions in specialty products, Fortis increased its share of the credit-related insurance market through the acquisition of ABI during 1999. Individual life single premium income increased by approximately 66% primarily due to higher sales at Fortis Financial Group ("FFG"). FFG was sold to Hartford at the beginning of 2001. The structure of the transaction is such that FFG will continue to contribute revenues through 2002.

Credit-related premiums increased by €388 million, from €477 million to €865 million due to the acquisition of ABI. Such premiums are assumed by Fortis and ceded to a captive insurer immediately afterwards. The economic benefits of this business flow through fee income, although to a much lesser extent than that shown by the development of gross premiums. Annuity products also increased by 15% in 2000 although such amounts are not included in premium income. Overall, excluding acquisitions, gross premium income increased by approximately 12% in 2000 compared to 1999.

Rest of World. Gross life premium income increased by €327 million, or 25%, from €1,302 million in 1999 to €1,629 million in 2000. In Spain, Fortis' largest insurance market outside the Benelux and the United States, gross premium income was up 27% due to a new group policy received from a public body outsourcing certain of its pension commitments and a new line of products linked to market indices which Fortis began marketing during 1998. These products replaced certain traditional life insurance products. Gross premium income was up 21% in France in 2000, due to the increase of sales of unit-linked products. The French life insurance operations were agreed to be sold in the first quarter 2002.

Net premiums written. Net life premiums written in 2000 and 1999 reflected premiums ceded to reinsurers of €740 million and €427 million, respectively, resulting in overall retention levels of approximately 92% in 2000 and 94% in 1999. Net premiums written increased by €1,963 million, or 28%, from €7,030 million in 1999 to €8,993 million in 2000.

Technical charges life insurance. Technical charges life insurance decreased by €906 million, or 9%, to €9,004 million in 2000 from €9,910 million in 1999, in each case net of reinsurance. Benefits and surrenders paid, net of reinsurance, increased to €4,191 million in 2000 from €3,355 million in 1999, primarily due to an increase in surrenders. The change in technical provision decreased by €1,658 million, or 27%, to €4,489 million in 2000 from €6,147 million in 1999. This decrease was principally attributable to the decline in investment income offset by growth in premium income. Bonuses and rebates, which consist of distributions (in the form of a reduction of premiums or credits) to policyholders on account of portfolio yield or the results of the policy issuing company, totaled €304 million in 2000 and €391 million in 1999.

Operating expenses and other charges. Operating expenses, which consist primarily of salaries and commissions, increased by €278 million, or 23%, from €1,191 million in 1999 to €1,469 million in 2000, principally reflecting an increase in acquisition costs (primarily commissions paid and other selling costs) of €155 million from €605 million in 1999 to €760 million in 2000. Net commissions increased from €485 million in 1999 to €605 million in 2000, primarily due to volume increases and acquisitions. Administrative expenses increased from €495 million in 1999 to €584 million in 2000.

Technical result life. The technical result from life insurance operations in 2000 increased by €152 million, or 28%, compared to 1999, to €690 million in 2000. The improvement in the technical result in 2000 compared to 1999 is largely attributable to the following developments (by country):

Belgium. In Belgium, the growth in life technical result of €81 million, or 34%, over 1999 levels, was primarily due to better expenses margins, especially in unit-linked business, and improved mortality results.

The Netherlands. In The Netherlands, the increase in life technical result of €13 million, or 8%, above 1999 levels was mainly due to a better mortality result, an increase in other margins due to the release of certain technical provisions and an improvement in the expenses margin due to cost loading. These favorable elements were partially offset by a decrease in the investment margin as a result of lower allocated capital gains, and by a decrease in the surrender margins.

Luxembourg. In Luxembourg, the decline in life technical result of €16 million in 2000 was primarily due to an increase in IT and moving expenses.

United States. In the United States, growth of life technical result of €66 million, or 52%, over 1999 levels was primarily due to the acquisition of ABI and John Alden, improved mortality results in variable universal life, favorable interest rate spreads on annuity products and the positive stock

market climate. Fortis realized significant cost synergies in the United States in 2000 following the acquisition of ABI and the integration of ABI with American Security Group to operate as a credit-related insurance division, Assurant Group, which also positively impacted life technical result.

Rest of World. In Fortis' other operations, technical result increased to €23 million in 2000 from €15 million in 1999 due to the high cost level and past years' low interest rates with Fortis Assurances, Fortis' insurance activities in France.

Non-Life Insurance Operations

The following table sets forth certain summarized financial information for Fortis' non-life operations for the years indicated. The information set forth below has been extracted from the reconciliation of Technical Accounts. See Note A17 to the Fortis consolidated financial statements.

(€ millions)	Year Ended December 31,		
	2001	2000	1999
Net insurance premiums written ⁽¹⁾	8,281	7,225	5,659
Change in provision for unearned premium	(317)	(434)	(162)
Allocated investment income	552	479	386
Other income	242	213	221
Technical charges non-life insurance	(5,044)	(4,460)	(3,888)
Operating expenses and other charges	(3,222)	(2,708)	(2,078)
Total technical result non-life⁽¹⁾	492	315	138

(1) Gross non-life premiums earned were €10,932 million (2000: €9,693 million 1999: €7,077 million). Technical result is based on net rather than gross premiums written.

The following table sets forth Fortis' non-life gross written premiums by geographic area and principal class of business for the years indicated.

(€ millions)	Year Ended December 31,		
	2001	2000	1999
Belgium			
Fire	325	309	314
Motor	292	278	256
Accident and health	271	258	253
Other	173	169	158
Total Belgium	1,061	1,014	981
The Netherlands			
Fire	323	211	208
Motor	469	213	202
Accident and health	795	131	118
Other	328	158	152
Total The Netherlands	1,915	713	680
Luxembourg			
Fire	10	10	9
Other	5	4	4
Total Luxembourg	15	14	13
United States			
Accident and health	3,117	3,166	2,697
Other	3,805	3,755	1,837
Total United States	6,922	6,921	4,534
Rest of World			
Fire	192	180	148
Motor	684	688	522
Accident and health	57	57	117
Other	86	106	82
Total Rest of World	1,019	1,031	869
Total gross premiums non-life	10,932	9,693	7,077

2001 Compared to 2000

Premium income. Gross written premium in Fortis' non-life operations increased €1,239 million, or 13%. Of this amount €1,170 million is attributable to the inclusion of ASR for the first time in 2001.

Belgium. In Belgium, non-life gross premium income increased by €47 million, or 5%. The increase was 5% in accident and health, motor and fire and 2% in other lines. The 5% increase in motor reflected the positive impact of a commercial incentive strategy towards brokers. The increase in accident and health was attributable to rate increases in employee benefits due to the underlying payroll base growth. Increase in Fire reflects a 5% increase in the standard index and the end of the portfolio erosion experienced in prior years.

The Netherlands. In The Netherlands, non-life gross premium income increased by €1,202 million, mainly for the reason mentioned above (i.e. the inclusion of ASR in 2001 for €1,170 million). The remaining increase of €32 million comes mainly from Other lines, with a significant increase in engineering, liability and marine.

Luxembourg. Non-life gross premium income in Luxembourg increased by €1 million to €15 million in 2001.

United States. Non-life gross premium income in the United States remained level in total but this balance is the result of a decrease in business of €202 million which is completely offset by positive exchange rates differences. Excluding exchange rates differences, there was a decrease in accident and health of €142 million mainly due to rate increases which on balance reduced the total premium income (particularly in Fortis Health's Small Group product line). In other lines, the decrease of €60 million is attributable to weakness at Assurant.

Rest of World. Non-life gross premium income in the Rest of World decreased by €12 million, or 1% in 2001. The main reason for the decrease is the sale of Australia in June 2001, resulting in a decrease of €102 million in gross premium income. The most significant decrease was in motor (€46 million), offset in part by higher underwriting in the UK (5%) and in Spain (20%) principally due to the acquisition of La Baloise in September 2001 by Seguros Bilbao. Fire also decreased due to the sale of Australian operations (€21 million), which was more than offset by increases in UK (25%) driven by new business from the captive broker IAS; in Spain for the reason mentioned above and in Caifor. Other lines decreased by €20 million, primarily in Australia.

Net premiums written. Net non-life premiums written amounted to €8,281 million in 2001 and €7,225 million in 2000. The increase is mainly due to the acquisition of ASR. Net non-life premiums in 2001 and 2000 reflected premiums ceded to reinsurers of €2,651 million and €2,468 million respectively, resulting in an overall retention level of approximately 76% in 2001 and 75% in 2000.

Technical charges non-life insurance. Claims and claims expenses for Fortis' non-life business increased by €584 million, from €4,460 million in 2000 to €5,044 million in 2001, reflecting the increase in net premiums earned. Notwithstanding the increase in claims and claims expenses, the overall claims ratio declined slightly from 62% in 2000 to 60% in 2001. Claims paid, net increased by €319 million, or 7%, to €4,674 million, while the claims provisions increased by €839 million to €8,770 million, mainly in the United States.

Operating expenses and other charges. Operating expenses and other charges consisting primarily of salaries and commissions, increased by €514 million in 2001, or 19%, from €2,708 million in 2000 to €3,222 million in 2001. The increase is principally attributable to the inclusion of ASR (€338 million in 2001).

Technical results. The technical result from non-life operations in 2001 increased by €177 million from €315 million in 2000 to €492 million in 2001 or 56%. The inclusion of ASR had a positive impact on the total technical result (€29 million). Excluding ASR, the main factors driving the growth of €148 million were Accident and Health (€125 million) and Motor (€44 million). Improved result in Accident and Health is mainly attributable to Fortis Inc. due to an improved loss ratio as a result of

administrative action and pricing. Technical result Motor increased mainly due to the UK as a result of an increase in rates and changes in their marketing segment policy.

2000 Compared to 1999

Premium income. Gross premiums written in Fortis' non-life operations in 2000 increased by €2,616 million, or 37%, from €7,077 million in 1999 to €9,693 million in 2000. Disregarding the effect of exchange rate movements, which increased premium income by €758 million, non-life premium income increased by 24%. Gross premium income improved in all lines of non-life business.

Belgium. In Belgium, non-life gross premium income increased by €33 million, or 3%, over 1999 levels. The increase was principally due to a moderate increase in motor, other and accident and health with a small decline in fire. The 9% increase in motor was due to third party liability rate increases. The 2% increase in accident and health was attributable to volume increases in healthcare where a business unit was set up to meet demand for supplementary health insurance. The 7% increase in other lines was due to tighter underwriting standards and higher premiums in certain lines. The 2% decrease in fire (which provide various homeowners' coverage for losses such as fire, storm, burglary and other perils) was due to lower levels of underwriting in one of the Group's subsidiaries.

The Netherlands. In The Netherlands, non-life gross premium income increased by €33 million, or 5%, in 2000 to €713 million. The increase was due to a 5% increase in gross premium income from motor lines principally due to broker business. The 11% increase in accident and health was due principally to rate increases. The 4% increase in other lines is mainly attributable to higher volumes of travel insurance.

Luxembourg. Non-life gross premium income in Luxembourg increased by €1 million to €14 million in 2000.

United States. Non-life gross premium income in the United States increased by €2,387 million, or 53%, over 1999 levels, principally due to a 104% increase in non-life gross premium income in other lines and a 17% increase in non-life gross premium income from accident and health lines. The increases are largely due to the acquisitions of ABI (only consolidated for five months in 1999) and John Alden. Excluding the effect of such acquisitions, non-life gross premium income in the United States would have increased by 18%. Expressed in U.S. dollars, non-life gross premium income increased by 32%. Accident and health premiums increased principally due to higher sales and higher in-force levels. Gross premium income from other non-life lines grew mainly due to the acquisition of ABI.

Rest of World. Non-life gross premium income in the Rest of World increased by €162 million, or 19%, in 2000. In Spain, non-life gross premium income increased by €24 million, or 14%, over 1999. The increase was principally due to increased gross premium income from motor lines as a result of higher premiums (tariff increases). Gross premium income from Fortis' non-life operations in the United Kingdom increased by €119 million, or 22%, to €656 million in 2000 from €537 million in 1999. The primary reason is attributable to the motor line which benefited from a full year's contribution from Northern Star, which was consolidated only from May 1999. The rate increases in the motor lines contributed to the increase in premium income. In addition, the appreciation of the British pound against the euro had a positive impact on reported gross premium growth in the United Kingdom. Non-life premium income in Australia increased by 12%, from €160 million in 1999 to €179 million in 2000. The Australian operations were sold in July 2001.

Net premiums written. Net non-life premiums in 2000 and 1999 reflected premiums ceded to reinsurers of €2,468 million and €1,419 million, respectively, resulting in an overall retention level of approximately 75% in 2000 and 80% in 1999. Net non-life premiums earned were €7,225 million in 2000 and €5,659 million in 1999, due to the impact of the acquisition of ABI as well as positive exchange rate movements.

Fortis' retention level decreased as a percentage primarily due to the increase in heavily ceded credit products that comprise a significant part of the ABI portfolio. These products are offered through captive reinsurers where there is an explicit ceding arrangement with the client. The company retains a percentage of the premium as compensation for issuance and administration of these products for the client.

Technical charges non-life insurance. Claims and claims expenses for Fortis' non-life business increased by €572 million, from €3,888 million in 1999 to €4,460 million in 2000, reflecting the increase in net premiums earned. Notwithstanding the increase in claims and claims expenses, the overall claims ratio declined from 66% in 1999 to 62% in 2000, partly reflecting improvements in the claims ratio in accident and health insurance at FB Insurance, in The Netherlands and in Spain and in motor insurance at Fortis AG and the Rest of World. Claims paid, net increased by €704 million, or 19%, to €4,355 million, while the claims provisions increased by €1,515 million to €7,931 million, mainly due to acquisitions in the United States.

Operating expenses and other charges. Operating expenses and other charges, consisting primarily of salaries and commissions, increased by €630 million in 2000, to €2,708 million from €2,078 million in 1999. Acquisition costs increased by 36% (€1,624 million in 2000 and €1,200 million in 1999) mainly due to the acquisitions in the United States. Operating expenses and other charges increased by €186 million primarily due to U.S. acquisitions and higher IT costs.

Technical result. The technical result from non-life insurance operations in 2000 increased by €177 million from €138 million in 1999 to €315 million in 2000, or 128%. The increase was primarily due to improvement in other credit-related lines (€200 million in 2000 compared to only €48 million in 1999) and the inclusion of ABI for all of 2000 compared with only five months in 1999. Overall technical result from Fortis' accident and health lines increased to €79 million in 2000 compared to €71 million in 1999. These results were partially offset by worse technical results from Fortis Health, due to higher incurred claims. The improvement of the technical result accident and health in The Netherlands (€19 million in 2000 compared to €15 million in 1999) was caused by a favorable claims ratio.

Technical result motor increased to €13 million in 2000 compared to €3 million in 1999. This was due to better run-off in individual lines in Belgium and a better claims ratio, which were partially offset by lower results in The Netherlands, caused by a higher claims ratio and run-off. Technical result from fire lines increased by €5 million, or 28% to €23 million in 2000 compared to €18 million in 1999 principally due to a new claim repair service and additions to the equalization reserve in Belgium. In The Netherlands, technical result fire deteriorated due to higher claims. Technical result from other non-life lines increased by €152 million, or 317% to €200 million in 2000 compared to €48 million in 1999 principally due to improvements in ASG's mortgage hazard product line and due to the acquisition of ABI.

Technical Result by Geographic Area

The following table sets forth the technical result of Fortis' non-life operations by geographic area and principal product line for the periods indicated.

(€ millions)	Year Ended December 31,		
	2001	2000	1999
Belgium			
Fire	24	27	15
Motor	3	6	1
Accident and health	39	23	24
Other	21	7	(2)
Total Belgium	87	63	38
The Netherlands			
Fire	9	(10)	3
Motor	—	(23)	(8)
Accident and health	36	19	15
Other	9	4	2
Total The Netherlands	54	(10)	12
Luxembourg			
Fire	3	1	—
Other	—	(1)	2
Total Luxembourg	3	—	2
United States			
Accident and health	140	30	25
Other	140	182	40
Total United States	280	212	65
Rest of World			
Fire	2	6	—
Motor	54	29	9
Accident and health	3	8	6
Other	10	7	6
Total Rest of World	69	50	21
Total technical result non-life	492	315	138

The following tables set forth claims, expense and combined ratio information for Fortis' non-life operations by geographic area for the years ended December 31, 2001, 2000 and 1999.

	Year Ended December 31, 2001						
	Belgium	The Netherlands	Luxembourg	Benelux	United States	Rest of World	Total Non-Life
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%

	Year Ended December 31, 2000						
	Belgium	The Netherlands	Luxembourg	Benelux	United States	Rest of World	Total Non-Life
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%

	Year Ended December 31, 1999						
	Belgium	The Netherlands	Luxembourg	Benelux	United States	Rest of World	Total Non-Life
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%

2001 Compared to 2000

The technical result from non-life insurance operations in 2001 increased by €177 million or 56% from €315 million in 2000 to €492 million in 2001.

Belgium. In Belgium, non-life technical result improved from €63 million in 2000 to €87 million in 2001. The increase was due to an improvement in accident and health (€16 million) due to better current year claims ratio, better run-off result in Workers' Compensation and better claims ratio in disability product. Other lines also improved (€14 million) due mainly to liability and engineering products. Fire and Motor were both lower.

The Netherlands. Technical result non-life in The Netherlands improved from a loss of €10 million in 2000 to €54 million in 2001. The improvement is largely attributable to the inclusion of ASR (€29 million) for the first time in 2001. Excluding this effect result improved by €36 million. Improvements in accident and health were a result of better claims handling costs and better monitoring of follow-up on the duration of disability. Significant improvement in Motor (€23 million) was due to better claims and expenses ratios at AMEV and FCI. Fire improved as well (€19 million) as a result of lower costs due to better risk selection, a better claims ratio and better expenses ratio. The "Volendam" disaster resulted in a charge of €1 million. In 2000, Enschede resulted in a net cost of €6 million.

Luxembourg. In Luxembourg the technical result non-life improved from zero in 2000 to €3 million in 2001. The improvement was attributable to the fire line.

United States. The €68 million improvement in 2001 over 2000 was due to significant increase in accident and health (€110 million), due to improved loss ratio as a result of administrative actions and pricing, particularly in Fortis Health's Small Group product line and to a lesser extent in Individual Medical product lines, which was decided 18 to 24 months ago; and, to a release of provision. The primary contributor to the negative trend in other lines (a decline of €42 million from €182 million in 2000 to €140 million in 2001) is a worse result from Assurant. Assurant's results are below prior years mainly due to one time events (Tropical Storm Allison, severe winter weather, higher life mortality) and more fundamental business and macro-economic reasons (slow down in the U.S. economy, debt deferment, predatory lending issue compliance and privacy legislation).

Rest of World. Technical result non-life in the Rest of World increased €19 million in 2001 compared to 2000, despite the sale of Australia which impacted the technical result by €6 million, negative. The increase was due to a better result in all the countries, but particularly in motor in UK and Spain as a result of an increase in the rates and changes in their market segmentation policy.

2000 Compared to 1999

Belgium. In Belgium, non-life technical result increased by €25 million, or 66%, to €63 million in 2000 from €38 million in 1999. €12 million of the increase was attributable to the fire line where the result improved from €15 million in 1999 to €27 million in 2000. The increase was principally due to a favorable claims ratio. The result in motor continued to show the improvements reflected in 1999 with an increase of €5 million to €6 million in 2000. The claims ratio improved in motor as a result of a strengthening portfolio. The improvement of technical result motor was also caused by improved risk segmentation.

The result in the accident and health line declined €1 million to €23 million in 2000 due to high claims frequency in workers' compensation.

The Netherlands. In The Netherlands, non-life technical result declined from a profit of €12 million in 1999 to a loss of €10 million in 2000. This decline was mainly due to deterioration in technical result in the motor and fire lines. Motor result declined €15 million to a loss of €23 million due to a combination of factors:

- negative run-off results and other one-time factors;
- high current year claims ratio primarily in the truck fleet segment; and
- strengthening of IBNR reserves and establishment of a premium deficiency reserve.

Fire result declined €13 million to a loss of €10 million due to a number of large claims occurring in the first half of the year (including the fireworks disaster in Enschede). The losses were only partially offset by increases in the accident and health line from €15 million in 1999 to €19 million in 2000. The improvement is mainly due to higher premiums.

Luxembourg. Non-life technical result in Luxembourg decreased from €2 million in 1999 to zero in 2000. The result of €1 million in the fire line was offset by the loss of €1 million in other lines.

United States. In the United States, non-life technical result increased by €147 million to €212 million in 2000 from €65 million in 1999. The increase in non-life technical result was principally due to the inclusion of ABI for the full year 2000 compared to only five months in 1999 as well as an improvement of the technical result of other lines. Overall technical result from other lines increased by €142 million or 355%, to €182 million in 2000. The technical result in accident and health also improved from a technical result of €25 million in 1999 to €30 million in 2000. The technical result in accident and health was positively impacted by the sale of Fortis Long Term Care and ACSIA and improvements in Fortis Health's Small Group Product line.

Rest of World. In Fortis' other operations, overall motor technical result increased by €20 million to €29 million mainly due to the United Kingdom where rate and volume increases resulted in a positive outlook. Technical result from fire lines increased from zero in 1999 to €6 million in 2000. Technical results in accident and health and other lines improved from €6 million in 1999 to €8 million and €7 million, respectively, in 2000.

Result Non-Technical Account Before Taxation

Result non-technical account before taxation consists of result on investment not allocated to the life and non-life technical accounts. This unallocated portion consists primarily of investment proceeds relating to share capital and reserves in Fortis' insurance companies, realized and unrealized capital gains on investments which make up such share capital and reserves and other income and other charges, including exceptional charges. The result on investment is allocated to the technical accounts in relation to the life and non-life technical provisions. The results on investment on behalf of policyholders and the realized and unrealized gains and losses on investments on behalf of policyholders are allocated to the life insurance technical account in their entirety. See Note A17 to the Fortis consolidated financial statements.

The following table sets forth result non-technical account before taxation for the years indicated.

(€ millions)	Year Ended December 31,		
	2001	2000	1999
Investment income:			
Land and buildings	285	260	258
Shares	377	285	279
Debt securities	2,062	1,831	1,626
Other investments	82	77	71
Total revenues	2,806	2,453	2,234
Income (loss) on investment for account of policyholders	(2,090)	(67)	2,487
Income loans and advances	1,033	681	623
Realized gains/losses on investments	190	480	358
Other income	62	38	35
Administrative expenses and interest charges ⁽¹⁾	(853)	(541)	(361)
Result on investment	1,148	3,044	5,376
Allocated investment income	(729)	(2,271)	(4,727)
Other income and charges	1	(10)	(54)
Result non-technical account insurance	420	763	595

(1) Includes salaries and expenses related to Fortis' insurance-related asset management operations, as well as allocated overhead charges and interest charges.

2001 Compared to 2000

Result non-technical account before taxation decreased by €343 million, or 45%, to €420 million in 2001 from €763 million in 2000. The decrease in the non-technical account result is mainly attributable to the lower level of capital gains and the interest expense charges associated with financing the acquisition of ASR. There were higher revenues on investments and the increase by €352 million in income from loans and advances from €681 million in 2000 to €1,033 million in 2001, was due primarily to higher mortgage issuance in The Netherlands. This business was also attributable to ASR. These increases were offset by lower levels of realized gains which decreased by 60% from €480 million in 2000 to €190 million in 2001 and by higher administrative expenses and interest charges which increased from €541 million in 2000 to €853 million in 2001 due to higher interest expenses associated with financing the acquisition of ASR.

The result non-technical account benefited from lower levels of allocated investment income (only 64% of result on investment in 2001 compared to 75% in 2000). This is primarily due to a loss of €2,090 million on investment income and capital gains/losses for account of policyholders in 2001 compared to a loss of €67 million in 2000. There was also a decline in exceptional items (included in other income and charges) from a net charge of €10 million in 2000 to a net gain of €1 million in 2001. The 2000 exceptional items primarily include charges related to Assurant integration costs in the United States (€35 million), and additions in The Netherlands to some provisions related to some new IT projects (€25 million). It also includes the gain on the sale of ACSIA and release of

millennium reserves in the United States (€21 million); gains on sale of some activities (marine and reinsurance) and some tax refund in Belgium (€13 million) and releases in the rest of the world to the provisions made for the millennium and actuarial rates of interest (€16 million).

2000 Compared to 1999

Result non-technical account before taxation increased by €168 million, or 28%, to €763 million in 2000 from €595 million in 1999. The increase in the non-technical account result is mainly attributable to the increase in investment income from the investment of capital and surplus of Fortis' insurance companies. Income from loans and advances increased by €58 million or 9%. Capital gains increased by €122 million or 34% from €358 million in 1999 to €480 million in 2000. These increases are related to the growth in the insurance business. Higher administrative expenses and interest charges which increased from €361 million in 1999 to €541 million in 2000 offset a portion of the higher investment income. The higher costs are due to higher interest expenses associated with financing the acquisition of ABI. The result non-technical account also benefited from lower levels of allocated investment income (only 75% of result on investment in 2000 compared to 88% in 1999). This is primarily due to a loss of €67 million on investment income for account of policyholders in 2000 compared to a gain of €2,487 million in 1999.

Insurance Investments

The following table sets forth the book value of the components of the investment portfolio of Fortis' insurance operations at the dates indicated. Land and buildings, shares and investments for the account of policyholders are valued at market value at the end of the relevant period. See the Fortis consolidated financial statements included in this offering memorandum.

(€ millions)	At December 31,		
	2001	2000	1999
Land and buildings	3,782	3,648	3,027
Shares	11,930	13,273	10,890
Debt securities	34,218	32,167	27,377
Other investments ⁽¹⁾	558	562	324
Subtotal	50,488	49,650	41,618
Investments for account of policyholders	23,567	22,013	16,210
Total investments	74,055	71,663	57,828

(1) Includes participations in investment pools.

The following table sets forth the direct income from investments of the Fortis insurance operations by asset category for the years indicated. See the Fortis consolidated financial statements included elsewhere in this offering memorandum.

(€ millions, except percentages)	Year Ended December 31,					
	2001		2000		1999	
	Income	Pre-tax Yield ⁽¹⁾	Income	Pre-tax Yield ⁽¹⁾	Income	Pre-tax Yield ⁽¹⁾
Land and buildings	285	7.7%	260	7.8%	258	8.7%
Shares	377	3.0%	285	2.4%	279	2.7%
Debt securities	2,062	6.2%	1,831	6.1%	1,626	6.6%
Other investments ⁽²⁾	82	14.7%	77	17.5%	71	2.0%
Subtotal	2,806		2,453		2,235	
Investments for account of policyholders ⁽³⁾	(2,090)	(9.2%)	(67)	(0.4)%	2,487	18.1%
Total income investments ⁽⁴⁾	716		2,386		4,722	

(1) Pre-tax yield is calculated using interest, rental, dividend and other income received for each period, divided by the average of beginning and year-end balances on related assets. It does not include realized capital gains (other than under "investments for account of policyholders"), but does include amortization of realized capital gains on fixed-interest investments.

(2) Includes income from participations in investment pools.

(3) Any revaluation of shares which belong to this category is taken to the profit and loss account as investment income for risk of policyholders, including realized and unrealized revaluations of shares.

(4) Equal to the sum of "investment income" and "realized/unrealized gains on investments on behalf of policyholders".

2001 Compared to 2000

In 2001 income from investments of Fortis' insurance operation increased by €353 million or 14% to €2,806 million, from €2,453 million in 2000. Income from debt securities increased by €231 million, from €1,831 million in 2000 to €2,062 million in 2001 reflecting primarily the integration of ASR and to a lesser extent, the growth of the portfolio. Income from investments for the account of policyholders, which is fully attributable to policyholders, decreased by €2,023 million to a loss of €2,090 million. The poor stock market performance and the negative impact of September 11 events diverted customers from purchasing investment linked products (where the policyholder bears the investment risk) and pushed the unrealized capital losses on behalf of policyholders up. This decrease in the valuation of assets doesn't impact significantly the net profit because it is balanced by a similar decrease in the technical provisions. The remaining investment income, consisting primarily of income from land and buildings and shares, was €622 million in 2000 and €744 million in 2001. This increase is also primarily related to the consolidation of ASR with Fortis beginning in 2001. Investment charges increased by €312 million to €853 million in 2001 from €541 million in 2000. This increase is mainly related to the acquisition of ASR at the end of 2000.

2000 Compared to 1999

In 2000, income from investments of Fortis' insurance operations increased by €218 million, or 10%, to €2,453 million, from €2,235 million in 1999. Income from debt securities increased by €205 million, from €1,626 million in 1999 to €1,831 million in 2000 reflecting further significant growth of the portfolio, partly offset by a decreased investment yield due to generally lower interest rates. Income from investments for the account of policyholders, which is fully attributable to policyholders, decreased by €2,554 million to a loss of €67 million. Although there was significant growth in the volume of investment-linked policies in 2000 where the policyholder bears the investment risk, adverse market conditions, particularly in the latter part of 2000, resulted in significant declines in the valuations of assets held in the portfolios. This decrease has no significant impact on net profit as the lower income is offset by a reduction in the addition to the technical provisions. The remaining investment income, consisting primarily of income from land and buildings and shares, was €608 million in 1999 and €622 million in 2000. Administrative expenses and interest charges increased by €180 million, from €361 million in 1999 to €541 million in 2000, due mainly to higher interest expense associated with the acquisition of ABI.

Banking

(€ millions)	Year Ended December 31,		
	2001	2000	1999
Interest income	20,819	23,301	18,589
Commissions and fees	1,978	2,164	1,838
Result from financial transactions	1,003	1,025	704
Other revenues	897	677	677
Total revenues	24,697	27,167	21,808
Interest expense	(16,415)	(19,145)	(14,419)
Total revenues, net of interest expense	8,282	8,022	7,389
Value adjustments	(626)	(619)	(547)
Operating expenses	(5,658)	(5,328)	(4,900)
Operating result before taxation	1,998	2,075	1,942
Taxation	(693)	(641)	(612)
Operating group profit	1,305	1,434	1,330
Minority interest	(67)	(122)	(145)
Net operating profit	1,238	1,312	1,185
Non-operating items after taxation	(34)	194	—
Net profit	1,204	1,506	1,185

The following table shows the major components of banking operating results in each of the years indicated.

(€ millions)	Year Ended December 31,		
	2001	2000	1999
Net interest income:			
Belgium	2,230	2,364	2,254
The Netherlands	1,137	915	925
Luxembourg	325	292	500
Rest of World	712	585	491
Total net interest income	4,404	4,156	4,170
Net commission income:			
Belgium	580	876	777
The Netherlands	569	572	505
Luxembourg	271	304	242
Rest of World	558	412	314
Total net commission income	1,978	2,164	1,838
Results from financial transactions:			
Belgium	606	350	324
The Netherlands	118	373	210
Luxembourg	50	168	120
Rest of World	229	134	50
Total results from financial transactions	1,003	1,025	704
Other revenue⁽¹⁾:			
Belgium	334	272	334
The Netherlands	249	200	211
Luxembourg	112	115	62
Rest of World	202	90	70
Total other revenue ⁽¹⁾	897	677	677
Net revenue:			
Belgium	3,750	3,863	3,689
The Netherlands	2,073	2,060	1,851
Luxembourg	758	878	924
Rest of World	1,701	1,221	925
Total net revenue	8,282	8,022	7,389
Operating expenses and value adjustments⁽²⁾:			
Belgium	(2,952)	(3,097)	(2,773)
The Netherlands	(1,800)	(1,480)	(1,357)
Luxembourg	(317)	(529)	(574)
Rest of World	(1,215)	(841)	(743)
Total operating expenses and value adjustments ⁽²⁾	(6,284)	(5,947)	(5,447)
Operating result before taxation:			
Belgium	798	766	916
The Netherlands	273	580	494
Luxembourg	441	349	350
Rest of World	486	380	182
Total operating result before taxation	1,998	2,075	1,942
Taxation	(693)	(641)	(612)
Operating group profit	1,305	1,434	1,330
Minority interest	(67)	(122)	(145)
Net operating profit	1,238	1,312	1,185
Non-operating items after taxation	(34)	194	—
Net profit	1,204	1,506	1,185

(1) Includes income from variable yield securities and other operating income.

(2) Specific provisions for loan losses and country risk, which are related to specific banking assets and a fund for general banking risks, which is net of taxes and covers general risks associated with lending and other banking activities, which may include risk of loan loss.

2001 Compared to 2000

Total revenue, net of interest expense. Banking net revenues increased by €260 million, or 3% in 2001. Net revenues increased in 2001 due to an increase of 6% in net interest income as well as higher other revenues, which were €897 million in 2001 and €677 million in 2000. The increase in interest income and other revenues was partially offset by a decrease of 9% in commissions and fees, driven by a decrease in the number and volume of market transactions. Other revenues from venture capital decreased from €121 million in 2000 to a loss of €71 million in 2001. Net interest income remained the largest component of banking revenues, accounting for 53% of banking revenues in 2001 compared with 52% in 2000.

Operating result before taxation. Operating result before taxation from banking operations decreased by 4% in 2001. The decrease was largely attributable to a 6% increase in operating expenses. Staff costs rose by 5% mainly due to wage inflation. The cost income ratio rose from 66.4% in 2000 to 68.3% in 2001 due to the high operating costs exceeding the percentage growth in revenues.

Taxation. The overall effective tax rate for Fortis' banking operations in 2001 was 34.7% compared to 30.9% in 2000. The difference was largely attributable to the record-high profit from venture capital in 2000, which was tax exempt, while losses suffered in 2001 were non-deductible.

Net operating profit. Net operating profit decreased by 6% to €1,238 million in 2001 compared to €1,312 million in 2000. The decrease in minority interest due to the BGL acquisition in the course of 2000 could not fully offset the decrease in operating result before tax and higher taxation in 2001 compared to 2000.

Net profit. Net profit for Fortis' banking operations in 2001 decreased by €302 million, or 20% compared to 2000, to €1,204 million. The percentage decrease in net profit exceeded decline in operating result before taxation because of the higher effective tax rate. Minority interest decreased from €122 million in 2000 to €67 million in 2001. The non-operating items after taxation in 2001 reflected a loss of €34 million, whereas in 2000 the non-operating items resulted in a profit of €194 million.

2000 Compared to 1999

Total revenue, net of interest expense. Banking net revenues increased by €633 million, or 9%, in 2000. Net revenues increased in 2000 due to an increase of 18% in commission and fees (€1,838 million in 1999 and €2,164 million in 2000) which includes net commissions from asset management (up 29%) as well as an increase of €321 million or 46% in result from financial transactions. Other revenues were €677 million in 2000 and in 1999. Other revenues from venture capital increased from €56 million in 1999 to €121 million in 2000. Net interest income, despite further deterioration in the interest rate environment, remained essentially unchanged year on year (€4,156 million in 2000 and €4,170 million in 1999). Net interest income remained the largest component of banking revenues, accounting for 52% of net banking revenues in 2000 compared with 56% in 1999.

Operating result before taxation. Operating result before taxation from banking operations rose 7% in 2000. The increase in 2000 was largely attributable to higher net revenues. The cost income ratio changed from 66.3% in 1999 to 66.4% in 2000.

Taxation. The overall effective tax rate for Fortis' banking operations in 2000 was 30.9% compared to 31.5% in 1999. The effective tax rate decreased in 2000 primarily due to the increase in tax exempt income in 2000 compared to 1999, especially the realized gains and income on venture capital.

Net operating profit. Net operating profit increased by 11% to €1,312 million in 2000 compared to €1,185 million in 1999. The increase is largely due to the increase in operating result before taxation in 2000 compared to 1999.

Net profit. Net profit for Fortis' banking operations increased by €321 million, or 27% compared with 1999, to €1,506 million. The percentage growth in net profit exceeded growth in operating result before taxation because of the lower effective tax rate. Minority interest decreased from €145 million in 1999 to €122 million in 2000. The decrease is due primarily to the acquisition at the beginning of 2000 of substantially all of the remaining stock of Banque Générale du Luxembourg it did not already own.

Net Interest Income

The following table sets forth certain information concerning the total net interest income of Fortis' banking operations for the years indicated. The interest figures in the following table do not include interest related to non-accrual loans, the portion of interest which is not recognized on partially non-accruing loans or lending commissions income. Net interest income is not calculated on a tax-equivalent basis.

(€ millions, except percentages)	Year Ended December 31,		
	2001	2000	1999
Belgium:			
Interest income ⁽¹⁾	9,042	10,265	8,248
Net interest income ⁽¹⁾	2,231	2,364	2,254
Average interest-earning assets	178,862	190,997	179,958
Average interest-bearing liabilities	199,484	202,358	181,258
The Netherlands:			
Interest income ⁽¹⁾	3,906	3,314	2,664
Net interest income ⁽¹⁾	1,137	915	925
Average interest-earning assets	59,752	50,486	46,930
Average interest-bearing liabilities	51,417	41,946	43,916
Rest of World:			
Interest income ⁽¹⁾	4,766	3,946	3,282
Net interest income ⁽¹⁾	1,037	877	991
Average interest-earning assets	75,632	62,263	50,581
Average interest-bearing liabilities	63,242	55,248	52,330
Total:			
Interest income ⁽¹⁾	17,714	17,525	14,194
Net interest income ⁽¹⁾	4,404	4,156	4,170
Average interest-earning assets	314,246	303,746	277,469
Average interest-bearing liabilities	314,143	299,552	277,504
Gross Yield⁽²⁾:			
Belgium	5.1%	5.4%	4.6%
The Netherlands	6.5%	6.6%	5.7%
Rest of World	6.3%	6.3%	6.5%
Total	5.6%	5.8%	5.1%
Interest Spread⁽³⁾:			
Belgium	1.7%	1.5%	1.3%
The Netherlands	1.1%	0.9%	1.7%
Rest of World	0.4%	0.7%	2.1%
Total	1.4%	1.3%	1.5%
Interest Margin⁽⁴⁾:			
Belgium	1.2%	1.2%	1.3%
The Netherlands	1.9%	1.8%	2.0%
Rest of World	1.4%	1.4%	2.0%
Total	1.4%	1.4%	1.5%

(1) See "Selected Statistical Information—Average Balance Sheets and Interest Rates".

(2) "Gross yield" is the average interest rate earned on "average interest-earning assets". See "Selected Statistical Information—Average Balance Sheets and Interest Rates".

(3) "Interest spread" is the difference between the average interest rate earned on "average interest-earning assets" and the average interest rate paid on "average interest-bearing liabilities". See "Selected Statistical Information—Average Balance Sheets and Interest Rates".

(4) "Interest margin" is "net interest income" as a percentage of "average interest-earning assets".

The change in total net interest income in 2001 and 2000 can be allocated as follows by the average rate and volume effects:

(€ millions)	Year Ended December 31,	
	2001	2000
Change due to changes in average rates	278	(698)
Change due to changes in average balances	(30)	684
Change in total net interest income	248	(14)

2001 Compared to 2000

Net interest income in 2001 increased €248 million or 6% over 2000 levels from €4,156 million in 2000 to €4,404 million in 2001. This increase reflects an increase in volume of average interest-earning assets of €10,500 million, or 3%. The increase in average interest earning assets was attributable to operations in The Netherlands and the Rest of the World.

Interest margin remained flat (1.4% in each of 2001 and 2000). Interest spread overall increased by 10 basis points as the interest spread increased by 10 basis points in Belgium and by a 30 basis points in The Netherlands, offset by a 40 basis point decline in the Rest of the World.

Net interest income was affected by the steepening of the yield curve. The yield curve expresses the relationship between long-term interest rates and short-term interest rates. An important part of Fortis' banking income depends upon the difference between short and long-term interest rates since mortgages (on the asset side of the balance sheet) yield interest income which is based on long-term interest rates. On the other hand, Fortis' banks pay interest to customers on deposits and other debt certificates, a large part of which consists of ordinary savings accounts which are easily adaptable to fluctuations in the market. In 2001, the interest rate environment continued to be characterized by repricing in mortgages, as homeowners refinanced fixed rate mortgages at lower interest rates, lower interest income from loans and price competition in savings products. There was continuing competition for customer deposits, resulting in narrower average spreads.

Belgium. The €12,135 million, or 6%, decrease in average interest-earning assets in Belgium was primarily due to decreases in loans to credit institutions. The interest margin was equal to 2000 (1.2%).

The Netherlands. The €9,266 million, or 18%, increase in average interest-earning assets was primarily related to increases in receivables from customers. The interest margin increased by 9 basis points, primarily resulting from the decrease in lower-yielding amounts owed to credit institutions.

Rest of World. The €13,369 million, or 21%, increase in average interest-earning assets was primarily related to an increase in volume of loans. The interest margin was equal to 2000 (1.4%).

2000 Compared to 1999

Net interest income in 2000 decreased €14 million over 1999 levels. This decrease reflects an increase in volume of average interest-earning assets of €26,277 million, or 9%, offset by a decrease in the interest margin of 13 basis points. The increase in interest earning assets was attributable to operations in all geographic areas. Interest margin in Belgium, The Netherlands and the Rest of the World declined by 1 basis point, 16 basis points and 55 basis points, respectively. The decline in interest margin in Belgium was due to lower net interest income and a growth in average interest

earning assets. The decline in interest margin in The Netherlands and Rest of the World was driven by a decrease in interest spread by respectively 88 and 130 basis points, offset in part by higher growth in interest earning assets than in interest bearing liabilities.

Net interest income was affected by the flattening of the yield curve. An important part of Fortis' banking income depends upon the difference between short and long-term interest rates since mortgages (on the asset side of the balance sheet) yield interest income which is based on long-term interest rates. On the other hand, Fortis' banks pay interest to customers on deposits and other debt certificates, a large part of which consists of ordinary savings accounts which are easily adaptable to fluctuations in the market. In 2000, the interest rate environment continued to be characterized by repricing in mortgages, as homeowners refinanced fixed rate mortgages at lower interest rates, lower interest income from loans and price competition in savings products. There was increasing competition for customer deposits, resulting in narrower average spreads.

Belgium. The €11,039 million, or 6%, increase in average interest-earning assets in Belgium was primarily due to growth in volumes in current accounts and loans to the private sector. The interest margin decrease of 15 basis points was due to the flattening of the yield curve and the sale of high yielding bonds from the bank's portfolio.

The Netherlands. The €3,556 million, or 8%, increase in average interest-earning assets was primarily related to increases in loans to credit institutions. The interest margin decreased by 9 basis points, primarily resulting from the increase in lower-yielding loans to credit institutions.

Rest of World. The €11,682 million, or 23%, increase in average interest-earning assets was primarily related to an increase in volume of loans. The interest margin decreased 12 basis points, primarily as a result of a strong decrease in yield from investment securities.

Net Commission Income

The following table shows net commission income for each of the years indicated.

(€ millions)	Year Ended December 31,		
	2001	2000	1999
Belgium	580	876	777
The Netherlands	569	572	505
Luxembourg	271	304	242
Total Benelux	1,420	1,752	1,524
United States	52	6	6
Rest of World	506	406	308
Total net commission income	1,978	2,164	1,838

2001 Compared to 2000

Net commissions consist of fees from securities transactions, fees from the sale of insurance products in bank branches, asset management fees, trust business, guarantees, corporate finance fees and other miscellaneous fees. Net commissions income in 2001 amounted to €1,978 million compared to €2,164 million in 2000, which represented a decline of 9%. Commissions on issuance and secondary placements, which fell 52% to €89 million due to lower stock market activity, as well as a decline in commissions on security transactions of 10%, again due to lower market activity were largely responsible for the decrease. Commissions on asset management remained virtually stable at €654 million. The commissions received on placement of insurance declined 11% due to lower sales of investment linked products. Net commissions represented 24% of net revenues in 2001 compared with 27% in 2000.

2000 Compared to 1999

Net commissions were €2,164 million in 2000, an increase of 18% over €1,838 million in 1999. The increase in 2000 was primarily attributable to a 28% increase in commissions and fees from securities transactions and a 29% increase in commissions associated with asset management activities. This increase in net commissions was mainly attributable to equity offerings completed by Fortis during 2000. Net commission income also increased due to higher volumes of VISA cardholders. Net commissions represented 27% of net revenues in 2000 compared with 25% in 1999.

Result From Financial Transactions

The following table shows the result from financial transactions for each of the years indicated.

(€ millions)	Year Ended December 31,		
	2001	2000	1999
Belgium	606	350	324
The Netherlands	118	373	210
Luxembourg	50	168	120
Total Benelux	774	891	654
United States	7	9	(12)
Rest of World	222	125	62
Total results from financial transactions	1,003	1,025	704

2001 Compared to 2000

Result from financial transactions decreased from €1,025 million to €1,003 million, or 2% in 2001. Income from result from financial transactions remained relatively stable against 2000 principally due to capital gains on the fixed income portfolio. Results from the trading portfolio increased by 9% in 2001 from €530 million in 2000 to €579 million in 2001. The mix in the trading portfolio shifted in 2001 with a significant increase in profit in derivative contracts offsetting declines in exchange rate transactions and trading stock of securities. Total realized capital gains were €424 million in 2001 compared to €495 million in 2000. The resulting decline was due to losses in the venture capital portfolio (€121 million gain in 2000 and a loss of €72 million in 2001) being realized, as write-offs depressed the return on the portfolio in 2001.

2000 Compared to 1999

Result from financial transactions increased 46% in 2000. The increase in 2000 was due to a 78% increase in foreign exchange transactions (€132 million in 1999 and €235 million in 2000), a 185% increase in securities trading (€77 million in 1999 and €220 million in 2000), a 115% increase in return on venture capital investments (€56 million in 1999 and €121 million in 2000) and a 2% decrease in realized capital gains and losses (€380 million in 1999 and €374 million in 2000). Overall capital gains were €495 million in 2000 (up 13%) with lower capital gains in the bond portfolio.

Other Operating Income

2001 Compared to 2000

Other operating income consists of income from lease activities, rental income and a number of miscellaneous items. Other operating income increased to €897 million in 2001 from €677 million in 2000. This 32% increase was largely attributable to high income from leasing activities, which advanced 60% due to some smaller acquisitions.

2000 Compared to 1999

Other operating income remained constant at €677 million in 2000.

Operating Expenses and Value Adjustments on Receivables

The following table shows operating expenses and value adjustments on receivables for each of the years indicated.

(€ millions)	Year Ended December 31,		
	2001	2000	1999
Operating expenses	5,658	5,328	4,900
Value adjustments on receivables ⁽¹⁾	626	619	547
Total operating expenses and value adjustments	6,284	5,947	5,447

(1) Specific provisions for loan losses and country risk, which are related to specific banking assets, and a fund for general banking risks, which is net of taxes and covers general risks associated with lending and other banking activities, which may include risk of loan loss. The addition to the Fund for General Banking Risk was €170 million, €155 million and €141 million in 2001, 2000 and 1999, respectively. See "Selected Statistical Information—Risk Elements".

2001 Compared to 2000

Operating expenses include staff costs, other general administrative expenses and depreciation. Operating expenses increased 6% compared to 2000, mainly driven by staff costs, which increased by 5% to €2,995 million in 2001 compared to €2,857 million in 2000 attributable largely to wage inflation. The number of full time equivalent (FTE) fell by 2% to 42,109. The growth in depreciation by €142 million was due to an increase in leasing business, for the greater part from Fortis lease France (€117 million) and the acquisition of the leasing portfolio of Lombard.

The value adjustments on receivables in 2001 remained stable at €626 million compared to €619 million in 2000. The harmonization of the credit provisioning policy at Fortis Bank tempered the level of provisions, however, this effect was offset by increasing losses on the Fortis credit portfolio as a result of deterioration of general economic circumstances. In accordance with its policy, Fortis added €170 million to the Fund for General Banking Risks ("FGBR") in 2001. At the end of 2001 the FGBR was equal to 1.45% of Risk Weighted Assets. Fortis does not intend to make further additions to the FGBR.

The cost income ratio increased from 66.4% in 2000 to 68.3% in 2001 due to operating expenses exceeding the growth in revenues.

2000 Compared to 1999

Total operating expenses increased 9% in 2000 compared to 1999. This increase was principally due to increases in general and administrative expenses at Fortis Bank Nederland a decrease of depreciation and increase in costs of assets held for lease due to growth in leasing activities. The largest component of administrative expenses is staff costs, which increased by 11% to €2,857 million in 2000 compared to €2,575 million in 1999 was principally due to an increase in the number of employees in The Netherlands and increases in salaries (collective labor agreement and annual raises).

Also included in operating expenses is other operating charges, which includes exceptional charges. Other operating charges were €295 million in each of 2000 and 1999. The 2000 charges principally related to the cost of assets held for lease. The 1999 other operating charges primarily consisted of €162 million for costs of assets held for lease and value adjustments on buildings of €49 million.

Value adjustments on receivables increased 13% in 2000 to €619 million from €547 million in 1999. Provisions were deducted from the value of loans on the balance sheet rather than included as part of the fund for general banking risks.

Operating Result Before Taxation

The following table shows result before taxation for each of the three years indicated by geographic region.

(€ millions)	Year Ended December 31,		
	2001	2000	1999
Belgium	798	766	916
The Netherlands	273	580	494
Luxembourg	441	349	350
Total Benelux	1,512	1,695	1,760
United States	88	23	13
Rest of World	398	357	169
Total operating result before taxation	1,998	2,075	1,942

2001 Compared to 2000

Operating result before taxation decreased by €77 million, or 4% from €2,075 in 2000, to €1,998 million in 2001, due to a 53% decrease in The Netherlands, offset by an increase in Belgium, Luxembourg, United States and the Rest of the World.

Belgium. Operating result before taxation increased 4% in 2001 compared to 2000 mainly due to the increase in gains on the fixed income portfolio.

Netherlands. Operating result before taxation in The Netherlands decreased by 53% in 2001 compared to 2000. This strong decline can be explained by high income from venture capital in 2000, whereas in 2001 write-offs depressed the return on the venture capital portfolio. Moreover, provisions on the credit portfolio increased substantially in 2001.

Luxembourg. Operating result before taxation in Luxembourg increased due to the harmonization of the provisioning policy for credit risks and country risks at Banque Générale de Luxembourg (BGL) in line with the Fortis Bank policy.

2000 Compared to 1999

Operating result before taxation increased by €133 million or 7% from €1,942 million in 1999, to €2,075 million in 2000, due to a 17% increase in The Netherlands, a 16% decrease in Belgium and a 111% increase in the Rest of World.

Belgium. Operating result before taxation in Belgium decreased by 16% principally due to lower interest income.

Netherlands. Operating result before taxation in The Netherlands increased by 17% in 2000 compared to 1999. The increase was primarily due to realized gains on venture capital investments.

Luxembourg. Operating result before taxation in Luxembourg was flat at €350 million in 2000 and 1999.

Taxation

2001 Compared to 2000

The overall effective tax rate for Fortis' banking operations in 2001 was 34.7% compared to 30.9% in 2000. The difference was largely attributable to the record-high profit from venture capital in 2000, which was tax exempt, while the losses in the portfolio suffered in 2001 were non-deductible.

2000 Compared to 1999

The overall effective tax rate in 2000 for Fortis' banking operations was 30.9%, compared to a 31.5% rate in 1999. The effective tax rate for 2000 decreased due to higher levels of tax exempt income, the most important ones being the realized gains and income on venture capital.

Minority Interests

2001 Compared to 2000

Minority interests decreased by €55 million in 2001 principally due to the buy out of the minority shareholders of BGL in the second quarter of 2000.

2000 Compared to 1999

Minority interests decreased by €23 million, or 16% in 2000 principally due to the buy out of the minority shareholders of BGL in the second quarter of 2000.

Net Operating Profit

2001 Compared to 2000

Net operating profit decreased by 6% to €1,238 million in 2001 compared to €1,312 million in 2000. The decrease in minority interest due to the BGL acquisition in the course of 2000 could not fully offset the decrease in operating result before tax and higher taxation in 2001 compared to 2000.

2000 Compared to 1999

Net operating profit increased by 11% to €1,312 million in 2000 compared to €1,185 million in 1999. The increase is largely due to the increase in operating result before taxation in 2000 compared to 1999.

Net Profit

2001 Compared to 2000

Net profit for Fortis' banking operations in 2001 decreased by €302 million, or 20% compared to 2000, to €1,204 million. Exchange rate movements had no material impact on net profit.

2000 Compared to 1999

Net profit for Fortis' banking operations increased by €321 million, or 27%, compared to 1999. Exchange rate movements had no material impact on net profit.

Banking Balance Sheet

The table below shows information regarding Fortis' banking balance sheet at the dates indicated.

(€ millions)	At December 31,		
	2001	2000	1999
Loans and advances to credit institutions ⁽¹⁾	62,460	61,159	80,394
Loans and advances to customers ⁽²⁾	164,090	149,840	132,351
Investments	96,867	84,099	85,427
Total assets	377,994	337,072	329,119
Amounts owed to credit institutions	98,274	94,302	117,348
Amounts owed to customers	181,325	148,368	135,479

(1) Net of allowance for credit losses of €175 million for 2001 (2000: €102 million; 1999: €125 million).

(2) Net of allowance for credit losses of €3,527 million for 2001 (2000: €3,274 million; 1999: €2,542 million).

Loans and advances to credit institutions. Loans and advances to credit institutions increased to €62,460 million in 2001 from €61,159 million in 2000 after the sharp decline from €80,394 million in 1998. The 2% increase in 2001 is composed of a slight decrease in reverse repo's and an increase in interbank loans. Loans and advances to credit institutions, primarily short-term loans to other banks, decreased by 24% in 2000 compared to 1999. The decrease in 2000 was due to a planned reduction in the repo/reverse repo business.

Loans and advances to customers. Loans and advances to customers, primarily corporate loans and residential mortgages, increased from €149,840 million in 2000 to €164,090 million in 2001. Other receivables were higher as a result of an increase in professional securities transactions and factoring advances. Loans and advances to customers, primarily corporate loans and residential mortgages, increased by 13% in 2000 compared to 1999 due to growth in mortgage lending.

Investments. Investments rose by €12,768 billion, entirely driven by the creation of the "BOT book" (bonds against IRS), which resulted in a significant growth of Government securities. The banking investment portfolio decreased by 2% in 2000 to €84,099 million from €85,427 million in 1999. The decrease was principally due to a decrease in treasury bills.

Total assets. Total assets grew 12% in 2001 compared to 2000 primarily due to higher lending to customers and increased investments. Total assets grew by 2% in 2000 compared to 1999 due to higher lending to customers.

Amounts owed to credit institutions. The increase in amounts owed to credit institutions compared to 2000 is €3,972 million. These movements were mainly driven by an increase in repo business and a decrease in amounts repayable on demand. Throughout the year amounts owed to credit institutions exceeded loans and advances to credit institutions by more than €30,000 million. Fortis Bank remains an important net borrower in the banking sector. The surpluses were mainly used to finance investments and trading securities. Funding from other banks decreased by 20% to €94,302 million in 2000 from €117,348 million in 1999 due to the reduction in repo and reverse repo business.

Amounts owed to customers. The amounts owed to customers grew by €32,957 million, or 22%, of which €19 billion was registered during the fourth quarter of 2001. The weakening economy, disappointing stock exchange markets and the September 11 attacks induced customers to reinforce their savings. Deposits grew by 9% and increases were also recorded on professional securities transactions and on suspense accounts. Amounts owed to customers increased by 10% to €148,368 million in 2000 from €135,479 million in 1999 mainly due to an increase in securities sold under repurchase agreements, increased demand deposits and increased time deposits.

Assets Under Management

Assets under management increased by 1% from €313,846 in 2000 to €316,106 in 2001. The decrease in Fortis' total funds under management of 8% was largely due to lower share prices and the impact of the sale of FFG (assets of €3.4 billion). This decrease was compensated for by increases in the investment portfolio of the bank due to purchases of bonds.

The following table shows assets under management for Fortis at December 31, 2001, 2000 and 1999.

(€ millions)	At December 31,		
	2001	2000	1999
Investments:			
Insurance ⁽¹⁾	50,488	49,650	41,618
Banking ⁽²⁾	96,867	84,099	85,427
Total investments ⁽³⁾	147,676	134,203	127,382
Investments on behalf of policyholders	23,567	22,013	16,210
Private clients	60,221	66,817	58,651
Institutional clients	33,728	34,437	26,167
Funds	50,914	56,376	49,797
Total funds under management ⁽⁴⁾	144,863	157,630	134,615
Total assets under management ⁽³⁾	316,106	313,846	278,207

(1) Assets held in the investment portfolios of the various Fortis insurance operations. See "— Insurance Investments" for a description of the insurance business's investments.

(2) Investments held in the investment portfolios of the various Fortis banking operations. See Note 3.1 to the combined financial statements.

(3) Includes intercompany accounts and balance sheet items which cannot be attributed either to insurance or to banking. This explains the discrepancy between "total investments" and the sum of "insurance" and "banking".

(4) Funds under management represent investments managed for unrelated third parties. Fortis IM primarily manages funds for third parties.

Liquidity and Capital Resources

Combined Cash Flows

Fortis' total cash flows are comprised of the net cash flow from operating activities, the net cash flow from investment activities and the net cash flow from financing activities.

The principal sources of funds for Fortis' operating activities are insurance premiums, income from investments of the insurance operations and interest income and other income received from the banking operations. Fortis also supplements its funding requirements with borrowings from financial institutions, which consist of both short-term liabilities and long-term debt obligations. Fortis' major uses of funds are for payments in connection with life policy benefits, payments of non-life claims, interest expenses, personnel expenses and other expenses, as well as investments in information technology. The net cash flow of Fortis' operating activities also includes the sales and purchases of its trading portfolio, the net balance of loan advances and repayments and the change in deposits and other short-term borrowings of the banking operations.

During the course of 1999 Fortis formulated internal solvency targets which include a minimum and maximum level. The minimum level equals the sum of 6% of the risk-weighted assets of the banking operations plus 1.75 times the statutory minimum requirements for the insurance operations. The maximum level equals the sum of 7% of the risk-weighted assets of the banking operations plus 2.5 times the statutory minimum requirements for the insurance sector. For a discussion of capital requirements and solvency margins of the insurance and banking operations, see "—Insurance Cash Flows—Solvency Margins and Capital Requirements" and "—Bank Cash Flows—Capital Adequacy".

The table below sets forth Fortis' solvency position at December 31 for the years indicated:

(€ millions)	At December 31,					
	2001		2000		1999	
Group equity ⁽¹⁾	15,977		17,356		15,991	
Fund for general banking risks	2,217		2,043		1,861	
Tier 1 loan ⁽¹⁾	1,000					
Net core capital	19,194		19,399		17,853	
	<i>Floor</i>	<i>Cap</i>	<i>Floor</i>	<i>Cap</i>	<i>Floor</i>	<i>Cap</i>
Solvency requirement	16,557	21,254	16,063	20,447	13,679	17,254
Surplus (deficit)	2,637	(2,060)	3,336	(1,048)	4,174	599
Core capital as multiple of Floor/Cap	1.16	0.90	1.21	0.95	1.31	1.03

(1) Included as part of group equity and Tier 1 loan respectively, are two hybrid instruments that could possibly require, under exceptional circumstances, the exchange of such hybrids against Fortis Shares (Fortis Capital Company (1999) and Fortis Bank Tier 1, (2001), for a total amount of €1,450 million. See Note 7 to Notes to Fortis' consolidated financial statements.

The table below sets forth Fortis' solvency position at December 31, 2001 as adjusted to give effect to the offering of the FRESH Capital Securities offered hereby.

(€ millions)	At December 31, 2001	
	As adjusted	
Net core capital	19,194	
Offering	1,250	
Adjusted net core capital	20,444	
	<i>Floor</i>	<i>Cap</i>
Solvency requirement	16,557	21,254
Adjusted surplus (deficit)	3,887	(810)
Adjusted capital as multiple of Floor/Cap	1.24	0.96

Insurance Cash Flows

The principal sources of funds for Fortis' insurance companies are premiums, net investment income and proceeds from sales or maturity of investments, while the major uses of these funds are to acquire investments for policyholders, to provide life policy benefits, to pay surrenders and profit sharing for life policyholders, to pay non-life claims and related claims expenses, and to pay other operating costs. Fortis' insurance companies generate a substantial cash flow from operations because most premiums are received in advance of the time when claim payments or policy benefits are required. These positive operating cash flows, along with that portion of the investment portfolio that is held in cash and highly liquid securities, have historically met the liquidity requirements of Fortis' insurance companies, as evidenced by the overall growth in the insurance investment portfolio.

In the insurance industry, liquidity generally refers to the ability of an enterprise to generate adequate amounts of cash from its normal operations, including its investment portfolio, to meet its financial commitments which are principally obligations under its insurance contracts. The liquidity needs of Fortis' life operations are generally affected by trends in actual mortality experience relative to the assumptions with respect to such trends included in the pricing of its life insurance policies, by the extent to which minimum returns or crediting rates are provided in connection with its life insurance products, as well as by the level of surrenders and withdrawals. The liquidity of Fortis' non-life operations is affected by the frequency and severity of losses under its policies, as well as by the persistency of its products. Future catastrophic events, the timing and effect of which are inherently unpredictable, may also create increased liquidity requirements for Fortis' non-life operations.

Premiums (gross) and income from investments from the insurance operations (including realized capital gains) totaled €21,614 million and €2,595 million respectively in 2001 (2000: €19,426 million

and €4,226 million; 1999: €14,534 million and €6,230 million). Uses of funds by the insurance operations include reinsurance premiums, benefits, surrenders, claims (including claims handling expenses) and profit sharing by life policyholders and employee and other operating expenses, as well as interest expense on outstanding borrowings. Such uses of funds for the insurance operations totaled €13,440 million, €4,962 million and €688 million respectively in 2001 (2000: €13,463 million, €4,464 million and €314 million; 1999: €13,797 million, €3,488 million and €201 million).

Fortis' insurance companies' liquidity requirements are met on both a short-term and long-term basis by funds provided by insurance premiums collected, investment income and collected reinsurance receivables, and from the sale and maturity of investments. Fortis' insurance companies also have short-term credit lines to cover temporary liquidity needs.

Solvency Margins and Capital Requirements

The insurance operations of Fortis are subject to detailed, comprehensive regulation in all the jurisdictions in which Fortis does business. In addition, EC directives have had and will continue to have a significant impact on the regulation of the insurance industry in the EU as such directives are implemented through legislation adopted within each member state, including Belgium and The Netherlands.

Insurance companies in Belgium and The Netherlands are supervised by the Belgian *Office de Contrôle des Assurances/Controledienst Voor de Verzekeringen*, the Belgian insurance regulator, and the Dutch Insurance Supervisory Board *de Pensioen- en Verzekeringskamer*, the Dutch insurance regulator, respectively. Belgium and The Netherlands have adopted the EC Directives of 1973 and 1979 setting forth certain solvency requirements for non-life and life insurance companies, respectively. Such solvency requirements apply to all of Fortis' insurance subsidiaries in the EU. As a group of companies in The Netherlands may be engaged in both insurance and banking, the Dutch Central Bank and the Dutch insurance regulator, in consultation with the Ministry of Finance, have entered into a protocol for the purpose of jointly regulating groups with interests in both banks and insurance companies. See "Supervision and Regulation". Since Fortis is also subject to regulation in Belgium, Fortis' principal regulators have agreed that the Belgian Commission for Banking and Finance will be primarily responsible for coordinating the overall regulation of Fortis.

Each of Fortis' Belgian, Dutch and other European insurance subsidiaries is in compliance with the applicable solvency requirements. At December 31, 2001 the aggregate solvency margin of Fortis' insurance subsidiaries was €6,975 million (2000: €8,422 million; 1999: €7,338 million). The minimum solvency margin was €4,225 million at December 31, 2001 (2000: €3,724 million; 1999: €2,827 million).

In the United States, since 1993, insurers, including the companies comprising Fortis' U.S. operations, have been subject to risk based capital ("RBC") guidelines. See "Supervision and Regulation—Insurance—Regulation of Fortis' Insurance Activities in the United States".

Bank Cash Flows

The principal sources of funds for Fortis' banking operations are growth of the deposit base, interbank loans, private loans, repayments of existing loans, disposals and redemptions of investments, sales of trading portfolio securities, interest income and commission income. Although Fortis' traditional deposit base is still Fortis' single largest source of liquidity, interbank funding accounted for 20% of Fortis' total liabilities and equity at December 31, 2001 (2000: 22%; 1999: 29%). Interbank lending decreased to 13% at December 31, 2001 of Fortis' total assets (2000: 14%; 1999: 20%).

The major uses of funds in Fortis' banking operations are advances of loans and other credits, interbank lending, investments, purchases of trading portfolio securities, interest expense and administrative expenses. At December 31, 2001, Fortis' banking operations had €4,555 million of cash (2000: €5,342 million; 1999: €3,207 million).

Capital Adequacy

Capital adequacy and the use of capital are monitored by Fortis and its banking companies, employing techniques based on the guidelines developed by the Basle Committee on Banking Regulations and Supervisory Practices (the "Basle Committee") and implemented by the European Central Bank for supervisory purposes.

The Belgian and Dutch Central Banks, in common with other bank supervisors, regards the risk assets ratio developed by the Basle Committee as a key supervisory tool and set individual ratio requirements for banks in Belgium and The Netherlands, respectively. This ratio was designed to meet the dual objectives of strengthening the soundness and stability of the international banking system and of creating a fair and consistent supervisory framework for international banks by means of an international convergence of capital measurement and capital standards. The technique involves the application of risk-weightings to assets (which for this purpose includes both balance sheet assets and off-balance sheet items) to reflect the credit and other risks associated with broad categories of transactions and counterparties.

The Basle Committee guidelines set a minimum total risk asset ratio for all international banks of 8%. Bank capital adequacy requirements have also been established to comply with EU directives. These directives, as implemented in Belgium and The Netherlands, set forth capital standards similar to those of the Basle Committee guidelines.

In addition, the EC Capital Adequacy Directive became effective January 1, 1996. This directive establishes minimum capital requirements for banks and investment firms for market risks. The Capital Adequacy Directive is based on a proposal by the Basle Committee. Its significant aspects relate to:

- (1) permitting shorter-term subordinated debt to qualify as capital (Tier 3 capital)
- (2) capital requirements with respect to the following risks:
 - the market risk of underwriting and trading-book positions in financial instruments and the foreign exchange risk of all business activities;
 - the delivery risk for all securities transactions on the trading book and the non-trading book;
 - the concentration risk of trading-book positions that exceed the large-exposure limit; and
 - the counterparty risk of securities lending and repurchase and reverse repurchase transactions on the trading book and the non-trading book.

The risk asset approach to capital adequacy emphasizes the importance of Tier 1 (core) capital, comprising shareholder's equity, published reserves (minus revaluation reserves), the fund for general banking risks and minority interests, minus intangible assets. Secondary or Tier 2 capital consists of revaluation reserves, long-term subordinated loans with a minimum/original maturity of at least five years and cumulative preference shares.

The concept of risk-weighting assumes that banking activities generally involve some risk of loss. For risk-weighting purposes, commercial lendings are taken as a bench-mark to which a risk-weighting of 100% is ascribed. Other transactions which are considered to present lower levels of risk than commercial lending, may qualify for reduced weightings. Off-balance sheet items are generally converted to credit risk equivalents by applying credit conversion factors laid down by the Basle Committee. The resultant amounts are then risk-weighted according to the nature of the counterparty. As a result, credit substitutes, such as standby letters of credit and acceptances, are allocated the same risk-weightings as similar on-balance sheet lending, while transaction-related off-balance sheet items such as performance bonds, are allocated a lower weighting in recognition of the smaller likelihood of loss from these instruments.

In the case of interest and exchange rate related contracts, the risks involved relate to the potential loss of cash flows rather than notional principal amounts. These risks are represented by the replacement cost (as defined by the Belgian Central Bank since the Belgian Commission for Banking and Finance Commission is Fortis' primary regulator) of the contracts plus an add-on to reflect potential future volatility in replacement cost arising from movements in market rates.

Fortis uses Tier 1 and total capital ratios to monitor its solvency. Fortis strives to maintain a minimum Tier 1 capital ratio of 6% in its banking operations, well above the current regulatory minimum of 4%. The following table sets forth the risk-weighted capital ratios of Fortis' banking operations at the dates indicated, in each case calculated under the implementation of the relevant EC directives.

	At December 31,		
	2001	2000	1999
Tier 1 ratio	8.5%	7.3%	7.6%
Total capital ratio ⁽¹⁾	13.5%	11.8%	12.2%

(1) Includes Tier 1 and Tier 2 capital.

Fund for General Banking Risks

In the banking sector Fortis makes value adjustments on receivables, which are reductions from income for possible loan losses and are similar to provisions. Fortis, consistent with market practice and regulatory requirements, makes two types of value adjustments on receivables:

- Specific provisions for loan losses and country risk, which are related to specific banking assets. The additions to these provisions are included under value adjustments as a part of the income statement; the provisions reduce the value of the assets. These provisions are based on statistical calculations and closely relate to risk profiles of underlying loan and investment portfolios.
- A fund for general banking risks, which is net of taxes and covers general risks associated with lending and other banking activities, which may include risk of loan loss. Additions to the fund for general banking risks are included under value adjustments and are included in the income statement.

The level of the fund for general banking risks is based on management's evaluation of the risks involved in its banking operations and supervisory requirements. The amount of the fund is established in part based on the level of risk weighted assets included in Fortis' banking balance sheet. The fund was €2,217 million at December 31, 2001 (2000: €2,043 million; 1999: €1,861 million).

As of 2002 Fortis will no longer make additions to the Fund for General Banking Risks.

Liquidity and Capital Resources of Fortis N.V.

As of December 2001 Fortis N.V. is a holding company whose principal assets currently are its investments in Fortis companies. These investments are its sole assets other than certain "permitted" assets it may hold from time to time. The liquidity and capital resource considerations for Fortis N.V., and the insurance and banking operations of Fortis vary in light of the business conducted by each, as well as the insurance and bank regulatory requirements applicable to Fortis companies in Belgium, The Netherlands and the other countries in which Fortis does business.

As a holding company, Fortis N.V.'s principal sources of funds are funds that may be raised from time to time from the issuance of debt or equity securities and bank or other borrowings, as well as cash dividends received from Fortis companies.

At December 31, 2001 Fortis N.V. held receivables of €1,291 million to Fortis companies under intercompany lending arrangements. At December 31, 2001 Fortis N.V. had €0.3 million of available

cash. Certain Fortis companies are subject to restrictions on the amount of funds they may transfer at any given time in the form of cash dividends or otherwise to Fortis N.V.

In addition to the restrictions in respect of minimum capital and solvency requirements that are imposed by insurance, banking and other regulators in the countries in which Fortis' subsidiaries operate, other limitations exist in certain countries. For example, the operations of Fortis' insurance subsidiaries located in the United States are subject to limitations on the payment of dividends to their parent company under applicable state insurance laws. Dividends paid in excess of these limitations generally require prior approval of the insurance commissioner of the state of domicile.

Liquidity and Capital Resources of Fortis SA/NV

As of December 2001 Fortis SA/NV is a holding company whose principal assets currently are its investments in Fortis companies. These investments will be its sole assets other than certain "permitted" assets it may hold from time to time. The liquidity and capital resource considerations for Fortis SA/NV, and the insurance and banking operations of Fortis vary in light of the business conducted by each, as well as the insurance and bank regulatory requirements applicable to Fortis companies in Belgium, The Netherlands and the other countries in which Fortis does business.

As a holding company, Fortis SA/NV's principal sources of funds are funds that may be raised from time to time from the issuance of debt or equity securities and bank or other borrowings, as well as cash dividends received from Fortis companies. At December 31, 2001 Fortis SA/NV had €5.9 million of available cash and short-term investments, which are considered cash equivalents. Certain Fortis companies are subject to regulatory and other restrictions on the amount of funds they may transfer at any given time in the form of cash dividends or otherwise to Fortis SA/NV.

In addition to the restrictions in respect of minimum capital and solvency requirements that are imposed by insurance, banking and other regulators in the countries in which Fortis' subsidiaries operate, other limitations exist in certain countries. For example, the operations of Fortis' insurance company subsidiaries located in the United States are subject to limitations on the payment of dividends to their parent company under applicable state insurance laws. Dividends paid in excess of these limitations generally require prior approval of the insurance commissioner of the state of domicile.

Financing Programs and Available Credit Lines

Through its financing vehicle, Fortis Finance, Fortis utilizes the financial markets to raise financing, including the U.S. and European commercial paper markets and the Euro Medium Term Note market. At December 31, 2001, Fortis Finance had US\$45.5 million outstanding under a US\$1 billion commercial paper program, €3.2 billion outstanding under a €8 billion commercial paper program, and €3.9 billion outstanding under a €10 billion Euro Medium Term Note program.

In addition, Fortis Finance has organized standby credit lines in aggregate for €2 billion, and a US\$125 million swing line. These lines are available to Fortis N.V., Fortis SA/NV as well as other members of the Fortis Group. At April 25, 2002 there were no amounts outstanding under these credit lines.

Fortis' banking operations organize their own financing programs and credit lines.

Dividends

Following the introduction of the 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 dividends 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.

Embedded Value

As part of its 2001 results, Fortis published for the first time the Embedded Value of its life insurance business. Embedded Value of life insurance operations provides additional information on the value of the in-force contracts and the value of new business. Embedded Value is an estimate of the economic value of a life company, excluding any value attributed to future new business. The changes in a company's embedded value from year to year, provide a measure of the profitability of the company's life insurance business.

Embedded Value comprises the sum of the Free Surplus (as defined below) and the present Value of In-Force (as defined below) life insurance contracts. The computation takes into account several factors such as costs, inflation, lapse and mortality rates and investment income. Fortis has applied year-end 2001 best estimates for this purpose. The assumptions used in calculating Embedded Value as well as certain sensitivities associated with such assumptions are set forth below.

Embedded Value, excluding FFG, amounted to €10.4 billion at December 31, 2000. The poor stock market performance in 2001 depressed value creation, but an accrual of €215 million was still achieved. Considering the intended dividend payment to Fortis by the life operating companies, Embedded Value was €10.3 billion at year-end 2001.

Change in Embedded Value

The table below shows the evolution of Embedded Value from December 31, 2000 to December 31, 2001.

(€ million)	Change in Embedded Value
Embedded Value at December 31, 2000 including FFG	11,034
Divestiture of FFG	(600)
Embedded Value at December 31, 2000 excluding FFG	10,434
Accrual during the year	215
Accrued value at December 31, 2001	10,648
Intended dividend payment to Parent Companies	(357)
Embedded Value at December 31, 2001	10,291

FFG was divested by Fortis, Inc during 2001 and has been excluded from the Embedded Value calculation (€600 million), as has the run-off of the corresponding modified co-insurance, resulting in Embedded Value at December 31, 2000, excluding FFG, equal to €10,434 million. During 2001 the poor stock market performance depressed the after-tax investment return (negative €223 million) on the assets corresponding to the Free Surplus. Going forward in 2001, the Value of the In-force (the present value at the discount rate of future after-tax profits and releases of Required Capital) increases by €764 million due to the unwinding of the discount rate. As part of the calculation Fortis also projected balance sheets and profit and loss accounts into the future for the lifetime of the existing portfolios using assumptions which include, among others, profit sharing, lapse rates, mortality rates and expense levels. Updating these assumptions based on experience during the year 2001 resulted in €205 million additional value. During 2001, however, the variance between the actual total return on equity shares and the assumed 9% total return was significant, resulting in a negative value impact of €1,028 million. See "—Assumptions and Sensitivities". The variance in experience of the other assumptions during 2001 and exceptional items resulted in a positive value impact of €285 million. The Value Added by New Business was €211 million. As a result of the foregoing, a total of €10,648 million was accrued at the end of 2001. This reflected a positive accrual of €215 million compared to the Embedded Value, excluding FFG, at the beginning of the year and prior to giving effect to the intended dividend payment to Fortis in the amount of €357 million.

The volume of new life business is measured by annualized premium equivalent (APE). APE is the sum of annualized regular premiums plus 10% of single premiums of new business. The table below gives a breakdown of the various life insurance operations' Embedded Value, APE, value added by new business (VANB) including cost of capital and the present value of future profits of new business (PVFP) excluding cost of capital at December 31, 2001.

(€ million)	At December 31, 2001			
	Embedded Value	APE	VANB	PVFP
Insurance The Netherlands	4,403	241	22	37
Insurance Belgium	2,594	136	24	45
FB Insurance	2,049	269	98	125
Insurance United States	807	178	42	54
Insurance International	438	324	25	42
Total ⁽¹⁾	10,291	1,147	211	304

(1) After giving effect to the intended dividend payment to the Parent Companies in the amount of €357 million.

Scope

The scope of Embedded Value encompasses Fortis' life insurance operations as they were in 2001. It does not include any holding or sub-holding activities or non-life insurance. Fortis' life business consists of:

- Insurance The Netherlands (ASR)
- Insurance Belgium (Fortis AG)
- FB Insurance, Fortis' Belgian bancassurance operation in Network Banking
- Insurance International
 - VidaCaixa and Seguros Bilbao in Spain
 - Fortis Assurances in France (sold at the beginning of 2002)
 - Fortis Luxembourg and Generalife in Luxembourg
- Insurance United States
- Preneed—Fortis Family Life and AMLIC
- Non-medical—Fortis Benefits
- Life operations of Assurant Group

Important Terms

The life insurance equity as it appears on the balance sheet is split in two parts:

- Free Surplus
- Required Capital
 - Required Capital is the equity that is required to support the business.
 - Any remaining equity in excess of Required Capital is called Free Surplus. It can be distributed as a dividend to shareholders without impairing the business.

Required Capital means the capital required to support the business. Fortis calculates its Required Capital so that it exceeds minimum required levels and protects the business from insolvency. At December 31, 2001, Required Capital was 1.9 times the legal minimum for the European operating companies and 2.25 times the U.S. legal minimum in the United States. See "Supervision and Regulation—Insurance—Solvency".

Value of the In-force consists of three parts:

- *Present Value Future Profits (PVFP)*. The balance sheet and profit and loss accounts are projected into the future for the lifetime of the current portfolio. Future premium income from existing policies is taken into account; future new business is not. These projections allow year-by-year the after-tax profits generated by the portfolio to be identified. PVFP is the present value at the discount rate of these determined annual after-tax profits.
- *Required Capital*. Allocating the Required Capital adds value equal to the face amount of the Required Capital on the balance sheet.
- *Cost of Required Capital*. The Required Capital allocated to the business is only released over time. The present value at the discount rate of the year-by-year projected releases of Required Capital and corresponding after-tax investment returns is lower than the face amount of the Required Capital at the start. The difference is the Cost of Required Capital.

The Value of the In-force thus equals PVFP plus Required Capital minus Cost of Required Capital.

Value Added by New Business has two components:

- *New Business PVFP*. Also for new business the projections generate year-by-year after-tax profits. New Business PVFP is the present value at the discount rate of these amounts.

- *Cost of Required Capital.* The Cost of Required Capital is the difference between the capital required by the new business and the present value of future releases including the after-tax investment returns on the corresponding assets.

Value Added by New Business equals New Business PVFP minus the Cost of Required Capital.

Assumptions and Sensitivities

The assumptions used to determine Embedded Value are based on the current and expected future operating experience of Fortis' life companies and may differ from those used to calculate the technical reserves in Fortis' consolidated financial statements.

The calculation of the Value of the In-Force business necessarily makes numerous assumptions, some of which are set forth below, with respect to industry performance, general business and economic conditions, investment return, taxes and other matters, many of which are beyond Fortis' control. Although the assumptions used represent estimates which Fortis believes are reasonable, actual future experience may vary from that assumed in the calculation of Embedded Value, and such variation may be material. Consequently, the inclusion of Embedded Value herein should not be regarded as a representation by Fortis or the Managers or any other person that the stream of future after-tax profits discounted to produce these values will be achieved.

Assumptions:

- **Capital markets and discount rate:**

Current fixed interest assets are modeled according to actual returns. Projected *new money* invested in government bonds and treasury securities is assumed to generate a 5.0% yield. For new money invested in other fixed interest instruments (e.g. mortgages) the current spread between those assets and government bonds/treasuries applies. For *Real estate and Equity shares* it is assumed that the total real estate portfolio generates an annual total return of 7.5% and the total equity share portfolio an annual total return of 9.0%. The *discount rate* used is 9.0%. It is applied to projected after-tax results and releases of required capital.

The assumptions result in a 4% spread of the discount rate over the new money fixed income rate and a zero spread of the discount rate over the assumed equity share return.

- **Expenses, Mortality and Lapses:**

Modeled expenses start at the current level. Future commission payments follow the schemes agreed with the parties entitled to the payments. All other expenses are modeled with a 2.0% annual inflation. No account is taken of the effect of future *expense reduction programs, productivity gains or integration synergies*. Each life operation sets *mortality and lapse rates* at best-estimate levels, based on its knowledge of the local markets. Each operating company defines the applied rates per product/market combination.

- **Asset mix:**

The asset mix has remained unchanged in the projections.

Sensitivities:

Fortis applied the following sensitivities to the above assumptions:

- If the discount rate decreases by 0.50% (i.e., 9.0% becomes 8.5%) the positive impact will be 3.3% on Embedded Value, 6.3% on New Business PVFP and 12.2% on Value Added by New Business. An 0.50% increase of the discount rate impacts Embedded Value by -3.3%, New Business PVFP by -6.0% and Value Added by New Business by -11.5%.
- A simultaneous decrease in the discount rate and in the investment returns by 0.50% with a corresponding adjustment of the level of profit sharing has a negative impact on

Embedded Value of 2.2%, but a positive impact on New Business PVFP of 0.1% and also a positive impact on Value Added by New Business of 1.5%.

- Increasing both the discount rate and the investment returns by 0.50% and adjusting profit sharing accordingly positively impacts Embedded Value by 1.3%, New Business PVFP by 0.1% and Value Added by New Business by a negative 1.7%.
- A 10% decrease in expenses, excluding commission payments, would have a positive effect of 1.3% on Embedded Value, 7.8% on New Business PVFP and 10.9% on Value Added by New Business.

A reduction from 1.9 to 1.5 times legal minimum in required capital for European companies would increase Embedded Value by 3.4% while New Business PVFP would remain unchanged and Value Added by New Business would increase by 3.7%.

Selected Statistical Information

The tables below set forth historical selected statistical information regarding Fortis' banking operations. Unless otherwise indicated, average balances, when used, are calculated from quarterly data and geographic data are based on the domicile of the customer. See "Operating and Financial Review and Prospects—Banking—Net Interest Income" for analysis of fluctuations between periods.

The tables below do not include interest related to non-accrual loans, the portion of interest which is not recognized on partially non-accruing loans or lending commission income. Net interest income is not calculated on a tax-equivalent basis.

Average Balance Sheets and Interest Rates

The following tables show Fortis' average balances and interest rates for each of the past three years.

(€ millions, except percentages)	Year Ended December, 31								
	2001			2000			1999		
	Average Balance	Interest	Average Rate (%)	Average Balance	Interest	Average Rate (%)	Average Balance	Interest	Average Rate (%)
Assets:									
Investments securities									
Belgium	58,093	3,377	5.8%	53,918	3,473	6.4%	55,401	2,966	5.4%
The Netherlands	6,978	352	5.0%	7,634	395	5.2%	7,679	334	4.3%
Rest of World	19,606	1,688	8.6%	18,631	1,506	8.1%	16,718	1,364	8.2%
Total	84,677	5,417	6.4%	80,183	5,374	6.7%	79,798	4,664	5.8%
Receivables from credit institutions									
Belgium	39,360	1,880	4.8%	56,719	2,476	4.4%	44,728	1,755	3.9%
The Netherlands	4,865	260	5.3%	4,710	173	3.7%	6,358	252	4.0%
Rest of World	25,723	885	3.4%	20,869	786	3.8%	20,149	719	3.6%
Total	69,948	3,025	4.3%	82,298	3,435	4.2%	71,235	2,726	3.8%
Receivables from customers									
Belgium	81,409	3,784	4.6%	80,359	4,316	5.4%	79,829	3,527	4.4%
The Netherlands	47,909	3,294	6.9%	38,142	2,746	7.2%	32,893	2,078	6.3%
Rest of World	30,303	2,194	7.2%	22,763	1,654	7.3%	13,714	1,199	8.7%
Total	159,621	9,272	5.8%	141,264	8,716	6.2%	126,436	6,804	5.4%
Total interest-earning assets									
Belgium	178,862	9,042	5.1%	190,997	10,265	5.4%	179,958	8,248	4.6%
The Netherlands	59,752	3,906	6.5%	50,486	3,314	6.6%	46,930	2,664	5.7%
Rest of World	75,632	4,766	6.3%	62,263	3,946	6.3%	50,581	3,282	6.5%
Total	314,246	17,714	5.6%	303,746	17,525	5.8%	277,469	14,194	5.1%
Non-interest-earning assets	<u>47,782</u>			<u>38,386</u>			<u>30,549</u>		
Total average assets	<u>362,028</u>			<u>342,132</u>			<u>308,018</u>		
Liabilities:									
Amounts owed to credit institutions									
Belgium	73,716	2,954	4.0%	85,112	3,712	4.4%	73,153	2,815	3.9%
The Netherlands	15,016	675	4.5%	11,065	578	5.2%	12,674	583	4.6%
Rest of World	15,319	862	5.6%	13,322	743	5.6%	14,116	731	5.2%
Total	104,051	4,491	4.3%	109,499	5,033	4.6%	99,943	4,129	4.1%

(€ millions, except percentages)	Year Ended December, 31								
	2001			2000			1999		
	Average Balance	Interest	Average Rate (%)	Average Balance	Interest	Average Rate (%)	Average Balance	Interest	Average Rate (%)
Amounts owed to customers									
Belgium	98,656	2,788	2.8%	89,496	2,819	3.2%	81,168	1,836	2.3%
The Netherlands	29,924	1,794	6.1%	27,510	1,654	6.0%	28,504	1,032	3.6%
Rest of World	32,061	1,816	5.7%	29,306	1,594	5.4%	27,445	993	3.6%
Total	160,641	6,398	4.0%	146,312	6,067	4.2%	137,117	3,861	2.8%
Debt certificates									
Belgium	23,767	920	3.9%	24,697	1,205	4.9%	24,482	1,180	4.8%
The Netherlands	4,941	262	5.3%	1,970	123	6.2%	1,611	75	4.7%
Rest of World	11,573	760	6.6%	8,707	447	5.1%	7,623	371	4.9%
Total	40,281	1,942	4.8%	35,374	1,775	5.1%	33,716	1,626	4.8%
Subordinated debt									
Belgium	3,346	148	4.4%	3,053	165	5.4%	2,455	164	6.7%
The Netherlands	1,535	38	2.5%	1,401	44	3.1%	1,127	49	4.4%
Rest of World	4,289	292	6.8%	3,913	285	7.3%	3,146	197	6.3%
Total	9,170	478	5.2%	8,367	494	5.9%	6,728	410	6.1%
Total interest bearing liabilities									
Belgium	199,484	6,810	3.4%	202,358	7,901	3.9%	181,258	5,995	3.3%
The Netherlands	51,417	2,770	5.4%	41,946	2,399	5.7%	43,916	1,739	4.0%
Rest of World	63,242	3,730	5.9%	55,248	3,069	5.6%	52,330	2,291	4.4%
Total	314,143	13,310	4.2%	299,552	13,369	4.5%	277,504	10,025	3.6%
Non-interest bearing liabilities	39,046			34,254			24,096		
Shareholders' equity	8,936			7,994			6,418		
Total average liabilities and shareholders' equity	362,125			341,800			308,018		
Net interest result		4,404			4,156			4,170	

Selected Ratios—Banking Operations Only

Set forth below are selected ratios relating to Fortis' banking operations for the years indicated.

	Year Ended December 31,		
	2001	2000	1999
Return on banking assets	0.3%	0.4%	0.4%
Return on banking equity	13.5%	18.8%	18.5%
Banking equity to banking assets	2.4%	2.6%	2.2%

Yields, Spread and Margins

The table below shows selected yield, spread and margin information applicable to Fortis for the years indicated. These amounts are derived from the table of average balances and interest rates above.

	Year Ended December 31,		
	2001	2000	1999
Gross yield ⁽¹⁾ :			
Belgium	5.1%	5.4%	4.6%
The Netherlands	6.5%	6.6%	5.7%
Rest of World	6.3%	6.3%	6.1%
Total	5.6%	5.8%	5.1%
Interest rate spread ⁽²⁾ :			
Belgium	1.7%	1.5%	1.3%
The Netherlands	1.1%	0.9%	1.7%
Rest of World	0.4%	0.7%	2.1%
Total	1.4%	1.3%	1.5%
Net interest margin ⁽³⁾ :			
Belgium	1.2%	1.2%	1.3%
The Netherlands	1.9%	1.8%	2.0%
Rest of World	1.4%	1.4%	2.0%
Total	1.4%	1.4%	1.5%

(1) "Gross yield" is the interest rate earned on average interest-earning assets.

(2) "Interest rate spread" is the difference between the interest rate earned on average interest-earning assets and the interest rate paid on average interest-bearing liabilities.

(3) "Net interest margin" is "net interest income" as a percentage of average interest-earning assets.

Changes in Net Interest Revenue—Volume and Rate Analysis

The table below allocates, by categories of interest-earning assets and interest-bearing liabilities, changes in net interest revenue and expense of Fortis due to changes in average volume and changes in average rate for the year ended December 31, 2001 compared to the year ended December 31, 2000, and for the year ended December 31, 2000 compared to the year ended December 31, 1999. Volume and rate variances have been calculated based on movements in average balances over the period and changes in interest rates on average interest-earning assets and average interest-bearing liabilities. See "—Average Balance Sheets and Interest Rates". Changes which are attributable in part to volume and in part to rate are allocated in proportion to their relationship to the amounts of change attributed directly to volume and rate.

(€ millions)	2001 over 2000			2000 over 1999		
	Total change in interest	Change due to increase (decrease) in		Total change in interest	Change due to increase (decrease) in	
		Volume	Rate		Volume	Rate
Interest Revenue:						
Investment securities						
Belgium	(96)	274	(369)	507	(83)	590
The Netherlands	(43)	(34)	(9)	61	(2)	63
Rest of World	182	79	103	142	156	(14)
Sub-total	43	318	(275)	710	71	639
Receivables from credit institutions						
Belgium	(596)	(752)	156	721	471	250
The Netherlands	87	6	81	(79)	(65)	(14)
Rest of World	99	183	(84)	67	26	41
Sub-total	(410)	(563)	153	709	432	277
Receivables from customers						
Belgium	(532)	114	(646)	789	(22)	811
The Netherlands	548	703	(155)	668	332	336
Rest of World	540	548	(8)	455	791	(336)
Sub-total	556	1,365	(809)	1,912	1,100	812
Total interest-earning assets						
Belgium	(1,223)	(580)	(643)	2,017	448	1,569
The Netherlands	592	605	(13)	650	204	446
Rest of World	820	849	(29)	664	757	(93)
Total	189	874	(685)	3,331	1,408	1,923
Interest Expense:						
Amounts owed to credit institutions						
Belgium	(758)	(487)	(271)	897	453	444
The Netherlands	97	205	(108)	(5)	(74)	69
Rest of World	119	112	7	12	(41)	53
Sub-total	(542)	(170)	(372)	904	338	566
Amounts owed to customers						
Belgium	(31)	298	(329)	983	182	801
The Netherlands	140	145	(5)	622	(35)	657
Rest of World	222	150	72	601	67	534
Sub-total	331	593	(262)	2,206	214	1,992
Debt certificates						
Belgium	(285)	(33)	(252)	25	(2)	27
The Netherlands	139	185	(46)	48	17	31
Rest of World	313	147	166	76	53	23
Sub-total	167	299	(132)	149	68	81
Subordinated debt						
Belgium	(17)	15	(32)	1	40	(39)
The Netherlands	(6)	4	(10)	(5)	12	(17)
Rest of World	7	27	(20)	88	48	40
Sub-total	(16)	46	(62)	84	100	(16)
Total interest-bearing liabilities						
Belgium	(1,091)	(79)	(1,012)	1,906	671	1,235
The Netherlands	371	542	(171)	660	(78)	738
Rest of World	661	441	220	778	130	648
Total	(59)	904	(963)	3,344	723	2,621

Investment and Trading Portfolio

The following table shows the book value of Fortis' banking investment and trading securities portfolio at December 31, 2001, 2000 and 1999.

(€ millions)	At December 31,		
	2001	2000	1999
Trading:			
Government debt securities:			
Belgian national government and Belgian government agencies	5,732	4,667	3,671
Dutch national government and Dutch government agencies	765	266	343
German national government and German government agencies	885	424	609
U.S. Treasury and U.S. government agencies	54	87	51
Other national governments and other government agencies	1,745	1,219	1,013
Total trading government debt securities	9,181	6,663	5,687
Corporate debt securities:			
Banks and financial institutions	894	993	1,412
Other corporate debts	550	1,663	425
Mortgage-backed securities	891	—	—
Other asset-backed securities	686	—	—
Other debt securities	2	3	—
Total trading corporate debt securities	3,023	2,659	1,837
Total trading debt securities	12,204	9,322	7,524
Available for sale:			
Government debt securities:			
Belgian national government and Belgian government agencies	25,415	30,143	35,577
Dutch national government and Dutch government agencies	7,399	4,798	6,067
German national government and German government agencies	5,086	4,298	5,859
Italian national government and Italian government agencies	11,611	5,240	4,353
U.S. Treasury and U.S. government agencies	2,475	1,875	1,664
Other national government and other government agencies ..	15,448	6,425	4,125
Total available for sale government debt securities	67,434	52,779	57,645
Corporate debt securities:			
Banks and financial institutions	9,292	11,248	8,384
Other corporate debts	8,005	7,384	8,356
Mortgage-backed securities	3,189	4,234	2,822
Other asset-backed securities	2,431	2,132	2,499
Other debt securities	2,542	1,941	1,675
Total available for sale corporate debt securities	25,459	26,939	23,736
Total available for sale debt securities	92,893	79,718	81,381
Total debt securities	105,097	89,040	88,905
Equity securities and convertible debentures	9,158	6,392	4,257
Total investment securities	114,255	95,432	93,162

At December 31, 2001, banking operations held the following debt securities (investments) of the same issuer where the book value exceeded 10% of Fortis' combined net equity at that date:

Concentration of risk

(€ millions)	At December 31, 2001	
	Book Value	Market Value
Belgian government	31,147	31,607
Dutch government	8,164	8,141
German government	5,971	5,988
Italian government	12,467	12,646
U.S. government	2,529	2,535

Maturity and Yield of Investment Portfolio

The following table analyzes investments in debt securities by maturity and weighted average yield at December 31, 2001.

(€ millions, except percentages)	At December 31, 2001									
	Within one year		Over one year but within five years		Over five years but within ten years		Over ten years		Total	
	Book Value	Yield %	Book Value	Yield %	Book Value	Yield %	Book Value	Yield %	Book Value	Yield %
Belgian government	2,321	6.6%	10,767	5.5%	9,586	5.2%	2,740	5.5%	25,415	5.5%
Dutch government	1,132	4.1%	2,943	4.0%	3,270	4.7%	54	4.3%	7,399	4.3%
German government	3,010	4.2%	1,776	4.0%	255	4.2%	46	3.1%	5,087	4.1%
Italian government	3,670	4.6%	4,568	4.6%	2,127	5.2%	1,247	5.7%	11,612	4.8%
U.S. government	7	2.4%	49	2.1%	94	2.0%	2,325	3.5%	2,475	3.4%
Other governments	2,112	3.9%	7,823	4.3%	3,244	5.3%	2,269	5.2%	15,448	4.6%
Banks and financial institutions	2,762	4.2%	4,217	4.0%	1,490	5.2%	822	4.4%	9,291	4.3%
Other corporate debts	2,531	4.5%	4,458	4.4%	497	5.3%	519	2.6%	8,005	4.4%
Mortgage-backed securities ..	—	—	—	—	—	—	3,189	3.5%	3,189	3.5%
Other asset-backed securities ..	—	—	—	—	—	—	2,431	3.8%	2,431	3.8%
Other debt securities	750	2.9%	201	1.9%	282	2.8%	1,309	0.9%	2,542	1.8%
Total available for sale	18,295		36,802		20,845		16,951		92,893	

Loan Portfolio

At December 31, 2001, Fortis' total loans amounted to €226,550 million, or 60% of Fortis' banking assets. Receivables from customers, which principally includes receivables from governments and official institutions, commercial loans and consumer loans, represented 72% of Fortis' total banking loans at December 31, 2001 (2000: 71%; 1999: 62%). Receivables from credit institutions, which principally includes current accounts, interest bearing deposits, securities purchased under resale agreements and loans and advances, represented 28% of Fortis' total banking loans at December 31, 2001 (2000: 29%; 1999: 38%). At December 31, 2001 approximately 4% of the receivables from customers were loans to the public sector (2000: 3% and 1999: 2%) and approximately 96% were loans to the private sector (2000: 97% and 1999: 98%).

The following table sets forth details of receivables from customers based on the domicile of the customer at the date indicated.

(€ millions)	At December 31,		
	2001	2000	1999
Total gross receivables from customers	167,617	153,114	134,893
Allowance for credit losses	(3,527)	(3,274)	(2,542)
Total net receivables from customers	164,090	149,840	132,351
Belgium:			
Public sector	4,631	3,878	3,018
Corporate sector:			
Guaranteed by government authorities	1,847	4,806	5,197
Secured by mortgages	6,622	9,485	9,305
Other receivables	27,301	27,933	25,446
Total corporate sector	35,770	42,224	39,948
Retail sector:			
Secured by mortgages	15,383	17,208	16,564
Other receivables	15,864	17,303	16,784
Total retail sector	31,247	34,511	33,348
Total net receivables Belgium	71,649	80,613	76,314
The Netherlands:			
Public sector	563	740	—
Corporate sector:			
Guaranteed by government authorities	—	43	785
Secured by mortgages	4,236	2,065	3,464
Other receivables	20,071	17,787	12,664
Total corporate sector	24,307	19,895	16,913
Retail sector:			
Secured by mortgages	22,284	20,447	14,987
Other receivables	3,782	3,275	2,855
Total retail sector	26,065	23,722	17,842
Total net receivables The Netherlands	50,936	44,357	34,755
Rest of World:			
Public sector	771	186	58
Corporate sector:			
Guaranteed by government authorities	479	208	176
Secured by mortgages	2,453	2,027	3,584
Other receivables	31,054	17,917	12,862
Total corporate sector	33,986	20,152	16,622
Retail sector:			
Secured by mortgages	3,149	2,351	2,264
Other receivables	3,599	2,181	2,338
Total retail sector	6,748	4,532	4,602
Total net receivables Rest of World	41,505	24,870	21,282
Total net receivables from customers	164,090	149,840	132,351

The following table sets forth details of receivables from credit institutions based on the domicile of the customer at the date indicated.

(€ millions)	At December 31,		
	2001	2000	1999
Receivables from credit institutions:			
Belgium			
Loans and advances	47	26	1
Securities purchased under agreements to resell	4,759	4,428	10,565
Interest bearing deposits	498	619	2,101
Current accounts	732	43	165
Other	—	—	29
Total gross receivables Belgium	6,036	5,116	12,861
The Netherlands			
Loans and advances	405	1,832	87
Securities purchased under agreements to resell	598	318	403
Interest bearing deposits	1,773	1,782	4,068
Current accounts	752	412	426
Other	1,625	259	3
Total gross receivables The Netherlands	5,153	4,603	4,987
Rest of World:			
Loans and advances	695	2,090	52
Securities purchased under agreement to resell	26,255	27,148	32,862
Interest bearing deposits	19,948	19,000	27,251
Current accounts	4,548	3,304	2,311
Other	—	—	195
Total gross receivables Rest of World	51,446	51,542	62,671
Total gross receivables from credit institutions	62,635	61,261	80,519
Provision for loan losses	(175)	(102)	(125)
Total net receivables from credit institutions	62,460	61,159	80,394

The following table analyzes net receivables from customers at December 31, 2001 based on the domicile of the customer.

(€ millions)	At December 31, 2001					Total
	On demand	Up to 3 months	3-12 months	1 to 5 years	Over 5 years	
Belgium:						
Public sector	41	103	696	1,553	2,238	4,631
Corporate sector	8,473	6,134	2,144	7,153	11,866	35,770
Retail sector	1,981	5,600	1,657	6,909	15,101	31,247
Total Belgium	10,495	11,837	4,498	15,614	29,204	71,649
The Netherlands:						
Public sector	272	3	2	135	151	563
Corporate sector	9,165	5,472	1,503	3,227	4,940	24,307
Retail sector	3,509	2,770	821	1,429	17,536	26,065
Total The Netherlands	12,946	8,245	2,326	4,791	22,627	50,936

At December 31, 2001						
(€ millions)	On demand	Up to 3 months	3-12 months	1 to 5 years	Over 5 years	Total
Rest of World:						
Public sector	46	72	193	287	173	771
Corporate sector	7,485	12,102	4,544	5,990	3,864	33,986
Retail sector	1,384	3,579	144	475	1,167	6,749
Total Rest of World	8,915	15,753	4,881	6,752	5,204	41,505
Total net receivables from customers	32,356	35,836	11,705	27,156	57,037	164,090

The following table analyzes gross receivables from credit institutions at December 31, 2001 based on the domicile of the customer.

At December 31, 2001						
(€ millions)	On demand	Up to 3 months	3-12 months	1 to 5 years	Over 5 years	Total
Belgium	746	1,962	3,281	39	8	6,036
The Netherlands	2,304	1,550	1,206	71	22	5,153
Rest of World	10,259	22,334	17,984	610	259	51,446
Total gross receivables from credit institutions	13,309	25,846	22,471	720	289	62,635

Maturities and Interest Rate Sensitivity of Loan Portfolio

The following table analyzes receivables from customers and loans and advances to credit institutions by interest rate sensitivity and by maturity at December 31, 2001 based on the domicile of the customer. The table does not include securities purchased under agreements to resell, interest bearing deposits or current accounts included in receivables from credit institutions.

(€ millions)	At December 31, 2001				Total
	Non-interest earning loans	Loans with fixed interest rates	Loans with semi-fixed interest rates ⁽¹⁾	Loans with floating or adjustable interest rates	
Maturity					
Within one year:					
Belgium	6,215	14,454	1,325	1,264	23,258
The Netherlands	519	5,468	935	14,711	21,633
Rest of World	5,013	12,586	198	7,783	25,581
Total within one year	11,747	32,509	2,459	23,757	70,472
Between 1 and 5 years:					
Belgium	—	4,702	9,035	2,154	15,891
The Netherlands	141	3,382	1,160	2,989	7,672
Rest of World	37	2,414	216	3,819	6,485
Total between 1 and 5 years	177	10,498	10,411	8,962	30,049
Greater than 5 years:					
Belgium	—	6,777	19,931	2,448	29,156
The Netherlands	—	5,953	12,881	2,101	20,935
Rest of World	40	858	167	4,569	5,634
Total greater than 5 years	40	13,588	32,979	9,118	55,725
Total	11,965	56,596	45,849	41,837	156,247

(1) Loans which have an interest rate that remains fixed for more than one year and which can then be changed are classified as "semi-fixed".

Loan Commitments

The following table provides loan commitments at December 31, 2001, 2000 and 1999:

(€ millions)	At December 31,		
	2001	2000	1999
Acceptances	236	155	232
Firm credit commitments	84,656	70,870	78,643
Documentary credits	2,823	3,361	2,222
Guarantees	11,218	14,227	7,640

Risk Elements

Non- or Partially Non-Accruing Loans and Potential Problem Loans

In Fortis the category of non-performing loans includes uncertain (substandard or *créances sous surveillance spéciale*) loans and doubtful (*créances douteuses*) loans. Although Fortis does not yet have uniform standards for determining when a loan is to be classified in one of these two categories, each subsidiary applies standards that were approved by its local banking supervisor. Fortis is currently in the process of harmonizing the standards for problem loans in order to be compliant with international accounting principles.

In general, loans are classified as uncertain when it has been established or it is expected that the counterparties to these loans have or will have difficulties honoring their commitments although their inability has not yet been established, or is not sufficiently certain. In practice, some subsidiaries apply pre-established thresholds to determine loan review procedures. Loans above the threshold are then monitored on a case-by-case basis through inclusion on internal watch lists and similar management reports. This process involves management's discretion, but there is a uniform policy under which commercial loans that are 90 days past due are classified as non-performing. Loans below the pre-established threshold are generally reviewed on a pool or aggregate basis since these are smaller-balance loans that are homogeneous in nature and risk.

Based on the foregoing, the following table sets forth management's estimate, without giving effect to available security or related specific allowances, of the amounts of Fortis' loan portfolio treated as non- or partially non-accruing.

(€ millions)	Year Ended December 31,		
	2001	2000	1999
Uncertain loans	4,697	3,870	4,079
Doubtful loans	2,561	2,371	1,493
Total substandard	7,258	6,241	5,572

Once a loan has been classified as uncertain, related unpaid interest and interest accruals are no longer included in income. Interest is only recognized to the extent cash payments are received. Fortis does not distinguish in its accounts between loans accounted for on accrual basis and loans accounted for on a cash basis.

In the course of managing substandard loans, Fortis may agree to restructure the terms of certain loans in order to maximise their recovery. If a loan is restructured in a way that allows the borrower to become current in its payments on the restructured loan and otherwise satisfy the criteria of a standard loan, the restructured loan may be reclassified as a standard loan. Fortis does not currently maintain figures for the amount of its restructured loans.

If Fortis forecloses on real estate or other collateral to satisfy defaulted obligations, some time may pass before it can dispose of such collateral at a reasonable price to satisfy its exposure. The following table shows the amount of foreclosed assets held by Fortis' banking operations at the dates shown.

(€ millions)	Year Ended December 31,	
	2001	2000
Foreclosed assets	266	172

Fortis reviews its loan portfolios on a regular basis. The frequency of review depends on the loan classification, but internal monitoring tools available on a daily basis may trigger a change in classification at any time.

Cross-Border Outstandings

Cross-border outstandings are defined as loans (including accrued interest), acceptances, interest-earning deposits with other banks, other interest-earning investments and any other monetary assets which are denominated in a currency other than the functional currency of the office or subsidiary where the extension of credit is booked. To the extent that material local currency outstandings are not hedged or are not funded by local currency borrowings, such amounts are included in cross-border outstandings.

At December 31, 2001, there were no outstandings exceeding 1% of total assets in any country where current conditions give rise to liquidity problems which are expected to have a material impact on the timely repayment of interest or principal.

The following table analyzes cross-border outstandings as of the end of each of the last three years, stating the name of the country and the aggregate amount of cross-border outstandings to borrowers in each foreign country where such outstandings exceed 1% of total assets, by type of borrower.

(€ millions, except percentages)	As % of adjusted assets	Total	Banks and other financial institutions	Governments and official institutions	Commercial, industrial and other private sectors
At December 31, 2001:					
United Kingdom	10.2%	38,417	28,793	215	9,409
United States	7.3%	27,501	6,155	403	20,943
At December 31, 2000:					
United Kingdom	9.5%	31,915	19,608	177	12,129
United States	6.3%	21,098	4,916	2,643	13,539
At December 31, 1999:					
United Kingdom	10.1%	33,306	25,712	67	7,527
United States	3.1%	10,170	1,322	875	7,973

Allowance for Loan Losses

An allowance for loan losses is maintained and is considered adequate by management to cover existing loan losses in the portfolio of loans. Each operating subsidiary makes allowances for loan losses based upon its own loan rating classifications and circumstances in its market area and among its customers, in accordance with a common methodology.

Fortis' allowance for loan losses is based upon the loan portfolio review at each subsidiary, which generally occurs quarterly. The purpose of the review is to assess loan quality, identify impaired loans, analyze delinquencies, ascertain loan growth, evaluate potential charge-offs and recoveries and assess the recent general economic conditions in market areas, portfolio diversification, prior loss experience, results of regulatory examinations and specific borrower information.

Specific provisions are comprised of allowances calculated on specific problem loans and on the remaining portfolio by loan type (small business, medium sized commercial, governmental, other commercial, personal, mortgages, other consumer, leasing, etc.).

Fortis makes specific provisions for non-performing loans in the form of write-offs to the carrying value of the loans on the consolidated balance sheet. The amount of these specific write-offs is determined by local generally accepted accounting principles and banking supervisory principles. Fortis is in the process of unifying these principles. Specific write-backs are made when recoveries of previously written off loans are obtained or become sufficiently likely.

To determine the amount of any write-off or write-back, Fortis assesses the total exposure of the debtor, net of any collateral and guarantee. For those entities that distinguish between large-balance loans and small-balance loans, individualized criteria will be used to determine the appropriate amount of a specific write-off or write-back for large-balance loans. This will include assessment of the bank value of collateral, *i.e.* the value the bank will most likely be able to recover from realization of the collateral. For small-balance loans, statistical methods will be used to determine the appropriate amount of a specific write-off or write-back.

Fortis evaluates its respective loan portfolios at least on a quarterly basis to adjust the amount of their specific write-offs and write-backs.

Fortis also makes specific provisions for country risk in the form of write-offs and write-backs to the values of loans. The minimum amounts of these provisions are determined in accordance with criteria established by local banking supervisors. The country risk allowances are designed to cover the risk that borrowers from certain countries will be unable to fulfil their obligations for reasons other than their ability to generate local currency cash flows to repay their debt, such as local government restrictions on transferring financial assets from the borrower's home country for political or other reasons.

In compliance with GAAP in accordance with Belgian law, the accrual of interest is generally discontinued when, in management's opinion, the borrower may be unable to meet the payments as they become due and are generally rated in the last two of management's rating classifications. Loans rated in these classifications have a high probability of repayment only through collateral. Non- or partially non-accruing loans are all loans where the accrual of interest has ceased, or where accrual of interests continues at 100% but an allowance for doubtful interest is concurrently established for a portion or all of the amount of the interest accrued. The outstanding balance of these loans is evaluated for collectibility and changes in the specific allowance for that loan are made as appropriate. Loans are returned to accrual status when the borrower is able to meet the terms of the loan.

Determining the level of the allowance for loan losses to cover probable credit losses in the existing portfolio of loans at any given date is difficult, particularly during deteriorating or uncertain economic periods. Management makes estimates using assumptions and information which is often subjective and changing rapidly. Management continually reviews the loan portfolio in light of changing economic conditions and the dynamics of the regulatory environment. Should the economic climate deteriorate, borrowers may experience difficulty and the level of non-performing loans and assets, charge-offs, and delinquencies could increase and require further increases in the allowance. In addition, regulatory authorities, as an integral part of their examinations, periodically review the allowance for possible loan losses. They may require additional allowances based upon their judgments about information available to them at the time of examination.

In addition to the allowances for loan losses made for probable loan losses in the existing portfolio of loans, which are charged directly to the consolidated profit and loss accounts as "value adjustments on receivables", general provisions may be made at management's discretion, to cover as yet unidentified risks. In the banking sector, Fortis makes value adjustments which are similar to provisions, in accordance with market practice and regulatory requirements.

The level of the fund for general banking risks is based on management's evaluation of the risks involved in its banking operations and supervisory requirements. The amount of the fund is established in part based on the level of risk weighted assets included in Fortis' banking balance sheet. The outstanding balance of the fund for general banking risks was €2,217 million at December 31, 2001.

In 2001 the addition in value adjustments of receivables increased by €177 million, mainly due to the release of the year-2000 provision in 2000. The provision for credit losses includes an amount of €242 million related to country risks (2000: €232 million; 1999: €269 million). Exchange rate and other adjustments for the year 2000 increased by €605 million as it included an amount of €695 million related to loans reported net of provisions in prior years. In the year 2000 these loans were reported gross with a related increase in the value adjustments for loans and receivables.

The following table shows the allowance for loan losses, which consists of accumulated net write-offs and write-backs for possible credit losses and country risk for both customer loans and credit institution exposures at the dates shown, and the movements in such allowance for loan losses during the period in question.

(€ millions)	Year Ended December 31,		
	2001	2000	1999
Balance at January 1	3,375	2,667	2,839
Movements due to acquisitions	—	(90)	(400)
Charge-offs	(190)	(205)	(274)
Recoveries	—	—	—
Net charge-offs	(190)	(205)	(274)
Value adjustments ⁽¹⁾	481	304	408
Exchange rate and other adjustments	36	699	94
Balance at December 31	<u>3,702</u>	<u>3,375</u>	<u>2,667</u>
Loans and advances to credit institutions	175	102	125
Loans and advances to customers	3,527	3,273	2,542
Total	<u>3,702</u>	<u>3,375</u>	<u>2,667</u>

(1) The year 2000 includes the release of the year-2000 provision of €152 million.

Deposits

The aggregate average balance of all Fortis' interest-bearing deposits (from banks and customer accounts) increased by 6% in 2001 to €223,428 million, primarily related to term deposits. Interest rates paid reflect market conditions. The effect on net interest income depends upon competitive pricing and the level of interest income which can be generated through the use of funds.

The following table presents the average balance of and the amount of interest paid and the average rate paid on deposits over the last three years.

(€ millions, except percentages)	Year Ended December 31,								
	2001			2000			1999		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Deposits originated in Belgium:									
Non-interest bearing demand deposits	1,684	—	—	1,483	—	—	1,494	—	—
Interest-bearing demand deposits	24,130	545	2.3%	28,682	874	3.0%	24,991	377	1.5%
Savings deposits	30,662	756	2.5%	31,604	734	2.3%	32,207	790	2.5%
Time deposits	65,955	3,352	5.1%	77,597	3,554	4.6%	71,497	3,107	4.3%
Total	122,431	4,652	3.8%	139,366	5,162	3.7%	130,189	4,274	3.3%
Deposits originated in The Netherlands:									
Non-interest bearing demand deposits	1,236	—	—	1,697	—	—	923	—	—
Interest-bearing demand deposits	14,728	663	4.5%	15,076	708	4.7%	13,791	525	3.8%
Savings deposits	8,212	271	3.3%	8,301	261	3.1%	7,315	255	3.5%
Time deposits	18,810	1,053	5.6%	19,951	1,439	7.2%	21,265	1,250	5.9%
Total	42,986	1,988	4.6%	45,025	2,408	5.3%	43,294	2,030	4.7%
Deposits originated in Rest of World:									
Non-interest bearing demand deposits	10,289	—	—	768	—	—	2,079	—	—
Interest-bearing demand deposits	17,451	561	3.2%	1,975	257	13.0%	7,718	160	2.1%
Savings deposits	557	11	1.9%	936	32	3.4%	753	34	4.5%
Time deposits	29,714	1,802	6.1%	22,168	995	4.5%	23,257	951	4.1%
Total	58,011	2,374	4.1%	25,847	1,284	5.0%	33,807	1,145	3.4%
Total deposits:									
Non-interest bearing demand deposits	13,209	—	—	3,948	—	—	4,496	—	—
Interest-bearing demand deposits	56,309	1,769	3.1%	45,733	1,839	4.0%	46,500	1,062	2.3%
Savings deposits	39,431	1,038	2.6%	40,841	1,027	2.5%	40,275	1,079	2.7%
Time deposits	114,479	6,207	5.4%	119,716	5,988	5.0%	116,019	5,308	4.6%
Total deposits	223,428	9,015	4.0%	210,238	8,854	4.2%	207,290	7,449	3.6%

Short-term Borrowings

Short-term borrowings are borrowings with an original maturity of one year or less. These are included in Fortis' combined balance sheet under the items amounts owed to customers and amounts owed to credit institutions and debt certificates. An analysis of the balance and interest rates paid on such item is provided below.

The following table presents information about Fortis short-term borrowings from banking operations:

(€ millions, except percentages)	Year Ended December 31		
	2001	2000	1999
Securities sold under repurchase agreements:			
Year-end balance	62,763	46,820	63,553
Average balance outstanding during the year	50,815	48,184	50,826
Maximum month end balance	64,687	66,121	67,637
Weighted average interest rate during the year	4.5%	3.0%	2.0%
Weighted average interest rate on balance at end of year	3.5%	4.7%	2.7%
Commercial paper:			
Year-end balance	9,223	9,545	2,671
Average balance outstanding during the year	7,047	4,621	3,597
Maximum month end balance	9,223	9,545	4,197
Weighted average interest rate during the year	3.1%	5.9%	4.8%
Weighted average interest rate on balance at end of year	2.8%	5.4%	4.8%
Short-term borrowings from central banks:			
Year-end balance	829	64	840
Average balance outstanding during the year	212	698	803
Maximum month end balance	829	1,043	1,025
Weighted average interest rate during the year	4.0%	4.0%	1.7%
Weighted average interest rate on balance at end of year	3.0%	2.7%	2.4%

Risk Management

General

In its daily activities, Fortis is exposed to a number of risks, the most significant of which include interest rate risk, actuarial risk, underwriting risk, market risk, credit risk and equity price risk. The effective identification and management of these risks is critical to Fortis' profitability. Due to the nature of its operations, Fortis' banking operations have market risk exposures in both its non-trading and trading portfolios. Because Fortis' insurance operations do not have trading portfolios, they do not incur market risk relating to such activities.

Fortis' banking and insurance operations have developed over time risk management practices which support local and tactical decision making. The group objective however, is to build group-wide harmonized risk reporting and risk management structures, which not only integrate practices existing at the individual banking and insurance level, but also upgrade the overall approach to include state-of-the-art quantitative risk management techniques.

Group-Wide Approach

With the above objective in mind, Fortis introduced during 2000 a number of key structures. At the Fortis Board level, a newly formed Capital Committee assists the Board of Fortis in its decision making on capital allocation, taking into account risk adjusted returns of the Fortis businesses. At the group level, a central Risk Management function has been created, reporting directly to the Fortis CFO. Further refinements and implementation of a comprehensive and streamlined risk management structure continued to receive a high level of attention in 2001.

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

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

Risk Monitoring and Management

In 2001 Fortis focused on the organizational aspects of risk management within Fortis. The new organizational structure is enabling Fortis to implement central risk management on a group level.

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

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

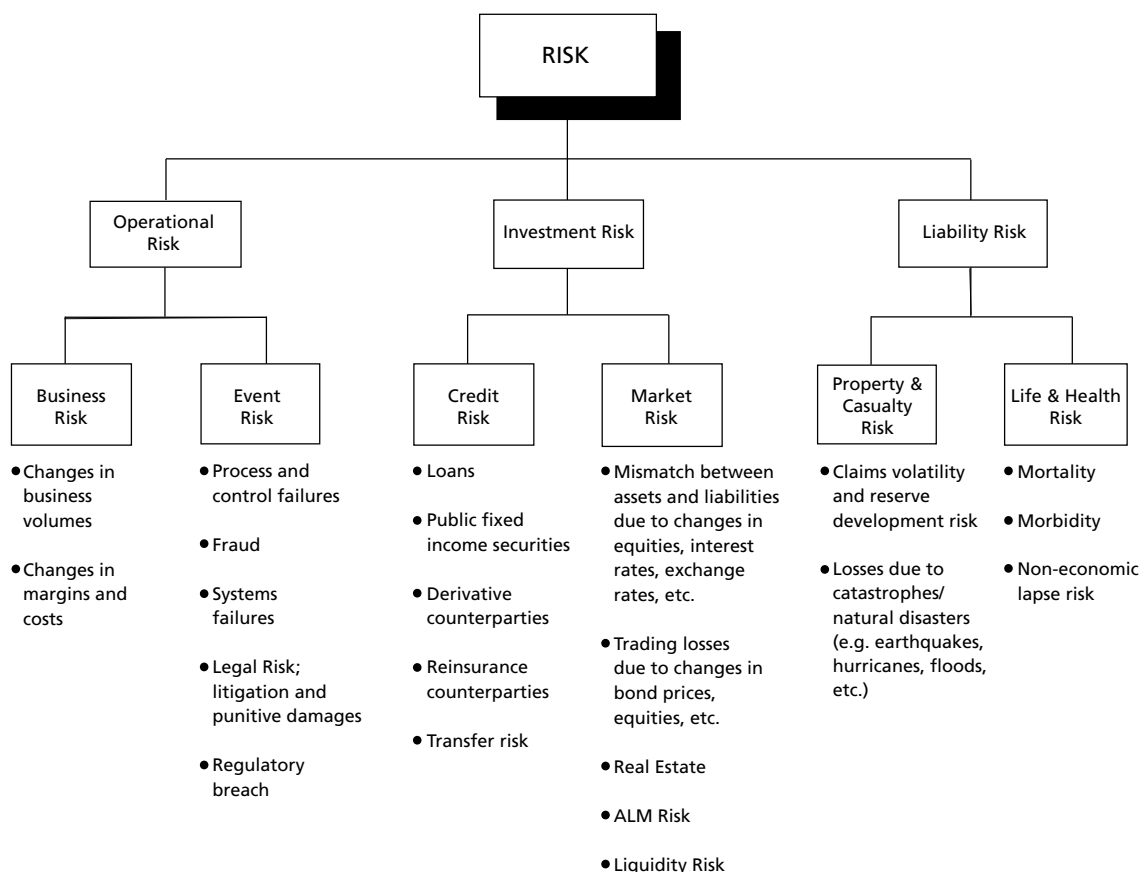
On the level of the bank, the responsibility of the Fortis Board and the Fortis Executive Committee is assumed by the Fortis Bank Board of Directors and the Bank Management Committee, respectively. The Board of Directors of Fortis Bank establishes Fortis Bank's risk policy. It fixes objectives and global guidelines for risk management, determining, for instance, what level of risk is acceptable. The Management Committee of Fortis Bank is responsible for implementing risk management. The committee can, while retaining responsibility, delegate certain tasks to the Risk Acceptance Committees, of which it nominates the members.

As of December 31, 2001, Fortis Bank had the following Risk Acceptance Committees:

- the Asset and Liability Committee (ALCO), which sets out the guidelines for balance sheet management;
- the Central Credit Committee (CCC), which approves individual counterparty risks, including country limits and bank position limits;
- the Credit Policy Committee (CPC), which gives a sign-off on new credit products and new credit risk models and monitors the credit policy of the bank; and
- the Operation and Market Risk Policy Committee (OMPC), which proposes its decisions on market and operational risk policies, processes, limits and off-balance sheet structures to the Bank Management Committee for approval.

In addition to these Risk Acceptance Committees, the Management Committee has charged the independent Central Risk Management (CRM) department with supporting, monitoring and evaluating the risks taken by the businesses. The aim is to ensure that risk management is properly attuned to Fortis' overall strategic objectives. Risk management at Fortis Bank subsidiaries is largely determined by the local risk managers, who report to the central ALCO (and also, in functional terms, to CRM). Risk management reporting and control are separate from the commercial business units.

The table below lists significant risks to which the Fortis businesses are exposed.



Banking

Market Risk

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

Interest Rate Risk. The primary market risk in Fortis' trading activities is interest rate risk, which arises primarily as a result of changing market prices, unexpected changes in the shape of the yield curve and changes in the correlation of interest rates between different financial instruments.

Currency Risk. Fortis also incurs currency risk in its trading activities. Currency risk arises from on- and off-balance sheet items denominated in currencies other than the euro and legacy currencies of Participating Member States and from Fortis' active participation in foreign exchange markets. Fortis' primary risks of this nature are related to the exchange rate between the euro and the U.S. dollar and pound sterling.

Equity Price Risk. Equity price risk arises from positions Fortis takes both in specific securities and in market indices.

Structural Position (ALM Risk). Fortis Bank is exposed to interest rate and share price risk via its non-trading portfolio. As is the case with the trading portfolio, the primary market risk relates to potential movements in interest rates. To monitor and control this risk, Fortis Bank 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 market 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 market value 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 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 basis points, parallel shift -100 basis points, steeper yield curve: short -100 basis points/long +100 basis points or a flatter yield curve: short +100 basis points/long -100 basis points), net interest income (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 (i.e. Earnings at Risk).

The key figures for evaluating the market risk of the structural position in the banking activities are:

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

(1) The scope of the risk measured in 1999 included Fortis Bank SA/NV and Fortis Bank Nederland (Holding), only in euro. The scope of the risk measured in 2000 included Fortis Bank, Fortis Bank Nederland (Holding), Fortis Banque France, Banque de la Poste and Banque Générale du Luxembourg and all the respective currencies.

Market Risk arising from Trading Activities. Fortis Bank uses qualitative controls together with intensive use of quantitative models based on sensitivity and probability analyses to monitor the risks arising from its trading activities. There is daily VaR reporting based on an adapted form of two methods: the variance/covariance model and the historical simulation model. The VaR is calculated based on the assumption of a one-day holding period and a 99% probability with one year of underlying data. Back tests are regularly performed on the VaR method used, and the VaR calculation is supplemented by stress tests. The average VaR of Fortis Bank's trading portfolio was €17.5 million for 2001, compared to €13.4 million for 2000. For the year 2001, the efficiency ratio (the ratio of *ex post* volatility to *ex ante* VaR) was estimated to be 89%.

(€ millions, except percentages)	Year Ended December 31,		
	2001	2000	1999
VaR at December 31,	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	89%	97%	125%

Credit Risk

Credit risk in banking operations stems from two possible sources: (a) counterparty default and (b) country transfer risk.

Credit risk arises from the possibility that borrowers and other financial counterparties may default on their obligations to Fortis' banking units and cause such units to suffer a loss. Such obligations may arise from Fortis' lending activities, its sales, trading and investment activities and its participation in payment and securities settlement transactions on its own behalf and as agent or financial intermediary for its clients. Credit risk management in banking is based on the traditional foundation of strict control procedures in a fully independent credit approval process and a credit policy aimed at spreading risks over different sectors, countries and markets.

Since 1999 the Management Committee at Fortis Bank has charged CRM with managing credit risk principally by business rather than by corporate entity. Within these businesses, Fortis divides its credit risk management procedures into the following six functions:

- credit application and analysis
- credit approval
- credit documentation and servicing
- risk monitoring

- intensive care
- recovery.

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 securities (trading and investments) exceeded 10% of net equity:

(€ millions)	Year Ended December 31,		
	2001	2000	1999
Belgian government	34,073	39,172	44,584
Dutch government	9,135	6,873	7,974
German government	5,666	4,754	6,289
Spanish government	10,108	3,963	3,379
Italian government	12,367	5,648	4,556
French government	2,796	1,254	1,046
U.S. government	3,285	2,705	2,196

From an economic point of view, Fortis Bank distinguishes between credit risks relating to the private sector, those relating to the public sector and those relating to banks. The table below sets forth credit risks relating to these sectors as of the dates indicated.

(€ millions)	Year Ended December 31,		
	2001	2000	1999
Relating to the private sector:			
Mortgage loans, individuals	40,816	40,006	33,815
Corporate debentures	8,005	7,384	8,355
Other	125,470	113,338	102,456
Total relating to the private sector	174,291	160,728	144,626
Relating to the public sector	73,400	57,583	60,721
Relating to banks	71,752	72,407	88,778
Total balance sheet risk ⁽¹⁾	319,443	290,718	294,125
Derivatives ⁽²⁾	2,659	3,354	2,714
Credit related instruments ⁽³⁾	84,892	88,612	88,737
Total off balance sheet risk	87,552	91,966	91,451
Total credit risk	406,994	382,684	385,576

(1) Consists of debt securities (investments), loans to credit institutions and customers. The valuation principles are those described in Note 4 to Notes to the Fortis consolidated financial statements "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).

The table below shows Fortis Bank's consolidated credit risk relating to the private sector at December 31, 2001 and 2000, broken down by industry. These figures do not include any value adjustments.

(€ millions)	Year Ended December 31,	
	2001	2000
Agriculture, forestry and fishing	1,441	1,262
Energy and water	4,461	4,163
Mining and minerals	1,966	2,035
Chemicals and plastics	2,829	2,596
Metallurgy	2,458	2,362
Other industry	5,868	6,268
Construction and mechanical engineering	2,929	3,062
Trade, hotels and catering	10,917	11,630
Transport and communication	4,931	6,357
Real estate	8,594	7,431
Financial services and insurance	29,745	30,444
Other services	23,625	17,204
Consumer credits	46,594	48,081
Corporate debentures	8,005	7,384
Repos to customers	10,763	3,675
Unclassified	9,165	6,774
Total	174,291	160,728

Credit Portfolio Rating

Fortis Bank uses a variety of instruments to monitor the credit risk to which its credit portfolio is exposed. A new system was developed in 1999 based on statistical analysis and expected default frequency (EDF). This system allows for risk adjusted pricing of individual credits, and provides aggregated information to enable the calculation of estimated economic capital and risk adjusted returns. Since 2000, the Bank has sought to improve the risk/return profile of credit activities and reducing credit risk exposure through promoting off-balance sheet funding instruments, such as asset backed securities. Credit decisions have to be approved at various levels within Fortis Bank, depending on the sums and type of credit involved. There are independent departments involved with risk assessment at each decision-making level. Specialist departments are referred to in the case of activities like project finance and structured finance. There is also an "early warning system" for all loans. Credit risks arising from derivative activities, capital market operations and transactions with financial institutions are monitored via an online Risk Exposure Management system. The credit risk arising from transactions of this kind has to remain within specified limits, and daily checks are performed to ensure that this is the case. Total exposure is reported to central risk management every week through the EDF system. Fortis Bank uses a market valuation method (mark to market) to determine the credit risk associated with derivative positions. Management sets out to limit credit risk wherever possible by entering into netting agreements and by requiring collateral to cover customers' liabilities.

Derivatives Portfolio Risk

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. Counterparties in derivatives transactions are generally banks or other financial institutions. 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.

The following table summarizes the weighted credit exposure related to the derivatives at December 31, 2001, 2000 and 1999. 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.

(€ millions)	Year Ended December 31,		
	2001	2000	1999
Interest contracts	1,174	1,800	1,758
Currency contracts	1,098	1,417	843
Other contracts	387	137	113
Total	2,659	3,354	2,714

Country Risk

Fortis Bank manages country risk from both a commercial and geographic point of view. Commercial exposure to a particular country arises from all the transactions that Fortis Bank has performed in the relevant country with a local counterparty, the parent company of which is also a local entity, or a foreign entity with a local entity as its parent company. Geographic exposure to a particular country relates to all the transactions performed in that country with a local counterparty, irrespective of whether the parent company is a local or a foreign entity, by companies belonging to Fortis Bank that are not based in that country. The Management Committee decides the maximum level of commercial and geographic exposure that is permitted with regard to individual countries. Fortis' supervisory authorities also monitor this risk.

Country risk also arises from 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 EU member states, Australia, Canada, Japan, New Zealand, Norway, Singapore, the United States and Switzerland.

Fortis' 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 because of certain characteristics (e.g. short-term liabilities of less than one year), the provision for irrecoverability and the collaterals received. The regulators have set minimum requirements for the provision against country risks. Fortis has discretion to make additional provisions.

The tables below present the country risk for Fortis' banking operations, by region, in accordance with the supervisory regulations, at December 31, 2001 and 2000.

(€ millions)	Year Ended December 31, 2001			
	Gross exposure	Deductibles	Provision against country risk	Mitigated exposure
Latin America	1,859	1,639	54	166
Asia	841	761	27	53
Central and Eastern Europe	1,202	1,046	34	122
Middle East and Africa	3,107	2,900	127	80
Total	7,009	6,346	242	421

(€ millions)	Year Ended December 31, 2000			
	Gross exposure	Deductibles	Provision against country risk	Mitigated exposure
Latin America	2,031	1,750	129	152
Asia	754	662	57	35
Central and Eastern Europe	1,139	962	68	109
Middle East and Africa	3,130	2,994	53	83
Total	7,054	6,368	307	379

In the tables below the exposure is broken down by the risk profile of the countries, as defined by the regulators, at December 31, 2001 and 2000.

(€ millions)	Year Ended December 31, 2001			
	Gross exposure	Deductibles	Provision against country risk	Mitigated exposure
No risk	473	317	—	156
Low risk	1,679	1,606	6	67
Middle risk	1,141	965	40	136
High risk	3,716	3,458	196	62
Total	7,009	6,346	242	421

(€ millions)	Year Ended December 31, 2000			
	Gross exposure	Deductibles	Provision against country risk	Mitigated exposure
No risk	389	291	48	50
Low risk	3,872	3,471	143	258
Middle risk	669	633	11	25
High risk	2,124	1,973	105	46
Total	7,054	6,368	307	379

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

Liquidity and Solvency Risk

The central ALCO and its supporting ALM departments are also responsible for the management of liquidity risk. Liquidity risk is defined as the potential inability to fund illiquid assets. The illiquid assets of the banking operations include the lending portfolio to corporations and consumers, as well as real estate and other fixed assets held for own use and some assets obtained due to past loan defaults. Customer deposits and inter-bank borrowing are used to fund these assets and the investment portfolio.

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 Bank endeavors to manage its liquidity risk in such a way that it is able to meet customer demand, redemption commitments and capital requirements even under adverse market conditions.

Fortis uses the same gap analysis tool that provides insight into the funding needs for interest rate risk management, monitors the credit quality and liquidity of the investment portfolio and monitors the solvency ratios of the banking operations in order to measure liquidity risk. Fortis strives to maintain a minimum Tier 1 capital ratio of 6% in its banking operations, well above the current

regulatory minimum of 4%. This solvency requirement is calculated taking into account the solvency requirements in the insurance operations as well as the capital structure of the group as a whole. See “—Risks Common to Banking and Insurance Operations”, “Operating and Financial Review and Prospects—Liquidity and Capital Resources—Bank Cash Flows—Capital Adequacy” and “Operating and Financial Review and Prospects—Liquidity and Capital Resources—Insurance Cash Flows—Solvency Margins and Capital Requirements”.

In the event of a change in Fortis’ ability to obtain funds in the credit market, portions of the investment portfolio may be sold in order to reduce the overall need for funding. This forms the second line of defense in liquidity risk management. Over one-half of the investment portfolios of the banking operations is invested in government securities and securities guaranteed by governments. The banking investment portfolio itself is approximately one quarter of total banking assets, which management believes provides a buffer in the event of potential liquidity problems.

The final line of defense in liquidity risk management is in irrevocable lines of credit. This provides funding sources even during times of possible financial distress.

Insurance

Market Risk

Market risk is the potential for loss resulting from unfavorable market movements which can arise from trading or holding positions in financial instruments. The most common example is that of a potential loss in the value of a bond due to a change in interest rates. 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. Within Fortis the actuarial, investment and ALM departments work together to model the influence of market conditions on investments and insurance products, to allow the best possible investment strategy to be selected.

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 as of December 31, 2001 the sensitivity of its result before taxation to parallel shifts in the yield curve of 100 basis points up or down. The sensitivity analysis indicates that for 2001 the impact was negligible.

Regarding the sensitivity to shares and real estate within the insurance segment, the sensitivity tests as of December 31, 2001 show that a 40% decline in the price of shares held in the insurance segment investment portfolios would reduce the net equity in the segment by 43%. A 10% decline in real estate prices would reduce insurance segment net equity by 3%.

Actuarial Risk

Actuarial risk arises in connection with the adequacy of insurance premiums and reserves to meet the obligations incurred through the sale of insurance policies. Underwriting risk relates to the process in which applications submitted for insurance coverage are reviewed and it is determined whether the coverage being requested for a specified premium will be provided, as well as the pricing of such risk. The actuarial departments within the operating units of Fortis are responsible for evaluating and managing these insurance risks, as well as sharing responsibility with other departments for investment policies (see “—General”), underwriting policies, and product pricing. Fortis’ actuarial departments regularly assess the adequacy of premium rates and technical provisions.

The factors taken into consideration in the pricing of insurance vary by product, according to the coverage and benefits offered, but in general include such items as:

- expected claims to be made by and expected benefits to be paid to policyholders
- the level and nature of uncertainty associated with the expected benefits (this includes analysis of claims statistics as well as consideration of the evolution of jurisprudence, the economic environment and demographic trends)
- other costs of producing the relevant product, such as distribution, marketing, policy administration, and claim administration costs
- capital market conditions, reflecting the time value of money
- insurance market conditions, notably competitor pricing of similar products.

Underwriting policies rely on review procedures with actuarial personnel, in which actual loss experience is examined. Claims statistical analysis tools in each line of business are systematically employed to refine underwriting standards in order to improve loss experience.

Management believes that Fortis' actuarial departments have consistently established conservative technical provisions. The appointed independent actuaries of each Fortis company have given unqualified opinions regarding the adequacy of technical provisions as of December 31, 2001. See "— Non-Life Insurance Provisions; Establishment of Claims Provisions".

Where appropriate, Fortis operating units also enter into reinsurance contracts to limit exposure to underwriting losses. In property and casualty lines, the predominant use of reinsurance is intended to manage exposure to weather related events, natural catastrophes, events involving multiple victims, catastrophic fires, nuclear accidents and general liability. The selection of reinsurance companies is based on criteria related to solvency and reliability and, to a lesser degree, diversification—the spreading of risk across counterparties—as well as developing strong relationships with Fortis' reinsurance partners for the sharing of risks. Fortis has particularly strong relationships with the reinsurance companies Munich Re and Swiss Re, both of which are shareholders of Fortis. Fortis' transactions with Munich Re and Swiss Re are on an arm's-length basis. Fortis Reinsurance was established in 1999 to coordinate ceded reinsurance, so that the benefits of spreading risk across different industries and geographic regions are realized throughout the Fortis group.

Non-Life Insurance Provisions; Establishment of Claims Provisions

In accordance with industry and accounting practices and applicable insurance laws and regulatory requirements, Fortis' non-life companies establish provisions for payment of claims and claims expenses for claims that arise from their respective non-life insurance policies. In general, Fortis companies establish claims provisions by product, coverage and year.

Claim provisions (also referred to as loss provisions) fall into two categories: provisions for reported claims and claims expenses and for incurred but not yet reported claims and claims expenses.

Provisions for reported claims and claims expenses are based on estimates of future payments that will be made in respect of reported claims, including the expenses relating to the settlement of such claims. Such estimates are made on the basis of the facts available at the time the provision is established. These provisions are established on an undiscounted basis to recognize the estimated costs necessary to bring all pending reported claims to final settlement, taking into account inflation, as well as other factors which can influence the amount of provisions required, some of which are subjective and some of which are dependent upon future events. Consideration is given to historical trends of disposition patterns and loss payments, pending levels of unpaid claims and types of coverage. In addition, court decisions, economic conditions and public attitudes affect the estimation of provisions, as well as the ultimate costs of claims.

As time passes between when a claim is reported and final settlement of the claim, circumstances can change which may require established provisions to be adjusted either upward or downward. Items such as changes in law, results of litigation and changes in medical costs, costs of motor and home repair materials and labor rates can substantially impact claim costs. Accordingly, claims and provisions are reviewed and reevaluated on a regular basis. Amounts ultimately paid in claims and claims expense can vary significantly from the level or provisions originally set.

Provisions for incurred but not yet reported claims and claims expenses are established on an undiscounted basis to recognize the estimated cost of losses that have occurred but about which Fortis has not yet been notified. The provision, like the provision for reported claims and claims expenses, is established to recognize the estimated costs, including expenses, necessary to bring claims arising out of losses to final settlement. Since nothing is known about the occurrence, Fortis must rely upon its historical information to estimate the incurred but not yet reported claims and claims expense liability.

Product line and coverage perform the analysis. Late reported claim trends, claim severity, exposure growth and other factors are used in projecting the provision requirements. These provisions are also revised as additional information becomes available and claims are made.

The time required to learn of and settle claims is an important consideration in establishing provisions. Short-tail claims, such as motor damage and property damage claims, generally are reported within a few days or weeks and are settled shortly thereafter. Resolution of long-tail claims, such as bodily injury, can take years to complete. For long-tail claims, due to the nature of the loss, information concerning the event, such as required medical treatment, may not be readily obtainable. In addition, the analysis of long-tail losses is more difficult, requires more detailed work and is subject to greater uncertainties than short-tail losses.

Local regulation in some countries also permits the establishment of catastrophe equalization provisions. Such provisions defer a portion of income with respect to a line of business to future periods in which catastrophic losses might occur (as a result of such factors as hail, nuclear incidents, storms, freezes and pollution) in that line of business.

Adequacy of Provisions. On the basis of Fortis' internal procedures which analyze, among other things, Fortis' experience with similar cases and historical trends, (such as reserving patterns, exposure growth, loss payments, pending levels of unpaid claims and product mix, as well as court decisions and economic conditions) management believes based on information currently available that Fortis' non-life claims provisions are adequate. Claims provision estimates are regularly reviewed and updated, using the most current information.

Any adjustments resulting from changes in provision estimates are reflected in current results of operations. However, because the establishment of claims provisions is an inherently uncertain process, there can be no assurance that ultimate losses will not exceed existing claims provisions.

Credit Risk

Like Fortis' banking operations, Fortis' insurance operations also face credit risk, or the risk that financial counterparties may default on their obligations to Fortis and cause such units to suffer a loss. For the insurance operations this risk relates primarily to counterparty risk in the insurance investment portfolios. This type of risk is minimized by applying strict credit worthiness criteria to Fortis' investments in the public and private sectors, by limiting the amount that can be invested in any one business and by diversifying geographically and across businesses. For the Benelux countries, a large portion of the insurance investment portfolio is invested in fixed-income securities that are directly guaranteed by sovereign governments, thus reducing credit risk.

The following table shows the credit risk relating to the private and public sectors and to banks for the years indicated.

(€ millions)	Year Ended December 31,		
	2001	2000	1999
Relating to the private sector:			
Mortgage loans, individuals	9,754	8,138	5,023
Corporate debentures	6,885	7,248	5,650
Other	8,841	9,840	6,421
Total relating to the private sector	25,480	25,226	17,094
Relating to the public sector	19,118	17,618	15,682
Relating to banks	7,713	5,793	4,091
Total credit risk ⁽¹⁾	52,311	48,637	36,867

(1) Consists of debt securities (investments), loans to credit institutions and customers. The valuation principles are described in Note 4 to the Notes to Fortis consolidated financial statements, "Principles of valuation and profit determination".

Liquidity and Solvency Risk

The investment, actuarial and ALM departments of the insurance operating units jointly bear responsibility for managing liquidity risk. Liquidity risk is defined as the potential inability to fund illiquid assets. The illiquid investments of the insurance operations include real estate investments, private loans, and certain investments in non-listed equity and debt securities. Because of the importance of the capital markets as a potential source of finance, liquidity risk is closely linked to solvency and creditors' confidence in Fortis' ability to meet its commitments. Fortis uses stress tests and other contingency analyses to monitor the solvency of the insurance sector. The funding sources are primarily insurance products, many of which have terms which penalize or prohibit early surrender, thus ensuring continued access to these funds.

The solvency levels of the group are carefully monitored in order to avoid a potential liquidity problem. Fortis uses stress tests and other "what if" analyses to monitor the solvency of the insurance sector. Fortis' policy is to maintain at least 175% of regulatory minimum capital requirements, taking into account the banking capital requirements and the effect of the capital structure at the group level. See "Operating and Financial Review and Prospects—Liquidity and Capital Resources—Insurance Cash Flows—Solvency Margins and Capital Requirements".

Risks Common to Banking and Insurance Operations

Operational and Legal Risk

Operational risk can result from any of the following: failure to obtain proper internal authorizations, failure to properly document transactions, equipment failures, fraud, inadequate training or errors by employees. Operational losses include losses due to a failure of internal controls, personnel unavailability or injury and external events relating to natural disasters or the failure of external systems.

Fortis monitors operational risks largely at the subsidiary level, by means of methodologies, regulations and recommendations. The different businesses within the insurance operations and various businesses and countries within the banking operations are responsible for managing their own operational risks. The CRM department of Fortis Bank ensures that the different businesses manage operational risk in a uniform manner and manages risks that cross businesses. The goal in the longer term is to handle all operational risks in an economically equivalent manner. The priority, however, is to investigate the continuity plans of each unit around the world. At the same time, the existing own-risk insurance programs are being adjusted internationally. Risk in the field of e-commerce is also being closely monitored.

Legal risk includes the possibility that transactions may not be enforceable under applicable law or regulation and the possibility that changes in law or regulation could adversely affect Fortis' position. The risk is greater with respect to derivative financial instruments as applicable law is relatively recent and in some cases incomplete. Fortis manages legal risk by seeking to ensure that transactions are properly authorized and by submitting new or unusual transactions to its external legal advisors for review.

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. Annually, a consolidated report on compliance is drawn up and discussed with the Audit Committee.

Group Financial Transactions

Fortis N.V. and Fortis SA/NV may incur debt from time to time in order to finance investments in group companies. Because this practice affects the creditworthiness of Fortis, the impact of this borrowing is monitored carefully within the finance department at the corporate center. At year end 2001, the amount of Fortis N.V. and Fortis SA/NV debt outstanding was approximately €1.3 billion, which mainly relates to outstanding convertible notes. The level of debt of Fortis N.V. and Fortis SA/NV is considered in solvency management by deducting it from available equity prior to jointly testing for the solvency limits established for banking and insurance operations.

The terms and conditions of this debt financing are determined by taking into account the existing market risk exposures of the group, and by comparing potential borrowing costs. Fortis attempts to minimize the impact of group borrowing on the market risk of the group.

Business

Overview

Fortis is an international financial services provider active in the fields of insurance, banking and asset management. Fortis has strong roots in the Benelux countries (Belgium, The Netherlands and Luxembourg) and has particular strength in delivering insurance products through its banking distribution network of bancassurance. Outside its home market, Fortis concentrates on selected market segments in Europe, Asia and the United States. In the United States Fortis has operations through Fortis, Inc., primarily in specialty insurance.

Fortis ranks as one of the two largest providers of integrated financial services in the Benelux countries in terms of total assets catering to approximately seven million customers through an extensive branch network worldwide and 8,500 insurance brokers. Management believes Fortis is ranked number one in private banking and number two in asset management in the Benelux based on assets under management as of December 31, 2001. In addition, Fortis was Europe's 18th largest financial institution in terms of market capitalization as of December 31, 2001 and was Europe's 18th largest bank in terms of assets as of December 31, 2000.

In December 2001, Fortis completed a unification process that resulted in the creation of the Fortis Share, which represents the twinned shares of the two parent companies, Fortis SA/NV and Fortis N.V. 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.

Fortis' insurance operations contributed approximately 61% to consolidated net profit for 2001 and Fortis' banking operations, which include its asset management operations, contributed approximately 46% to Fortis' consolidated net profit for 2001. The general segment reduced net profit by 7%.

Businesses

Businesses are organized within two distinct pools of activity: one for insurance and the other for banking and asset management. These groupings reflect in part the use of two primary channels for distributing Fortis' products, intermediaries (brokers and agents), and proprietary distribution networks (bank branches). All insurance activities worldwide (other than bancassurance, which will remain under the banking group), have been aggregated to form the building blocks of a single, Netherlands-based, insurance group, headed by Fortis Insurance N.V.

- *Insurance Belgium and International:* this business serves independent insurance intermediaries in Belgium and insurance intermediaries/bancassurance internationally (other than The Netherlands, Belgium and the United States);
- *Insurance Netherlands:* this business serves independent insurance intermediaries in The Netherlands; and
- *Insurance United States:* this business primarily serves insurance customers in the United States.

Substantially all of Fortis' banking and asset management activities have been integrated into Fortis Bank. Fortis Bank is now at the head of Fortis' combined banking operations and the separate banks are managed as an integrated banking group.

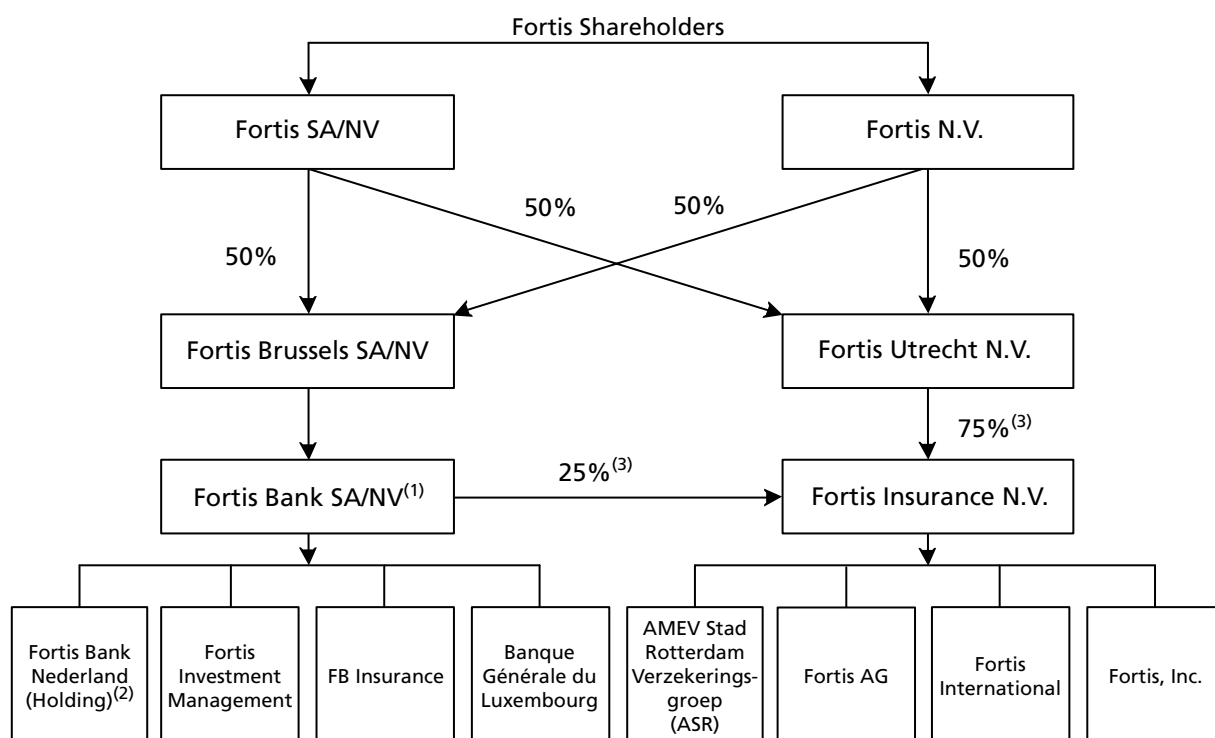
- *Network Banking:* this business serves retail customers including individuals, professionals and small enterprises, as well as medium-size and large enterprises. As an integrated bancassurer FB Insurance forms part of the business line Network Banking although for financial reporting purposes FB Insurance's results are included in the insurance segment;

- *Merchant Banking*: this business serves institutional and professional customers as well as large enterprises; and
- *Private Banking and Asset Management*: this business serves individuals, institutional investors and institutions as well as the insurance and banking arms of Fortis.

The brand name for substantially all of Fortis' banking activities, Fortis Bank, was introduced in June 30, 2000. The integration of the banking activities is scheduled for completion in 2003.

Fortis believes that this structure ensures the greatest management efficiency, the widest development of commercial opportunities, the most effective integration of businesses and the optimal use of available skills and best practices within Fortis.

The diagram below summarizes the legal structure of Fortis as of December 31, 2001.



(1) Fortis Bank SA/NV is the successor to the merger of Generale Bank and ASLK-CGER Bank.

(2) Fortis Bank Nederland (Holding) is the successor to the merger of VSB Bank, Generale Bank Nederland and MeesPierson.

(3) Fortis Bank SA/NV holds preference shares in Fortis Insurance N.V. Fortis N.V. Utrecht holds 100% of the ordinary shares in Fortis Insurance N.V. The percentage interests included in the table represent voting interest.

Insurance

Fortis offers a comprehensive range of life and non-life insurance products in Belgium and The Netherlands. Fortis' group of Belgian insurance companies is the leading group of insurance companies in Belgium based on 2000 gross premiums written, the most recent year for which such information is available. Fortis believes that its group of Dutch insurance companies, which includes ASR acquired at the end of 2000, ranks as the second largest insurer in The Netherlands based on 2001 gross premiums written based on Fortis' analysis of publicly available information.

Fortis, through Fortis, Inc., also offers a range of life and non-life products in the United States with an emphasis on pre-need, health and credit-related insurance and other specialty markets in which Fortis believes it can achieve leading market shares. Fortis' acquisition of ABI in 1999 significantly increased its operations in the United States. Fortis' divestiture of FFG on April 1, 2001 is consistent with its approach to build and manage a select portfolio of specialty businesses. See "Insurance—United States".

In addition, Fortis offers life and non-life products in a number of other countries around the world, including Spain and the United Kingdom. In Spain, Fortis offers a broad range of products and is the leading provider of life insurance to individuals based on technical reserves as of December 31, 2001.

Fortis' product offerings are more specialized in other countries. In February 2001, Fortis announced a joint venture in bancassurance with Maybank, the largest financial services group in Malaysia. In July 2001 Fortis sold its operations in Australia. In December 2001 Fortis began a life business in China through a 24.9% stake in Tai Ping Life. In February 2002 Swiss Life (France) and Fortis announced they had concluded an agreement on the transfer by Fortis of the holding company Fortis France S.A. to Swiss Life. The main asset of Fortis France S.A. is the life insurance company Fortis Assurances. The transaction is expected to close in the second quarter of 2002.

Banking

Fortis offers a wide range of retail banking, corporate banking, private banking, investment banking and asset management services in the Benelux countries (Belgium, The Netherlands and Luxembourg). Fortis offers a more selective range of financial products outside the Benelux. As of March 2000, Fortis began offering most of its banking services under the core brand name Fortis Bank. Fortis Bank consists principally of the predecessor banks:

- Generale Bank, Belgium's largest bank in terms of total assets when acquired in 1998
- ASLK-CGER Bank, Belgium's fifth largest bank in terms of total assets at December 31, 1998
- the retail banking operations of VSB Bank NV (The Netherlands)
- the retail and corporate banking operations of Generale Bank Nederland N.V. (The Netherlands)
- the specialized investment, corporate and private banking and asset management operations of MeesPierson N.V. (The Netherlands).

In June 1999 Fortis merged ASLK-CGER Bank with Generale Bank to form Fortis Bank and Generale Bank Nederland with VSB Bank to form Fortis Bank (Nederland). MeesPierson merged with Fortis Bank (Nederland) in June 2000.

In Luxembourg, Fortis completed the integration of Banque Générale du Luxembourg (BGL) with Fortis Bank Luxembourg during 2001, and on November 26, 2001 the legal merger between both banks was completed. Fortis had previously increased its stake in BGL from 53.0% to 97.7% in 2000.

As part of its strategic emphasis on customer segments and the structure of Fortis' executive committee where executive committee members are responsible for customer segments, Fortis' banking operations are now organized by businesses serving particular customer segments. See "—Strategic Direction".

Asset Management

Fortis' third party asset management activities are now part of its private banking and asset management business within its banking operations. Through the integration of Fortis' and Generale Bank's asset management business Fortis created Fortis Investment Management (Fortis IM). Fortis IM is an internationally organized fund management group — managing mutual funds for retail distributors, mandates for institutional investors and a portion of the insurance assets of Fortis. Fortis believes that the Benelux asset management operations are the number two asset manager in the Benelux based on assets under management at December 31, 2001 and ranks among the top 10 asset managers in Europe. Fortis IM also has separate asset management activities in the United States and in Asia.

History of Fortis

Fortis was created in 1990 when AG Group (now Fortis SA/NV), a large Belgian insurer, and AMEV/VSB (now Fortis N.V.), a large Dutch insurer, merged their respective operations. The parent companies, Fortis SA/NV and Fortis N.V., remain separate legal entities. At the time of the merger, Fortis SA/NV held a strong position in the Belgian insurance market and was a market leader in various sectors but had a fairly restricted international presence and only minimal banking interests, while Fortis N.V. held a relatively strong position in the Dutch insurance market and enjoyed a fairly strong international insurance position. Since the merger, the operating businesses of Fortis have been managed together. Fortis is not a legal entity but collectively refers to Fortis SA/NV and Fortis N.V. and the group of companies owned and/or controlled by Fortis SA/NV and Fortis N.V.

Since its formation, Fortis has grown significantly through both organic development and acquisitions. In 1991, Fortis acquired the Mutual Benefit Life group disability and life portfolio in the United States, which strengthened its position in these sectors. Fortis also acquired Interlloyd, a Dutch insurance company, in 1991. The following year, Fortis entered into a joint venture with one of Spain's leading banks, La Caixa. The subsidiaries of this joint venture (known as CAIFOR) are SegurCaixa, a non-life insurer in which Fortis holds a 60% interest, and VidaCaixa, a life insurer in which Fortis holds a 40% interest, which distribute their products through the bank branches of La Caixa.

In 1997, Fortis acquired three insurance companies in the United States in specific market segments, and one insurance broker in the United Kingdom. In 1998, Fortis completed the acquisition of John Alden, an independent provider of health insurance and services for small businesses in the United States. In 1998, Fortis also completed the acquisition of Pierce National Life Insurance Company, a U.S. pre-arranged funeral insurance company. In May 1999 Fortis strengthened its personal line product offering in the UK with the purchase of Northern Star and in August 1999, Fortis acquired ABI, a leading U.S. credit-related insurer. In July 2000, Fortis acquired American Memorial Life Insurance Company and remains one of the largest providers of prepaid funeral insurance in the United States. At the end of December 2000, Fortis made its most significant acquisition in The Netherlands with the purchase of ASR. In January 2001, Fortis announced the sale of FFG in the United States, which sale was completed April 1, 2001. In July 2001, Fortis agreed to acquire Protective Life Corporation's dental benefits division and acquired CORE, Inc., a leading provider of employee absence management in the United States and a provider of disability reinsurance and management services to insurance carriers. See "Insurance—United States—Overview". In April 2001 ASR and AMEV Nederland were merged to form AMEV Stad Rotterdam Verzekeringsgroep (ASR) N.V. In October 2001, Fortis announced its acquisition of 24.9% of Tai Ping Life, a Chinese life insurance company that has a nationwide licence for selling life insurance products in the People's Republic of China. In February 2002, Fortis announced it had concluded an agreement with Swiss Life on the transfer of the holding company Fortis France S.A. The main asset of Fortis France S.A. is the life insurance company Fortis Assurances.

As a result of the foregoing developments, Fortis is now the largest insurer in the Benelux region and the second largest insurer through intermediaries in The Netherlands (based on consolidating each insurer's 2001 activities and our comparing the consolidated activities to other insurers' publicly available information for 2001).

Fortis has also strengthened its Benelux banking activities since 1990 through acquisitions. In 1993, Fortis acquired a controlling interest in ASLK-CGER Bank, thus substantially broadening and strengthening Fortis' banking and bancassurance activities and expertise in Belgium. Fortis increased its stake in ASLK-CGER Bank in 1997 through the acquisition of an additional 25% interest in 1997 and acquired the remaining approximately 25% of ASLK-CGER Bank from the Belgian government in January 1999. In 1995, Fortis, through ASLK-CGER Bank, acquired CI-KN Bank, a Belgian retail bank, which was fully merged into ASLK-CGER Bank in 1997.

At the beginning of 1997 Fortis acquired The Netherlands-based merchant bank MeesPierson. This acquisition significantly strengthened Fortis' private, corporate and investment banking activities. It also provided Fortis with a major increase in the level and scope of its asset management activities.

In July 1998, Fortis acquired Generale Bank. This acquisition, which was the most significant in Fortis' history, is given effect under GAAP in accordance with Belgian law as if it had been completed on January 1, 1998. ASLK/CGER and Generale Bank were merged to formally create Fortis Bank in June 1999. In 2000, Fortis strengthened its position in the Benelux by increasing its stake in BGL from 53.0% to 97.7%.

In April 2000, Fortis Bank exercised its option to buy the remaining 70% of the shares in the Spanish bank Beta Capital, of which it had owned 30% since 1999. Beta Capital, whose head office is in Madrid, is primarily engaged in private banking and brokerage in the Spanish market. In September 2000, Fortis Bank increased its stake in Bank Belgolaise from 60% to almost 100% after a successful public offer. In February 2001, Fortis entered into a bancassurance joint venture with Maybank, Malaysia's largest bank. In November 2001, Fortis and Haitong Securities, one of the largest securities companies in China signed a Strategic Alliance Agreement in investment management. In April 2002, Fortis announced an agreement in principle to acquire Intertrust Group, an international trust and corporate management organization. The activities of Intertrust and the trust activities of MeesPierson will be merged. The transaction is expected to be finalized in the second quarter of 2002.

Fortis expects that in the near term the European financial services sector will consist of fewer and larger institutions operating on a Europe-wide basis with strong positions in banking, insurance and asset management. The management of Fortis believes that Fortis remains at the forefront of this consolidation process. Fortis believes that its position as the leading provider of integrated financial services in its Benelux home base provides Fortis with a strong foundation for expansion outside the Benelux. As such, Fortis has a solid platform for further international growth, particularly in Europe, the United States and Asia as more fully described under "—Strategic Direction".

To leverage the Asia strategy, a CEO has been appointed for Fortis Asia. He is responsible for the development and management of Fortis banking and insurance operations in Asia.

Fortis also made a number of divestitures during this period of companies that did not meet its investment criteria, including its Hong Kong insurance operations, U.S. motor insurance, U.S. variable life insurance and annuity business, its Australian insurance operations, life insurance in the United Kingdom and Denmark, non-life insurance in France and Ireland and its operational car lease business. See "—Strategic Direction".

The Activities of Fortis

As a result of its acquisitions and divestments, as well as organic growth, Fortis' profile has changed considerably over the past ten years. Fortis has developed from primarily an insurance company operating in the Benelux with a few international operations into an insurance, banking and asset management group with its core markets remaining in the Benelux and more significant international operations.

Although Fortis is now managing its activities along functional and business lines (insurance and banking and asset management), as well as through the customer focused business units as outlined above, its activities remain centered in three core regions: the Benelux, United States and the Rest of World. The following table shows the relative contributions of Fortis' combined operations by geographic segment and split between insurance and banking for 1992 and 2001.

Breakdown of Operations

(€ millions, except percentages)	Year Ended December 31,			
	1992 Operating Result Before Taxation	1992 Operating Result Before Taxation as a % of Fortis	2001 Operating Result Before Taxation	2001 Operating Result Before Taxation as a % of Fortis
Insurance:				
Belgium.....	174	33%	554	16%
The Netherlands.....	167	32%	676	19%
Luxembourg.....	3	1%	8	—
Total Benelux.....	344	66%	1,239	35%
United States.....	148	29%	300	9%
Rest of World.....	21	4%	129	4%
Total Insurance.....	513	99%	1,667	48%
Banking:				
Belgium.....	(5)	(1)%	798	23%
The Netherlands.....	74	14%	273	8%
Luxembourg.....	—	—	441	13%
Total Benelux.....	69	13%	1,512	43%
United States.....	—	—	88	3%
Rest of World.....	—	—	398	11%
Total Banking.....	69	13%	1,999	57%
General ⁽¹⁾	(63)	(12)%	(172)	(5)%
Total.....	519	100%	3,493	100%

(1) Consists of income and charges which are not attributable to the insurance or banking sector or to a specific region. Also includes interest payable.

Fortis Management Structure

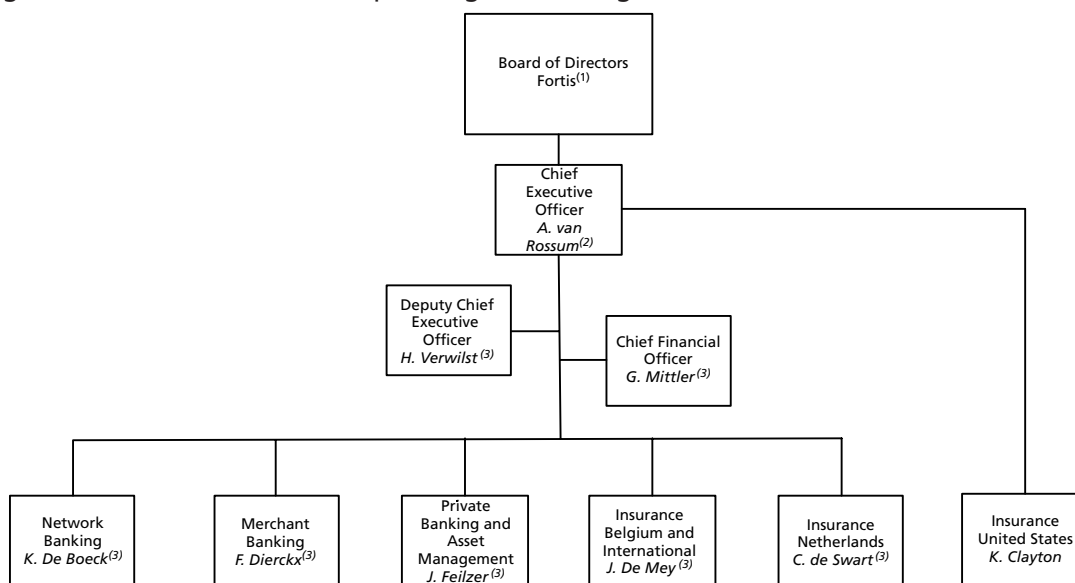
The management structure of Fortis provides full unity of management within Fortis and as such contributes to transparency and management efficiency.

The Board of Directors of Fortis is responsible for the general strategy of Fortis. An eight-member Executive Committee is responsible for the day to day management of Fortis and implements the Group strategy, proposes options for further development of the Group to Fortis' Board of Directors, stimulates the cross transfer of best practices and implements synergies within Fortis. See "Management".

The management structure of Fortis can be summarized as follows:

- one board, with the Boards of Directors of the Parent Companies identically composed of the same members. The Chief Executive Officer is the only board member holding an executive position;
- one Chief Executive Officer (with the appointment of Anton van Rossum as of September 1, 2000); and
- one Executive Committee, chaired by the Chief Executive Officer responsible for the day-to-day operations of Fortis with Executive Committee members responsible for the businesses of the Fortis Group.

The diagram below outlines Fortis' operating and management structure.



(1) Members of Board of Directors of Fortis are also directors of Fortis N.V. and Fortis SA/NV and the sub-holding companies, Fortis Utrecht N.V. and Fortis Brussels SA/NV, under which Fortis operates its insurance and banking and investment businesses.

(2) Mr. van Rossum is a member of the Fortis Board of Directors and Chairman of the Executive Committee.

(3) Member of the Executive Committee.

Fortis Utrecht N.V. and Fortis Brussels SA/NV

Fortis Utrecht N.V. and Fortis Brussels SA/NV are the sub-holding companies of Fortis N.V. and Fortis SA/NV. They

- are separate legal entities from Fortis N.V. and Fortis SA/NV
- hold substantially all of the assets of the Fortis group
- are subject to regulation by governmental bodies and
- produce separate financial statements which are deposited with governmental bodies.

Unification and the Fortis Share

In December 2001 Fortis unified the separately listed shares of Fortis (NL) and Fortis (B) Shares into a single listed security, the Fortis Share, comprising one ordinary share in Fortis SA/NV twinned with one ordinary share in Fortis N.V., the legal successors to Fortis (B) and Fortis (NL), respectively. One Fortis Share represents one ordinary share in each of the parent companies, including any rights attached thereto.

The Fortis Share is listed on the Primary Market of Euronext Brussels and on the Official Segment of the stock market of Euronext Amsterdam. A secondary listing for the Fortis Share is maintained on the Luxembourg Stock Exchange. Fortis also has a sponsored over-the-counter ADR program for Fortis Shares in the United States.

Strategic Direction

Goals

Since Fortis' formation in 1990, Fortis has built leadership positions in its home market of the Benelux, in life and non-life insurance, retail banking and banking for small and medium-sized enterprises, private banking, asset management and certain merchant banking activities.

Having completed the acquisition of ASR in December 2000, Fortis' primary attention has shifted from consolidating its position in its Benelux home markets through acquisitions to growing into a single strong efficient customer focused company, focusing on core businesses and developing solid growth platforms in Europe, the United States and Asia.

Fortis' goal is to become the preferred supplier of financial services in its chosen markets. To achieve this, Fortis is now organized around specific customer focused "Businesses". Each Business is given substantial autonomy to develop its own strategy and growth.

Competitive Strengths

Fortis believes that there are certain characteristics that set it apart from its competitors in its core Benelux markets and which contribute generally to its strength.

- Fortis has a clear strategy focused on the growing savings market in the Benelux. This strategy is designed to reach its existing and expanding customer base by offering many products using multiple channels of distribution, with a particular emphasis on its strength in bancassurance, where Fortis intends to leverage its success.
- Fortis' market position in banking and insurance in the Benelux countries has provided it with stable earnings and cash flow. This has enabled it to finance its strategy of strengthening its home market position while expanding selectively internationally.
- Fortis has been able to increase or maintain its market share in the Benelux despite intense competition. The acquisition of Generale Bank significantly enhanced its market position in banking and asset management in the Benelux. It has also broadened its distribution channels in its core Benelux markets and increased the scale of its operations internationally, particularly in Europe and Asia. Fortis' acquisition of ASR further strengthened the group's position in its core Benelux markets.

In addition to its strong position in its domestic markets, Fortis has followed a strategy of selective expansion outside the Benelux, principally focused on credit-related insurance and a number of other specific specialty insurance market segments in the United States. In other international markets, Fortis' main focus has been on insurance, while the MeesPierson and Generale Bank acquisitions have contributed to the expanded scope of Fortis' international banking activities.

Fortis' stated strategic objectives consist of improving significantly its home market performance, exploring European leadership opportunities and expanding Fortis' presence in selected regions around the world.

In order to implement its stated objectives, there are three basic principles underlying the strategic direction of Fortis:

- reinforcing Fortis' position in the Benelux by focusing on serving customers and reducing costs;
- using Fortis' Benelux platform to expand in certain businesses in Europe with a focus on the development of asset gathering activities; and
- diversifying Fortis' business development through development in Asia and the United States.

Achieve Financial Targets

Fortis has pursued and will continue to pursue its stated strategic objectives within the overall context of providing sustainable high value creation for its shareholders. In this regard, Fortis has stated minimum financial targets relating to annual earnings growth and returns on equity.

Fortis' minimum financial targets include at least a 12% growth in net operating profit per share and at least 15% return on equity. The table below shows net profit growth, net operating profit growth per share and return on net equity since 1998. However, Fortis can provide no assurance that it will be able annually to meet or exceed its minimum financial targets.

	Year Ended December 31,			
	2001	2000	1999	1998
Net profit growth	(6%)	19%	24%	46% ⁽⁴⁾
Net operating profit growth per share ⁽¹⁾	(9.8)%	13.5%	—	—
Return on equity ⁽²⁾	17.9%	20.0%	18.7%	16.4% ⁽³⁾

(1) Since Fortis only began publishing net operating profit figures in 2000, net operating profit growth per share for earlier periods is not available.

(2) Return on net equity consists of combined net profit as a percentage of average net equity, on a basis of GAAP prepared in accordance with Belgian law.

(3) Compared to pro forma 1997, which gives effect to a restructuring implemented in 1998 and the acquisition of Generale Bank.

(4) Growth versus pro forma 1997.

Set forth below is net operating profit and non-operating items for the years ended December 31, 2001, 2000 and 1999.

(€ millions)	Year Ended December 31,		
	2001	2000	1999
Net operating profit	2,267	2,356	1,963
Non-operating capital gains:			
Suez (Insurance)	263	149	—
Euronext (Banking)	—	99	—
Nationale Investeringsbank (Insurance)	—	—	98
Tractebel (Insurance)	—	—	255
Fortis Financial Group (Insurance)	36	—	—
Australia (Insurance)	46	—	—
Kempen & Co (Insurance)	80	—	—
Liffe Seats (Banking)	11	—	—
SES Global (Banking)	75	—	—
Release of millennium provisions:			
Insurance	—	70	—
Banking	—	94	—
Reorganization reserves ⁽¹⁾ :			
Insurance	(57)	—	—
Banking	(151)	—	—
General	(3)	—	—
Change in tax rate Luxembourg	31	—	—
Non-operating items after taxation	331	412	353
Net profit	2,598	2,768	2,316

(1) These amounts relate to a personnel reduction plan. These reductions will be achieved through early-retirement plans.

Insurance

Fortis offers a comprehensive range of life and non-life insurance products in the Benelux countries of Belgium and The Netherlands. Fortis' group of Belgian insurance companies is the leading group of insurance companies in Belgium based on 2000 gross premiums written. In The Netherlands, the Fortis group of Dutch insurance companies is the second largest insurer (based on Fortis' review of publicly available information) based on 2001 gross premiums written.

Fortis also offers a range of life and non-life products in the United States with an emphasis on pre-need, health, credit-related insurance and other specialty markets where Fortis believes it can achieve significant market shares. In addition, Fortis offers life and non-life products in Luxembourg and a number of other countries around the world, including Spain, the United Kingdom, Singapore, Malaysia and China. Fortis sold its Australian operations in July 2001 and recently entered into an agreement to sell its life insurance operations in France. With the exception of Spain, where Fortis offers a broad range of life and non-life products, Fortis' product offerings in other countries are more specialized.

Benelux

Fortis estimates that it is the largest group of insurance companies in the Benelux based on 2000 gross premiums written. The following table shows the contribution of insurance in the Benelux to Fortis' overall insurance results and to Fortis' results as a whole as of and for the year ended December 31, 2001.

(€ millions, except percentages)	Year Ended December 31, 2001				
	Benelux Insurance	Fortis Insurance	Benelux Insurance as a % of Fortis Insurance	Fortis	Benelux Insurance as a % of Fortis
Operating result before taxation	1,239	1,667	74%	3,493	35%
Gross life premiums	7,606	10,682	71%	10,682	71%
Gross non-life premiums	2,991	10,932	27%	10,932	27%
Assets	75,685	109,937	69%	482,970	16%

Belgium

Overview

Fortis has two major operating insurance companies in Belgium:

- Fortis AG (formerly AG 1824), distributes life and non-life products exclusively through independent professional brokers.
- FB Insurance, a 100% subsidiary of Fortis Bank, distributes both life and non life products, primarily to individuals and small companies, through the over 1,900 branch network of Fortis Bank. FB Insurance is the largest bancassurer in Belgium.

Fortis' strategy is to maintain its leading position in the Belgian insurance market by:

- fully exploiting its strong distribution expertise in both the broker and bancassurance channels, as well as developing systems and technology in order to maintain its competitive edge in the "direct" tele-sales channel;
- providing innovative and effective products to its key individual and group customer bases, focusing on (1) maintaining Fortis AG's leading position with the independent broker distribution channel, both for life and non-life products and (2) maintaining FB Insurance's leading position by growth in the bancassurance distribution through individual pensions and savings products and through retail non-life products; and

- increasing the penetration of the former Generale Bank customer base.

According to the Belgian Insurance Company Association, the Belgian insurance market had approximately €20,053 million of total premiums written in 2000 of which approximately €7,121 million were non-life premiums, primarily motor, household and liability policies. Individual life policies, mostly term insurance, pensions and savings products, accounted for the largest segment, approximately €10,058 million of premiums. Group life, primarily companies' occupational pension schemes, accounted for the remaining €2,874 million.

The following table shows the contribution of insurance in Belgium to Fortis' insurance results in the Benelux as of and for the year ended December 31, 2001.

(€ millions, except percentages)	Year Ended December 31, 2001		
	Belgium Insurance	Benelux Insurance	Belgium Insurance as a % of Benelux Insurance
Operating result before taxation	554	1,239	45%
Gross life premiums	3,693	7,606	49%
Gross non-life premiums ⁽¹⁾	1,061	2,991	35%
Assets	32,060	75,685	42%

(1) Belgium Insurance includes the Belgian activities of Fortis Corporate Insurance.

Fortis is the largest provider of individual life and the second largest provider of group life insurance in Belgium based on gross premiums written, with a market share of approximately 38% and 23%, respectively, in 2000, the most recent year for which Belgian industry data is available. FB Insurance is itself the largest provider of individual life products in the Belgian market, with a market share of 30% in 2000, primarily due to the success of its bancassurance distribution channel. Fortis is also the second largest provider of non-life insurance in Belgium based on gross premiums written, with a market share of approximately 14% in 2000.

Products

The following table sets forth Fortis' Belgian gross premium income by product for the periods indicated.

(€ millions)	Year Ended December 31,		
	2001	2000	1999
Life			
Individual and group contracts	1,859	1,546	1,595
Investment-linked contracts ⁽¹⁾	1,834	2,942	1,718
Total gross premiums life	3,693	4,488	3,313
Non-life			
Fire	325	309	314
Motor	292	278	256
Accident and Health	271	258	253
Other ⁽²⁾	173	169	158
Total gross premiums non-life	1,061	1,014	981
Total gross premiums Belgium	4,754	5,502	4,294

(1) Includes policies where investment is at the risk of the policyholder.

(2) Includes protection for engineering and building projects, cargo insurance, third party liability insurance (excluding motor), legal assistance and protection against pecuniary loss.

Life Products

Fortis' life insurance products consist of a broad range of participating (with profit sharing) and non-participating (without profit sharing) policies written for both individual and group customers. Participating policies share in either the results of the issuing company or investment returns on specified assets. In recent years, an increasing number of Fortis' policies consist of policies that participate in the investment return of a specified investment fund, consistent with the trends in the Benelux market.

Individual. Fortis' individual life products include a variety of endowment, pure endowment, term and whole life and universal life type insurance policies designed to meet specific market needs. Fortis offers single and regular premium policies used primarily for the funding of individual retirement benefits. Due to the fiscal segmentation, most of the benefits under these policies are payable at age 60 to 65 or on premature death.

Fortis' tax-advantaged mortgage funding products include regular premium endowment policies, as well as policies that combine term insurance and savings features. Regular premium endowment policies are also marketed as savings products or sold in connection with residential mortgages. In addition, through its bancassurance distribution channel, Fortis offers investment products such as insurance bonds. Fortis AG individual life products are mostly "universal life", offering investment style products, both unit-linked and non-unit-linked.

Fortis also offers investment-linked insurance policies, where the policyholder bears the investment risk. Premiums are invested in investment funds chosen by the policyholder and the return on the investments is reinvested in the fund on behalf of the policyholder. An optional death benefit at specified levels is offered as well. Policy terms allow the policyholder to switch periodically among funds.

The following table sets forth certain data with respect to Fortis' Belgian life insurance premiums by type of policy for the periods indicated.

(€ millions, except percentages)	Year Ended December 31,					
	2001		2000		1999	
Regular premiums	1,154	31%	1,513	34%	933	28%
Single premiums	2,539	69%	2,975	66%	2,380	72%
Total gross premiums life Belgium	3,693	100%	4,488	100%	3,313	100%
Non-participating	522	14%	93	2%	377	11%
Participating	1,337	36%	1,454	32%	1,218	37%
Fortis bears investments risk	1,859	50%	1,547	34%	1,595	48%
Policyholder bears investment risk	1,834	50%	2,941	66%	1,718	52%
Total gross premiums life Belgium	3,693	100%	4,488	100%	3,313	100%

Group. Fortis' group life policies are designed to fund private pension benefits offered by a wide range of businesses, public authorities and institutions to their employees as a supplement to government provided benefits. These benefits include sums assured by life or death, annuities, disability benefits and spouses' and orphans' benefits. For large groups, customized policies are offered to meet the needs of individual employers. For other groups, standardized policies providing specified benefits are offered.

Legally different types of group policies are "traditional" group insurance, key man insurance, early retirement pensions and public sector pensions. Fortis currently offers three different group products. The first consists of contracts with guaranteed interest increased by a profit sharing whereby at year-end the policyholder's return is calculated by assuming that related policy investments were made in a hypothetical portfolio of government bonds. The second group product consists of contracts with a guaranteed interest rate whereby profit sharing is based on the return on a segregated portfolio of investments. These investments are managed separately from other

investments and Fortis receives a related management fee. The third type consists of contracts without a guaranteed interest rate whereby the policyholder bears investment risk and the return on the portfolio in which premiums are invested are solely for the benefit of the policyholder. Here Fortis also receives a related management fee.

The following table sets forth certain data with respect to Fortis' Belgian group life premiums by type of policy for the periods indicated.

(€ millions, except percentages)	Year Ended December 31,					
	2001		2000		1999	
Fortis bears investment risk	627	98%	646	97%	574	98%
Policyholder bears investment risk	14	2%	18	3%	9	2%
Total gross premiums group life Belgium	641	100%	664	100%	583	100%

Non-Life Products

The following describes the primary non-life insurance products offered by Fortis in Belgium. Non life insurance products issued by Fortis companies in The Netherlands as well as other countries, primarily in Europe, are substantially similar to the products described below.

Fire. Fortis' fire insurance policies provide coverage to both individual and commercial customers. Fire policies generally provide coverage for a variety of losses, including fires, storms, burglary and other perils. Individual coverage is provided on both a single-risk and multi-risk basis, with multi-risk policies providing coverage for loss or damage to dwellings, damage to personal goods, and liability to third parties.

Commercial coverage is provided to Belgian companies for buildings and facilities in Belgium, and includes ordinary and commercial risks. Fortis is the largest provider of fire insurance in Belgium based on gross premiums written, with a market share of approximately 22% in 2000, the most recent year for which Belgian industry data is available.

Motor. The motor policies provided by Fortis in the Belgian market provide coverage to individual and commercial (fleet) insurers for third party liability (including property damage and bodily injury), as well as coverage for theft, fire and collision damage. Belgian law requires that coverage for third party liability be maintained with respect to each licensed motor vehicle. Other coverage, including collision and first party medical, is optional. Belgian law does not require that insurance be maintained for damage suffered by the policyholder, the driver of the vehicle or the vehicle itself. Each of the various types of coverage provided by Fortis is available with deductibles, which enables policyholders to reduce the cost of coverage by selecting higher deductible amounts. Policies are generally written for a minimum period of one year.

Motor insurance premium levels are subject to rate regulation in Belgium. In addition, the terms and features offered by Fortis are generally similar to those offered by its competitors in the Belgian market, though slight variations may occur as a result of the multi-channel approach. As a result of these factors, competition in the Belgian motor insurance market is predominantly determined by the client-broken relationship and price. Fortis establishes its premium rates on the basis of its own historical data and pricing and underwriting experience. Premium levels are determined according to numerous variables, including factors related to the age and model of the insured vehicle as well as age, driving record and other factors related to the policyholder. In addition to premium levels, the frequency and severity of loss events affect the results of Fortis' motor business.

Accident and health. Accident and health insurance is provided by Fortis on both an individual and group basis. The types of risks covered by Fortis' accident and health insurance policies include death by accident and temporary and permanent disability. In Belgium, the government's role is decreasing in the field of disability insurance and sick pay, creating new opportunities for insurance companies to provide private-sector coverage for benefits previously provided by the state. Belgian law stipulates that each employer must underwrite an insurance policy ("Workers' Compensation")

to cover employees in case of accidents in the work place or on the way to and from the work place and the employee's home. Unlike most other European countries, in Belgium the private sector rather than the state social security system provide these insurance products. Although provided by the private sector, the levels of premiums are subject to control of the government authorities and the government also exerts administrative control of claims handling.

Other non-life. Other non-life insurance consists of protection of engineering and building projects, cargo insurance, third party liability insurance (excluding motor), legal assistance and protection against pecuniary loss.

Distribution Channels

In Belgium, Fortis distributes its insurance products through two principal distribution channels: the independent professional brokerage channel and bancassurance. Fortis has also developed systems and technology to offer certain insurance products by direct sales, although such market remains relatively small in Belgium. These distribution channels offer products, which are targeted at specific market segments. Products offered through the brokerage channel are generally aimed at customers who require specialized advice. The bancassurance channel generally offers standardized products that together with bank products offer a complete range of financial services to the bank customer.

Independent Brokers

The products offered by Fortis AG are distributed exclusively through a network of more than 3,000 professional independent brokers. The professional independent brokers are individuals or companies, which represent a number of insurance companies in a sale and service capacity as third party contractors. In this respect, Fortis AG competes with other companies that provide financial products and services through independent intermediaries. Fortis AG is the largest provider of insurance products through professional independent brokers in Belgium. Independent brokers are paid on a commission basis and are not employees of the companies they represent. The independent brokers mostly sell both life and non-life insurance products.

Fortis AG supports its professional brokers through nine commercial centers, supported by three management sites offering policy issues and claims handling.

Bancassurance

Bancassurance continues to be a fast growing distribution channel in the Belgian insurance market. Fortis is the leading distributor of insurance in Belgium through the bancassurance distribution channel and in 2000 had a market share of approximately 44% of the bancassurance market. It distributes life and non-life products, primarily to individuals and small enterprises, through over 1,900 branches of Fortis Bank. Although Fortis' bancassurance activities are accounted for in Fortis' insurance segment, they are managed as part of Fortis' banking activities. See "Banking—Customer Segments and Businesses—Network Banking—Distribution".

Competitive Position

The Belgian insurance industry is concentrated among a few large companies, with the five largest insurance groups accounting for over 66% of the market's gross premiums written in 2000, the most recent year for which industry data is available. Fortis companies have a strong position in the Belgian insurance markets but face strong competition in virtually all the products and services they provide. Due to the success of the bancassurance distribution channel, Fortis has a leading share of the individual life market, with an approximate 38% market share based on gross premiums written at the end of 2000.

In non-life, Fortis companies have approximately a 14% market share based on gross premiums written, making it the second largest non-life company in Belgium. The principal competitive factors affecting the life and non-life business of Fortis companies in Belgium are:

- size and strength of distribution channels;
- financial strength and claims-paying ratings;
- price;
- range of product lines, product quality, reputation and visibility in the marketplace;
- quality of service;
- asset management performance, with respect to participating and investment-linked contracts.

In non-life, the principal competitive factor with respect to certain lines, including motor, is price. Because of such price competition, Fortis relies on its historical data and underwriting experience to establish rates. In addition to price, competition in non-life insurance is also based on scope of distribution systems, name recognition and quality of service.

The Netherlands

Overview

Fortis writes and distributes through AMEV Stad Rotterdam, the holding company formed in 2001 following the acquisition of ASR and the legal merger between AMEV and ASR, and its insurance subsidiaries, a broad range of both life and non-life insurance products in The Netherlands. Life premiums accounted for 64% of gross premiums written in 2001 in The Netherlands. Fortis distributes its insurance products in The Netherlands through independent brokers, a direct sales force and bancassurance. With its acquisition of ASR at the end of 2000, Fortis significantly strengthened its position with the independent broker distribution channel, the primary channel for ASR products. The financial data included in the tables below include ASR in 2001 but not for prior years.

Fortis' strategy is to maintain its prominence in the Dutch insurance market by:

- strengthening its position in life insurance markets in close cooperation with specialized intermediaries, focusing on attractive segments of the individual life market and the pensions and employee benefits market;
- selective growth in the non-life market, emphasizing profitability;
- providing innovative and effective products to its customers through independent intermediaries, its own sales force and via bancassurance, exploiting its cross-selling potential.

The Dutch insurance markets are some of the most sophisticated in Europe, with relatively high proportions of life and pensions sales, deregulation, focus on asset management and performance and increasingly competitive distribution channels. Independent brokers still predominate but bancassurance and direct writers are significant and increasing competitive forces.

A high level of competition marks all segments of the insurance market in The Netherlands. This has led to significant margin pressures in this market. The proliferation of niche segments (by geography or by product) has exacerbated this competition, though the combination of low top-line growth, excess capacity and high cost structures, suggests that further consolidation is imminent.

Since the early 1990s, Fortis has taken steps to increase its presence in the Dutch insurance market, while at the same time re-emphasizing profitability as the over-riding objective. The acquisition of Interlloyd in 1991 boosted Fortis' presence in commercial non-life insurance, especially transport. Fortis has also expanded in life and health, buying Falcon Leven NV, the former subsidiary of Eagle Star Assurance Co. Ltd, which specializes in universal life products, and entering an exclusive

cooperation agreement with VGZ, one of the leading Dutch health insurers. Substantially all of the health care group contracts of AMEV have been transferred to VGZ.

Fortis completed its most significant acquisition in the Dutch market when it acquired ASR at the end of 2000. In connection with this acquisition Fortis restructured its Dutch insurance operations to combine the strengths and centralize the management of AMEV Nederland and ASR. The restructuring included merging the operations of these two companies, forming the new holding company, AMEV Stad Rotterdam, under which Fortis now conducts all of its Netherlands insurance activities.

ASR was principally a Dutch insurance group solely active through the independent broker/intermediary channel. The insurance activities of ASR focused on private households and small and medium-sized companies with a wide range of product lines, such as personal financial planning and unit linked/universal life insurance. ASR also offered banking services concentrating on mortgage lending and savings products used as a means for selling life insurance products. ASR distributed its services exclusively through intermediaries.

The table below shows the contribution of insurance in The Netherlands to Fortis' insurance results in the Benelux as of and for the year ended December 31, 2001.

(€ millions, except percentages)	Year Ended December 31, 2001		
	Netherlands Insurance	Benelux Insurance	Netherlands Insurance as a % of Benelux Insurance
Operating result before taxation	676	1,239	55%
Gross life premiums	3,457	7,606	45%
Gross non-life premiums ⁽¹⁾	1,915	2,991	64%
Assets	42,349	75,685	56%

(1) Netherlands Insurance includes the Dutch activities of Fortis Corporate Insurance.

In 2001, Fortis was the second largest provider of insurance products, the third largest provider of non-life insurance and the third largest provider of life insurance products in The Netherlands. Fortis' market position in the Netherlands is based on Fortis review of publicly available data and gross premium income in 2001.

Products

The following table sets forth Fortis' gross premium income in The Netherlands by product for the periods indicated.

(€ millions)	Year Ended December 31,		
	2001	2000	1999
Life			
Individual contracts	1,528	412	411
Group contracts	343	250	238
Investment-linked contracts	1,586	904	818
Total gross premiums life	3,457	1,566	1,467
Non-life			
Fire	323	211	208
Motor	469	213	202
Accident and Health	795	131	118
Other	328	158	152
Total gross premiums non-life	1,915	713	680
Total gross premiums The Netherlands	5,372	2,279	2,147

Life Products

Individual. The individual life products offered by the Fortis insurance companies in The Netherlands are substantially the same as the individual life products offered in Belgium. See “—Belgium—Products—Life Products—Individual”. Fortis also offers products, which have different features or are unique to the Dutch market such as deposit life policies. Under a deposit life policy Fortis administers a savings deposit life insurance plan under which the participants surviving for a fixed period of time participate in the value of the savings deposits and accrued interest at that time. An optional supplementary death benefit is provided by a term insurance policy.

The following table sets forth certain data with respect to Fortis’ individual life insurance premiums in The Netherlands by type of policy for the periods indicated.

(€ millions, except percentages)	Year Ended December 31,					
	2001		2000		1999	
Regular premiums	1,730	50%	1,026	66%	999	68%
Single premiums	1,727	50%	540	34%	468	32%
Total gross premiums life						
The Netherlands	3,457	100%	1,566	100%	1,467	100%
Non-participating	136	4%	184	12%	89	6%
Participating	1,735	50%	477	30%	560	38%
Fortis bears investment risk	1,872	54%	661	42%	649	44%
Policyholder bears investment risk	1,586	46%	905	58%	818	56%
Total gross premiums life						
The Netherlands	3,457	100%	1,566	100%	1,467	100%

Group. The group products offered by the Fortis insurance companies in The Netherlands are substantially the same as the group products offered in Belgium. See “—Belgium—Products—Life Products—Group”. The group policies sold by the Dutch insurance companies are primarily old age and widows pensions sold on both a traditional and investment-linked basis.

The following table sets forth Fortis’ group life premiums in The Netherlands by type of policy for the periods indicated:

(€ millions, except percentages)	Year Ended December 31,					
	2001		2000		1999	
Fortis bears investment risk	343	35%	250	54%	238	51%
Policyholders bears investment risk	636	65%	211	46%	226	49%
Total gross premiums group life						
The Netherlands	979	100%	461	100%	464	100%

Non-Life Products

Motor and fire. The motor and fire non-life products sold by Fortis’ Dutch insurance companies are substantially similar to the motor and fire non-life products sold in Belgium. See “—Belgium—Products—Non-Life Products”. Motor and fire non-life contracts accounted for approximately 41% of total non-life gross premiums in The Netherlands in 2001. Motor and fire represent approximately 40% of the entire Dutch insurance market. Since 1996 Fortis has used a rating structure for its retail motor line with increased differentiation between good and bad risks. This tariff structure resulted in an increase in volume and an improvement in the quality of new business. Based on gross premiums written in 1999, Fortis including ASR has a market share of approximately 12.0%. The market share has been determined by Fortis based on industry data supplied to the Dutch insurance regulator.

Accident and health. Accident and health is another principal non-life line of business and, because of the privatization of disability and health insurance in The Netherlands, is a particularly fast-growing segment. Accident and health insurance is provided by Fortis on both an individual and group basis. The types of risks covered by Fortis' accident and health insurance policies include death by accident, and temporary and permanent disability. In The Netherlands, the government's role is decreasing in the field of disability insurance and sick pay, creating new opportunities for insurance companies to provide private-sector coverage for benefits previously provided by the Dutch government. The overall aim of Fortis' sickness and disability strategy is to be an important player in the employee benefits market, similar to its position in the United States.

Other non-life. Other non-life insurance consists of protection of engineering and building projects, cargo insurance, third party liability insurance, legal assistance and protection against pecuniary loss.

Corporate business. This segment consists primarily of industrial protection and liability lines.

Distribution Channels

In The Netherlands, Fortis distributes its insurance products through three channels, primarily independent intermediaries, but also through its own direct sales force and bancassurance, using its own banking channel. The Fortis strategy is to serve each distribution channel with products, which are not only carefully tailored to the requirements of the target customer, but also to those of the particular distribution channel.

Independent Brokers

Independent brokers are the main distribution channel in The Netherlands for Fortis' life and non-life policies, accounting for approximately 94% of total sales in 2001. The professional independent brokers are individuals or companies, which represent a number of insurance companies in a sale and service capacity as third party contractors. Independent brokers are paid on a commission basis and are not employees of the companies they represent. Independent brokers are the primary distribution channel for insurance products in The Netherlands representing over half of gross premiums.

Salaried Agents

AMEV Stad Rotterdam has a salaried agency network of approximately 350 agents, primarily selling to middle income individuals. Salaried agents are employees of and work exclusively for Fortis and receive a fixed salary plus a commission on the business produced. Fortis is in the process of creating a franchise company where it expects all of its AMEV Stad Rotterdam salaried agents to be transferred by mid-2003.

Bancassurance

The bancassurance distribution channel, which consists primarily of the approximately 230 branch network of Fortis Bank in The Netherlands, primarily sells individual, straightforward products issued by Fortis to retail clients of the bank. The bancassurance channel sells a larger proportion of life than non-life and is becoming an increasingly important distribution channel.

Competition

There is a high level of competition in The Netherlands for all insurance products sold by Fortis companies. Competition is strong in the life insurance market as many domestic and foreign insurers are attracted by growth of the Dutch market and consider life insurance a core activity.

Although competition in life insurance is strong, competition in the more cyclical non-life market is even stronger due to the high number of companies active in the non-life market. The large number of companies writing non-life policies in The Netherlands increases competition and results

in more fragmented market shares; the top five insurance companies write approximately 49% of non-life premiums based on 1999 data, compared to approximately 66% of life premiums.

Competition with respect to the products and services provided by Fortis' insurance companies in The Netherlands is based on factors such as:

- price;
- financial strength and claims-paying ratings;
- size and strength of distribution channels;
- range of product lines, product quality, reputation and visibility in the marketplace;
- quality of service; and
- asset management performance, with respect to investment-linked and participating life contracts.

Management believes that in the medium term, direct writers, particularly for non-life products such as motor and fire, will become increasingly important competitors, increasing pressure on premium rates.

Luxembourg

Fortis' Luxembourg insurance operations sell life and non-life products in Luxembourg and life products in neighboring countries.

United States

Overview

The United States insurance market is highly fragmented with only a few, large companies with market shares in excess of 5%. In the broad market segments, where insurance is a commodity, scale, size and volume are necessary to achieve profitability amid strong competition. As a result, Fortis' strategy in the United States has been to concentrate operations in specialized insurance market segments where it can obtain leading market positions. The companies making up Fortis, Inc. in the United States are leading providers of group long and short-term disability, life and dental insurance, individual and small group medical insurance, employee absence management services, affinity group marketing and insurance services, and preneed funeral insurance.

Fortis, Inc., also offers certain of these insurance products, in select other countries including Canada, Latin America and the United Kingdom.

Since the beginning of 1997, Fortis has invested approximately €3.9 billion in acquisitions in the United States to strengthen specific market positions. It acquired: Pierce National Life Insurance Company and American Memorial Life Insurance Company, two of the largest suppliers of pre-need funeral insurance in the United States and Canada; and John Alden, which, through its John Alden Life Insurance Company subsidiary, is a leading provider of small group health and individual care services.

In August 1999, Fortis acquired American Bankers Insurance Group, Inc., based in Miami. The transaction created a leading specialty insurer in the United States by combining the management of the operations of ABI with those of American Security Group ("ASG"), Fortis' then-existing credit-related insurance subsidiary based in Atlanta. The business activities of ABI and ASG operate under the name Assurant Group and provide affinity group marketing and insurance services in the United States, Canada, Latin America, the Caribbean and the United Kingdom. The acquisition of ABI added complementary products and distribution channels to Fortis' existing credit-related insurance operations, particularly through the credit operations of major retailers, and consumer-oriented financial institutions.

Effective March 1, 2000, Fortis, Inc.'s long-term care insurance business was sold to John Hancock pursuant to a 100% coinsurance treaty. The sale of the long-term care business was consistent with Fortis, Inc.'s strategy of divesting businesses in which it had not achieved a market leadership position.

On October 1, 2000, Fortis, Inc. purchased American Memorial Life Insurance Company ("AMLIC") from Service Corporation International ("SCI"). The acquisition of this South Dakota based company established Fortis' leadership in the prearranged funeral insurance market and allowed Fortis to continue to expand and leverage its management expertise in this specialty market segment.

Developments During 2001

On April 2, 2001, Fortis, Inc. sold Fortis Financial Group, its variable life insurance and annuity business and its proprietary mutual fund complex, to The Hartford for approximately US\$1.12 billion. Although FFG was one of the first companies to offer variable universal life and variable annuity products in the late 1980's, when they were still a niche business, the market has grown explosively; and today these products account for over one-third of total industry sales and are no longer specialty businesses. While FFG had exhibited solid growth and profitability, it had small market shares in each of these products and none of the companies comprising FFG had top market positions.

On December 31, 2001, Fortis, Inc. completed the acquisition of Protective Life Corporation's Dental Benefits Division in a cash transaction valued at approximately US\$300 million. The transaction included the reinsurance of Protective's Dental Benefits Division's indemnity dental business and the purchase of the Division's prepaid dental subsidiaries. This acquisition positions Fortis' disability and dental insurance company, Fortis Benefits Insurance Company, as a leader in the voluntary (employee-paid) dental benefits market and the fourth largest provider of dental benefits in the United States.

These transactions are consistent with Fortis' strategy in the United States to build and manage a select portfolio of specialty businesses that are leaders in their respective markets. Fortis continues to study additional potential acquisitions to strengthen its position in specialty U.S. insurance markets.

Because Fortis' United States operations are focused in specialty areas it had limited direct exposure to the events triggered by the terrorist attacks in the U.S. on September 11, 2001. The direct effect on the United States operations from policies related to these events and a lower U.S. dollar/euro exchange rate is limited to less than €20 million.

The following table shows the contribution of insurance in the United States to Fortis' overall insurance results and to Fortis' results as a whole as of and for the year ended December 31, 2001.

(€ millions, except percentages)	Year Ended December 31, 2001				
	U.S. Insurance	Fortis Insurance	U.S. Insurance as a % of Fortis Insurance	Fortis	U.S. Insurance as a % of Fortis
Operating result before taxation	300	1,667	18%	3,493	9%
Gross life premiums	1,672	10,682	16%	10,682	16%
Gross non-life premiums	6,922	10,932	63%	10,932	63%
Assets	25,736	109,937	23%	482,970	5%

Products

Assurant Products

Assurant Group is an affinity group marketing company that uses its technology, processing and marketing capabilities to leverage client relationships with their customers to distribute products and services. It develops, underwrites and markets specialty insurance, membership and extended

service programs through partnerships with financial institutions, retailers, manufactured housing and automobile dealers, utilities and other entities that make loans or extend credit to their customers. Through its member companies, Assurant Group provides insurance and protection products to many customers that are normally underserved by the insurance industry. Assurant Group member companies serve clients throughout the United States and, to a lesser extent, internationally in Argentina, Brazil, Canada, Denmark, Ireland, Puerto Rico and the United Kingdom.

The largest proportion of premium income for the Assurant Group in the property/casualty segment is derived from credit unemployment insurance, which provides for the payment of the minimum monthly loan payment for a specified duration while the insured is involuntarily out of work. Other significant lines of business include credit property, mobile home physical damage, extended service contracts on appliances, homeowners mortgage protection and livestock mortality. Activities of Assurant's life/health operations are concentrated in credit life and credit disability. The credit-related business is written primarily on consumer loans, mortgages, and credit card balances, with either single or monthly premium payment options.

The majority of Assurant's contracts are written on a retrospective commission basis, which permits Assurant to adjust commissions based on claims experience. Under this contingent commission arrangement, compensation to producers is predicated upon losses incurred to premiums earned after a specific net allowance to Assurant. Because a significant percentage of Assurant's institutional business partners have their own captive insurance companies, Assurant cedes a substantial portion of its gross premiums to these insurance entities. In exchange for the administrative, underwriting and management services that Assurant provides to these captives, it receives a fee. This significant use of reinsurance is primarily a function of the contractual compensation agreements with the distributors.

Assurant markets its products to residential and consumer borrowers and depositors of financial institutions, mortgage banks, and credit card and consumer finance companies. Through direct response marketing techniques Assurant has access to specific demographic and financial information of potential policyholders and, therefore, in partnership with its clients, can tailor its products to suit various market segments. Assurant's products are also sold through equipment, manufactured housing and travel trailer manufacturers, dealers and lenders principally at the time of purchase. Retail stores such as department and specialty stores, appliance and electronics stores, jewelry stores and automotive chains provide additional revenue at the point of sale as well as from advertisements mailed with monthly statements.

Life Annuities and Asset Accumulation

As described under "—United States—Overview—Developments During 2001", Fortis sold FFG to The Hartford. The transaction was completed in April 2001. Part of the purchase price for FFG is a reinsurance commission, which will be gradually recognized in the results as FFG's existing portfolio runs off. The existing portfolio is a result of FFG's development, marketing and distribution of a line of individual life and investment products, including variable universal life, variable and fixed annuities, and mutual funds. FFG focused on variable products which it customized and tailored to meet specific needs of a limited number of targeted clients in the individual life and asset accumulation market.

Group Non-Medical

Fortis Benefits Insurance Company is a leading provider of benefits solutions, including long- and short-term disability, dental, term life and accidental death and dismemberment insurance designed to maximize each employer's investment in their employee benefits programs. The company also offers voluntary (employee-paid) dental, disability and term life product solutions that are designed to attract and retain quality employees.

Management believes that underwriting flexibility allows Fortis Benefits to develop tailor-made benefit plans for groups of any size. Fortis Benefits is licensed in 49 states and the District of

Columbia. As of May 2001, Fortis Benefits' Long-Term Disability, Group Term Life, and Dental products ranked among the top five in their respective markets based on master contracts in force.

Group disability, group life and group dental products represent approximately 42%, 29% and 27%, respectively, of Fortis Benefits' revenues. Fortis Benefits represented approximately 17% of Fortis, Inc.'s total insurance premiums and other fee income in 2001.

Health

Fortis Health provides individual and small group medical insurance on an indemnity basis, with an increasing emphasis on managed health. Fortis Health distributes its products primarily through five channels: managing general agents, health regional sales directors; national accounts; Rogers Benefits Group; and NorthStar Marketing.

Fortis Health's individual medical products are major medical plans sold to individual customers who do not have employment-based coverage. These plans are sold mainly through the managing general agents and regional sales director channels and through marketing relationships with companies like State Farm and USAA. Individual products are sold in approximately 39 states, most of which are located in the midwest, southeast and southwest regions of the United States.

Fortis Health's small group medical products are health plans sold to small businesses with two to 50 employees. These plans are sold mainly through the NorthStar Marketing channel, which was acquired as a part of the John Alden acquisition, as well as through the Rogers Benefits Group, managing general agent, and regional sales director channels. Small group products are sold in approximately 39 states, most of which are located in the midwest, southeast and southwest regions of the United States. Fortis Health's average group size in its small group segment is approximately eight lives. Fortis Health represented approximately 34% of Fortis, Inc.'s total insurance premiums and other fee income in 2001.

Preneed Insurance

Preneed describes a range of funding products available for death expenses. These products are distributed primarily through funeral homes and sold mainly to consumers over the age of 65. Fortis Family and American Memorial Life Insurance (AMLIC) provide pre-need funeral insurance services in the United States and Canada. Following the acquisition of Pierce National Life Insurance Company in 1998, Fortis Family ranked number three and AMLIC was ranked number two in its market based on premium income for the year ended December 31, 2000. Fortis' Preneed companies represent approximately 10% of Fortis, Inc.'s total insurance premiums and other fee income in 2001.

Fortis' Preneed companies distribute its products through three primary channels: (1) independent funeral homes; (2) general agents; and (3) funeral home chains and consolidation firms, which have acquired large groups of funeral homes through acquisition. AMLIC will be the exclusive provider of preneed insurance funding for Service Corporation International's (SCI) funeral homes, under the terms of the long-term marketing agreement between AMLIC and SCI.

Competition

Assurant Group has numerous smaller competitors in its product lines, but no other company spans the breadth of its coverage of credit-related insurance products. The main group non-medical competitor to Fortis Benefits is UNUM Provident Corporation, which is approximately three times as large as Fortis Benefits in terms of premiums written. In the field of individual and small group medical insurance, Fortis Health's main competitors include Golden Rule Insurance Company and the Blue Cross/Blue Shield plans in the states in which Fortis Health writes business. Fortis Family and American Memorial Life Insurance Company's primary competitor is Forethought Life Insurance Company, which is approximately as large as the combined companies in terms of premiums written. Other competitive factors in Fortis' U.S. markets include the development of distribution networks and investment performance.

Rest of World (International)

Fortis has insurance operations in five countries outside the Benelux and the United States: Spain, the United Kingdom, Singapore, Malaysia and China. The following table shows the contribution from Fortis' operations in the Rest of World to Fortis' overall insurance results and to Fortis results as a whole as of and for the year ended December 31, 2001.

Rest of World Insurance ⁽¹⁾ (€ millions, except percentages)	Year Ended December 31, 2001				
	Rest of World Insurance	Fortis Insurance	Rest of World Insurance as a % of Fortis Insurance	Fortis	Rest of World Insurance as a % of Fortis
Operating result before taxation	129	1,667	8%	3,493	4%
Gross life premiums	1,404	10,682	13%	10,682	13%
Gross non-life premiums	1,020	10,932	9%	10,932	9%
Assets	8,815	109,937	8%	482,970	2%

(1) Table includes results from Australia which was sold in July 2001. Fortis agreed to sell its operations in France in February 2002.

47% of total gross life and non-life insurance premiums for 2001 were attributable to Fortis' operations in Spain, 29% to the United Kingdom, 21% to France, and 3% to its operations elsewhere, including results from Australia which was sold in July 2001. In February 2002 Fortis agreed to sell its operations in France.

Fortis' strategy in the Rest of World is to achieve a substantial presence in a limited number of countries, via organic growth through the reinforcement of existing activities, and selective acquisitions. Fortis continually studies potential acquisitions. Adequate critical mass and profit growth potential are of primary importance. Each company within Fortis International operates in specific segments of the market in life and non-life where Fortis believes it can create a strong market position.

Spain

Fortis has built up a strong position in the Spanish market with two operations, CAIFOR and Seguros Bilbao. CAIFOR is a joint venture with Spain's largest savings bank, "la Caixa". CAIFOR has two primary subsidiaries, SegurCaixa, a non life insurer which is 60% owned by Fortis, and VidaCaixa, a life insurer which is 40% owned by Fortis, which sell their products mainly through the more than 4,000 la Caixa branch offices throughout Spain. CAIFOR was the leading life insurer in Spain in terms like reserves, and was number two in terms of gross premiums written in 2001.

Seguros Bilbao, which is mainly active in the north and northwest of Spain, uses a network of tied agents. The company sells life and non-life products, mainly to individuals and small businesses.

In October 2001, Segmos Bilbao acquired the Spanish insurance portfolio of Bâloise (España) Seguros y Reaseguros S.A. by Bilbao Compañia Anonima de Seguros y Reaseguros S.A. (Seguros Bilbao). The integration of Bâloise was effective as of January 1, 2002.

Fortis faces strong competition in the non-life market.

France

France's Fortis Assurances, which until mid-1998 operated under the name Euralliance, sells individual and group life products. Fortis Assurances distributes its products through three channels: its own network of agents; independent intermediaries; and banks and financial institutions. With a market share of less than 1%, the company could not aspire to a leading position on the French insurance market. This led Fortis to agree, on February 11, 2002, to the transfer by Fortis of the holding company, Fortis France, to Swiss Life. The transaction is expected to be completed during the first half of 2002.

United Kingdom

In the United Kingdom, Fortis operates through Fortis Insurance Ltd, which combined its Bishopsgate Insurance and Insurance Advisory Services with Northern Star, a U.K.-based insurer active mainly in the motor, household and other personal lines of insurance, acquired in May 1999.

Fortis Insurance Ltd concentrates mainly on selling motor vehicle, household and travel insurance. Travel insurance is distributed through travel agents and brokers. With more than 1,100,000 motor vehicles insured at December 31, 2001, the largest motor vehicle portfolio within Fortis, Fortis Insurance Ltd has a strong position in the UK motor insurance market, where it distributes through independent intermediaries. Fortis Insurance Ltd uses a "one call claims system" and a network of nearly 100 contracted repair shops so that policyholders with damage claims are able to have such claims processed quickly. Approximately 130,000 claims were settled in 2001 (excluding windscreen claims), of which approximately 55% were handled through the one-call claims system. A large part of the household portfolio is distributed through Insurance Advisory Service, a Fortis owned broker providing services to affinity groups, mostly in the retirement market.

Australia

On June 14, 2001, Fortis agreed to sell its Australian general insurance subsidiary to the UK based insurer CGNU in a cash transaction valued at approximately €205 million. This transaction, which closed in July 2001, is consistent with Fortis' strategy to focus on Europe, Asia and selected niche markets in the United States.

Singapore

In Singapore, Fortis and Keppel Corporation Ltd. have established a joint venture, Keppel Insurance Pte. Ltd, in which Fortis has a 40% share and Keppel Capital Holdings Limited and Kepfinance Investment Pte. Ltd. hold 40% and 20%, respectively. The joint venture targets the local market with life and non-life products. In order to take advantage of potential in Asia, Fortis opened a representative office in Singapore early in 1998.

From Singapore Fortis tries to develop its insurance business in Asia.

Malaysia

In 2001 Fortis acquired a 30% stake in Mayban Fortis Holdings Berhad. This is a bancassurance joint venture between Maybank and Fortis, where Fortis has a 30% equity interest in Maybank's life (Mayban Life Assurance Berhad) and non-life (Mayban General Assurance Berhad) insurance business (Maybank is Malaysia's largest financial services group). The primary focus will be on life insurance. The company is distributing its products substantially, but not exclusively, through Maybank's network.

China

In 2001 Fortis acquired a 24.9% stake in Tai Ping Life. This is a life insurance joint venture in mainland China. The other shareholders are China Insurance Company Limited (CIC) (25.05%), the parent company of the China Insurance group—one of the four domestic state-owned insurance groups—and China International Holdings Company Limited (CIH) (50.05%) a listed Hong Kong company which is controlled by CIC.

Tai Ping Life is a greenfield operation. Tai Ping Life was originally founded in the 1930s but has been dormant in the domestic market since 1949. Business commenced in December 2001 and the head office is located in Shanghai. Currently, Tai Ping Life is one of six life insurance companies in China with a national insurance license.

Banking

In its home market, the Benelux countries, Fortis' banking operations occupy a leading position and offer a broad range of financial services to individuals, companies and the public sector. Fortis conducts its banking operations through Fortis Bank. Outside its home market, Fortis Bank concentrates on selected market segments and is active in some 65 countries around the world. It also offers specialist services worldwide such as private banking, asset management, investment banking, information banking and financial markets. Fortis' banking operations were ranked 18th in Europe in terms of market capitalization as of December 31, 2001 and ranked 18th based on total assets as at December 31, 2000.

Management of Banking Operations

Fortis has organized its banking operations by customer segment within the three businesses described below.

- *Network Banking:* this business serves retail customers including individuals, professionals and small enterprises, as well as medium-size and large enterprises.
- *Merchant Banking:* this business serves institutional and professional customers as well as large enterprises.
- *Private Banking and Asset Management:* this business serves individuals, institutional investors and institutions, including the insurance and banking businesses of Fortis.

Each of the businesses has been given large autonomy to develop their respective business and to develop the strategy for those businesses. As part of the integration Fortis intends to streamline and combine certain central support functions among all of Fortis' banking operations. However, each of the businesses will be permitted to establish certain support functions for their own business lines. The support functions which will be centralized include information technology, finance and control, risk management and legal and tax. The development of these processes has already begun and is expected to be completed in 2003.

Customer Segments and Businesses

In the Benelux Fortis offers a diversified set of financial products and services to a wide range of clients through a network of over 1,900 branches in Belgium, 230 branches in The Netherlands and 39 branches in Luxembourg, excluding the branches of Bank van de Post/Banque de la Poste and CI-KN.

Within each of its businesses, Fortis offers through various distribution channels a full range of financial services tailored to the specific needs of the targeted customer base. In each case Fortis aims to deliver its products to the targeted segment in the most efficient way and at the lowest cost.

Network Banking

Fortis Bank has retail operations mainly in the Benelux region as well as in France, Poland, and Hong Kong that offer individuals, professionals and small enterprises a full range of financial products and services along multiple distribution channels. In the Benelux region, Network Banking aims to achieve its goals by integrating Fortis' current know-how in the areas of investment management, insurance and other financial products and to strengthen further its position in bancassurance distribution. In certain of its other markets, Fortis Bank is following a similar strategy while in others it is developing a niche strategy that targets wealthy private clients using a personal banking approach. Fortis Bank is breaking down its customer base to identify the services customers are using to support its customer-oriented, as opposed to product-oriented, approach. In targeting its customer segments Fortis is taking different approaches ranging from offering standardized to tailor-made products and services and has introduced programs to promote customer loyalty.

In March 2000, the merger of several banks created a single Fortis Bank brand and has resulted in cost and revenue synergies. Branches have been rebranded in The Netherlands, Belgium, France, Poland and Hong Kong. The extensive network of retail branches of the pre-merged banks has also been restructured. It is anticipated that approximately 600 retail outlets will be closed in Belgium by the end of 2004 and a further 50 branches in The Netherlands by the end of 2003; however the distribution channels, including Fortis' branch network, telephone banking and e-banking facilities will enable customers to initiate transactions and request information from any location at any time. This strategy is also applied to and has synergies with medium-sized and large enterprises within Network Banking.

Retail Customers

Network Banking's retail division targets individuals, professionals and small enterprises. Retail covers the individual (mass) market, including young people, adults, families and senior citizens, personal banking customers and certain segments of the professional sector, including self employed individuals and small enterprises (enterprises with less than €2.5 million in annual sales). Products offered in this segment are generally simpler in scope, although designed to address the specific needs of the customer base and provide value to the customer. See "—Retail Customers—Products".

Distribution is intended to provide broad market coverage through multiple channels, both bricks (branches) and non-bricks (such as telephone, self and internet banking), with personalized attention and dedicated advisors where needed. A higher level of personal and dedicated advice is generally targeted at personal banking customers and the professional sector.

Products. Fortis provides a comprehensive range of retail banking products to this customer segment. Products offered to individuals and professionals include consumer loans, mortgage loans, funds transfer, electronic banking, personal financial services, credit and debit cards, savings and other deposit accounts and insurance products. Products and services offered to small enterprise customers include corporate loans, cash management, funds transfer and payment systems and foreign exchange. Substantially all of the Individuals, Professionals and Small Enterprises business line is included in the Benelux retail banking operations. The table below sets forth certain data with respect to the Benelux retail banking operations of Fortis.

(€ millions)	At December 31,		
	2001	2000	1999
Mortgage loans	39,044	38,907	32,715
Other retail loans.....	20,527	21,906	20,798

Fortis complements its range of traditional deposit products with investment products, including mutual funds (for example SICAVs) and investment-linked insurance products. Fortis is now one of the largest providers of mutual funds in the Benelux based on assets under management. Fortis also has a number of specialist subsidiaries through which it provides a wide range of retail products and services in the Benelux. In The Netherlands these subsidiaries include the operator of a network of exchange offices, a stockbroking and private banking services provider, a distributor of financial products through intermediaries, the exclusive Visa credit card franchise in The Netherlands, a provider of factoring services, a provider of real estate finance and a consumer credit company. In Belgium, these subsidiaries include a consumer credit company a financial and operational lease group and significant interests in companies providing credit cards such as Euro (Master) card, Visa and American Express.

Fortis developed a number of new products and services in 2001. The New Personal Banking project, which was launched in Belgium, consists of a new offering of tailored investment products. In The Netherlands Fortis added to its range of banking services with the creation of "Fortis Groenbank" (Green Bank), which offers ecologically responsible project finance and enables private investors to put their money in low risk, fixed return and tax advantaged products. Other new products

launched in The Netherlands include a “guaranteed investment” product, “euro loans” for people living in border areas and a new type of continuous loan for retail customers.

Bancassurance

Fortis is the leading distributor of insurance in the Benelux through the bancassurance distribution channel. Fortis distributes insurance products in Belgium through Fortis Bank’s network of over 1,900 branches. Fortis also has bancassurance distribution in The Netherlands through Fortis Bank Nederland and in Luxembourg through GeneraliLife. Fortis intends to integrate the bancassurance activities of these banks as part of the integration of its banking operations. Although Fortis’ bancassurance activities are managed as part of Fortis’ banking activities, they are accounted for as part of Fortis’ insurance segment.

In Belgium, Fortis Bank sells the insurance policies of its insurance subsidiary, FB Insurance. The products sold through this channel are straightforward, standardized products, in some cases with policies that are issued directly at the bank counter with a minimum of personal intervention by staff. FB Insurance is the market leader in Belgium in the field of individual life insurance based on gross premiums written at December 31, 2001.

Management sees significant opportunity for growth in its life business, particularly driven by the demand for mortgages, pensions and savings, as well as its non-life business, particularly in household insurance products, which are sold with new mortgages distributed through the bancassurance channel. FB Insurance also offers a focused range of non-life insurance products for individuals through computer-assisted selling, and also provides centralized claims handling (“Teleclaims Call Center”). Its objective is for the Teleclaims Call Center to process 100% of fire and motor claims; approximately 70% of claims are already handled through the Teleclaims Calls Center. The Teleclaims Calls Center is expected to result in lower costs by reducing the time it takes to process claims to approximately 48 hours through the use of a comprehensive support database.

Distribution

Management estimates that Fortis provides banking products and services to approximately one out of three of Benelux households. This extensive market reach is achieved through a Benelux network of approximately 2,200 branches (not including Banque de la Poste/Bank van de Post and CI-KN branches) and complementary distribution channels such as electronic and telephone banking. Although the traditional branch network remains the core of Fortis’ distribution channels, Fortis is actively developing and implementing alternative distribution channels.

Branches. Fortis’ branch distribution channel encompasses approximately 2,300 branches worldwide although it expects to close approximately 600 retail branches in Belgium by the end of 2004 and a further 50 branches in The Netherlands by the end of 2003. In addition to the Benelux network, Fortis’ banking business utilizes significant branch networks in France and Poland.

To serve its individual, professional and small enterprise customers in Belgium, Fortis Bank uses two additional traditional networks of independent agencies, one focusing on bancassurance—that markets products under the Fortis Bank brand and the other on assurance that markets products under the CI-KN brand, a Belgian bank purchased by Fortis Bank in 1995.

Banque de la Poste. Banque de la Poste/Bank van de Post, a 50/50 joint venture with the Belgian Post Office, offers a limited range of standard products such as current and savings accounts, credit cards and personal loans, mainly to lower income retail customers. It distributes its products through post offices located in each Belgian municipality (approximately 1,400 post offices in total), the third largest distribution network (after Fortis and one other bank) in Belgium based on a number of outlets.

Direct Banking. In addition to the branch network, Fortis continues to diversify and expand its alternative distribution channels, and is one of the leaders in the Benelux in the field of direct banking, which includes telephone, internet and electronic banking. Customers use the direct

banking channel to transmit orders for financial transactions by telephone or to ask advice from a call center.

Telephone and Electronic Banking. Several of Fortis' banks offer telephone banking services. Fortis also offers an extensive range of electronic banking products. These services provide customers with the convenience of a 24 hour service. The multilingual internaxx.lu site, a joint venture between Banque Générale du Luxembourg and TD Waterhouse, is an international direct brokerage service that offers international investors information and real time access to major stock exchanges in North America, the United Kingdom and Continental Europe and to mutual funds from a variety of asset managers. In addition, Web Banking, Banque Générale du Luxembourg's online banking service, enables customers to carry out standard transactions over the Internet. Customers can call up their latest account positions and statements, benefit from a secure e-mail service and value-added financial information.

ATMs. Fortis is a leader in the Benelux in the ownership and operation of automatic teller machines, or ATMs. In addition to providing Fortis' customers with access to banking services, these ATMs also provide a source of fee income, including through the use of the ATMs by customers of other banks. Fortis' customers also have access to ATMs owned or operated by third parties, further increasing Fortis' distribution capabilities.

Self-service Branches. In addition to Fortis' branch and ATM networks, Fortis offers direct banking services via an extensive Benelux network of self-service branches. These branches are not staffed, but offer more services than traditional ATMs. In addition to ATM services, these services include account information, bill payment and overdrafts. Fortis is a leader in the Benelux in the use of self-service branches.

Medium-sized and Large Enterprises

Network Banking offers flexible solutions to medium-sized and large enterprises. This segment targets medium-sized enterprises (enterprises with between €2.5 million and €250 million in annual sales), large professional organizations, corporate customers (enterprises with greater than €250 million in annual sales or complex financial services needs) and institutions and the public sector (institutions and companies whose goals are linked to governmental or semi-public objectives and multinational organizations).

Fortis offers a complete range of financial products and services to its medium-sized enterprises and large professional customers, including flexible and personalized solutions. Corporate and institutional customers and the public sector are provided with tailor-made products for specific needs as well as international products such as cash management. See "—Medium-sized and Large Enterprises—Products". Due to the specific needs of this customer base, products are distributed through dedicated account managers providing personalized service to the medium-sized enterprises and large professional organizations. These customers also have access to a wide array of international services available through Fortis.

Fortis' services for medium-sized enterprises are provided on a European-wide service approach. Companies are supported by account managers who operate within a European network of 100 dedicated "Business Centres" located in the Benelux countries, France, the United Kingdom, Spain, Portugal, Italy, Germany and Poland. Medium-sized enterprises throughout Europe are offered a consistent package of financial services, facilitating their cross-border operations. One such service is the Fortis Bank International Credit Facility, a flexible service for short- and long-term lending to European groups. Fortis' Business Centres in Hong Kong, Guangzhou and Taipei follow a similar approach to support customers in the Far East. Corporate officers, operating from a global network in more than 40 locations, support large enterprises.

Network Banking provides value-added services by focusing on selected sectors in which Fortis specializes, including energy, commodities, chemicals, services, shipping, telecom and distribution. Fortis' Network Banking was named the best Commodity Bank in 2000 by *Euromoney Trade Finance*.

Online banking facilities and related Internet resources are crucial to the Bank's quality of service. Traditional financial products and services geared to the needs of today's corporate management are distributed to all enterprises through the Bank's portal "FortisBusiness.com". The Sales Management System (SMS), which provides information on customers worldwide over the Internet, is intended to enable the Bank's account managers to provide customers with efficient, comprehensive service.

Products. Fortis provides a wide range of financial products and services to its medium-sized and large enterprise customers. With these customers, Fortis generally pursues a relationship banking approach in order to obtain a thorough understanding of a client's business. It then provides financial solutions designed to meet the client's needs.

Fortis' principal products include:

- cash management products and services such as liquidity management (deposits), payment and electronic banking services, consultancy services, advisory cash management instruments and treasury management and support
- lending products, including general working capital financing, transactional financing (including export and project financing), medium- and long-term financing (including hybrid financing and loan syndication) and asset-backed financing (including leasing, factoring, receivables financing and asset securitizations)
- risk management products such as treasury services and property insurance
- employee benefit products such as life insurance and employee savings plans.

Fortis' corporate lending products include medium- and long-term loans in domestic and foreign currencies, working capital financing, straight loans, discounted loans, documentary credits and guarantees. Most of the Medium-Sized and Large Enterprises and Public Sector business line is included in Fortis' Benelux corporate loan portfolio.

The table below sets forth certain data with respect to Fortis' Benelux corporate loan portfolio as at the dates indicated.

(€ millions)	At December 31,		
	2001	2000	1999
Guaranteed corporate loans.....	1,848	4,854	5,993
Other corporate loans	63,471	62,267	54,886

Besides offering its principal products, Fortis is active in international trade finance, particularly in export finance for capital goods and the funding of investment projects abroad, and also in special trade finance projects. It also acts as a financial intermediary for the European Commission. As such it is able to support small and medium-sized enterprises in EU member states wishing to set up or extend joint ventures either in Central or Eastern European countries or in Asia, Latin America or the Mediterranean area. Fortis supports on a selective basis its European customers in their international investment projects by acting as financial advisor or as part of funding consortia with multilateral institutions. It also structures and arranges complex finance transactions, where it focuses on acquisition, tax based, asset-backed and project financing.

Fortis offers international commodities trade financing services on a selective basis. From specialist desks in Amsterdam, Brussels, Hong Kong, London and New York, it provides short-term (transactional) and structured (pre- and post-export) financing to traders and manufacturers of bulk products with liquid markets such as metals (steel and non-ferrous metals), coffee, sugar, cocoa, cotton and oil.

Fortis also offers specialized services to the public sector and non-commercial customers where it targets Belgian federal, regional and local authorities and public sector entities and district and public welfare centers and cities.

Specialist Product Lines

Leasing. Fortis Lease, a wholly owned subsidiary of Fortis Bank, is the largest leasing company in Belgium and a leading provider of financial leasing services for capital goods. In November 2000, Fortis Lease launched an interactive website, accessible worldwide.

On April 12, 2002 Fortis and ING Lease signed an agreement with respect to the sale of Fortis' car leasing business in Belgium and The Netherlands, TOP Lease to ING Lease. The companies anticipate closing the transaction in May 2002, subject to regulatory approvals. For Fortis, the sale of TOP Lease marks a withdrawal from the operational car leasing market in the Benelux. This is consistent with Fortis's strategy to focus on consolidation of its position in its home market, developing solid growth platforms in Europe, the United States and Asia, and divesting non-core activities.

On February 7, 2001, Fortis Lease France acquired the business of the French subsidiary of Lombard North Central. Through this acquisition, Fortis Lease expects to extend the range of financial products offered by Fortis Bank to companies in France. Fortis Bank customers in France will have access, via its network, to experts in the field of leasing and equipment leasing at Fortis Lease. Likewise, customers of Fortis Lease will have access to the entire range of products offered by Fortis Bank in France and throughout the world. Fortis also provides leasing services combining different bank credit products on a unified electronic platform to strengthen contacts with clients, improve business with vendors and generate leads. Fortis Lease's presence in France, Belgium, The Netherlands and Poland and its agreements with partners in Spain and Italy mean it is increasingly able to fulfill its customer needs at a European level; however, real estate projects are currently restricted to Belgium and The Netherlands.

Factoring. During 2000 Fortis consolidated nine European factors to create Fortis Commercial Finance, a new company in the Fortis Group. It was created through the merger of several Belgian, Dutch, German, French and British factoring enterprises. Fortis Commercial Finance is the eighth largest factor in Europe based on volume in 2000.

Management believes that this new consolidated structure offers several competitive advantages. One advantage is that Fortis Commercial Finance can satisfy factoring needs internationally, i.e. the export factor in one's own country. Another advantage is the ability to offer customers across national borders services from the Fortis Commercial Finance group operating consistently and with common systems. Fortis believes that the internationalization of its factoring business offers added value for Fortis' clientele.

In addition to European integration, Fortis Commercial Finance is also expanding into credit management, account receivables managements, and financing of commerce. Current developments in e-business and new services areas within the Internet environment complement the internationalization of Fortis Commercial Finance.

Merchant Banking

Fortis supports institutional and professional clients through its Merchant Banking business. Financial Markets, Investment Banking, Private Equity and Information Banking services are provided under a one-stop concept through the Merchant Banking business, offering quality and dedicated services designed to meet the needs of customers for these interrelated concepts.

Fortis' management believes its Financial Markets business line has a leading position in the Benelux region and a strong position in Europe and that its Investment Banking business line also has a strong position in the Benelux countries. Information Banking has grown into a prominent international presence and is one of the top ten global custodians in the world based on cross-border assets at December 31, 2001.

Fortis' management believes that this combination of expertise has enabled the Merchant Banking business to increase its responsiveness to and performance in highly competitive financial markets.

Financial Markets

Financial Markets provides services to institutions and large and medium-sized enterprises. Its customer-based activities are organized into specialized businesses operating in money markets, fixed-income securities and derivatives. Services are provided through three front offices: trading, sales and research.

Trading operations are concentrated in dealing rooms in Amsterdam, Brussels, London, Luxembourg, Hong Kong, Singapore and New York, which enable Fortis to have a round-the-clock presence. Bond trading is concentrated in the Brussels dealing room. The activities and management of risks are centralized, with supervision provided by independent risk-managers in the Brussels dealing room. A new trading system, "Click and Deal", was introduced in 2000, giving customers direct access to the trading room.

Financial Markets also acts as advisor and executor for Asset and Liability Management (ALM) for Fortis. Financial Markets, together with Information Banking, also provides services to institutional investors with a focus on risk-adjusted returns supplemented by research, advice and customized solutions. It also operates as a market maker and clearing house in various cash and derivatives markets and, in 2000, Fortis was one of the leading banks on the eurobond market.

Merchant Banking is currently participating in the development of a European benchmark credit default model for unlisted companies. Fortis launched in 2001 a rating advisory desk to assist corporate customers in negotiations with rating agencies and to enable these companies to attract new sources of finance and expand the investment alternatives for institutional investors.

Investment Banking

Investment Banking serves institutional investors and large enterprises by handling all market transactions in equity and equity related products. Investment Banking offers a broad range of services in capital markets and other financial services, such as advice with initial public offerings, support during mergers and take-overs, transactions involving unlisted shares or securities and derivatives trading. This business has grown in Fortis' home market of the Benelux as Fortis has grown and aspires to a leading position in all relevant European markets. To that end, Investment Banking expanded its activities in Spain and France in 2000. Fortis coordinates market-sector research capacity at the European level by using local expertise in Belgium, The Netherlands, Luxembourg, France and Spain. To broaden its European research coverage, Investment Banking established research teams in Germany and Italy in 2001. In 2000 Investment Banking launched the project "Globe" to enable simple and straight-through processing of all stock exchange transactions.

Corporate Finance and Capital Markets specializes in mergers and acquisitions, initial public offerings and secondary offerings and structuring and financial advice on capital markets. Fortis advises companies, public authorities and institutions on capital market transactions and was one of the leading companies in the field of mergers and acquisitions in the Benelux in 2000 based on the number of Benelux linked transactions.

Fortis manages securities offerings and was one of the first banks to become a member of the Nasdaq Europe, where shares in high-growth companies are traded. Fortis also advises on financial restructurings and management buy-outs and buy-ins, and raises venture capital for unlisted companies. It also offers funding advisory services, securities offerings support and private placement underwriting. Fortis is also actively expanding the range of financial services it offers clients Fortis' consultancy service for corporates covers not only mergers and acquisitions, but also advice to family businesses and larger firms on growth potential and funding.

Private Equity

As a provider of private equity, Fortis endeavours to invest in promising unlisted companies and is managing a significant investment portfolio.

Fortis will primarily focus its private equity investments on the European market and will approach the global market in three ways.

The first priority will be strengthen its captive fund vehicles in those countries where the proprietary deal flow through the commercial network is important. These captive fund vehicles are fully funded and controlled by the bank. On December 15, 2000, the reorganisation of the captive activity in Belgium has lead to the creation of Fortis Private Equity, a merger of three different captive fund vehicles. From 2002 onwards, the creation of new captive fund vehicles in other countries will follow.

In other areas, Fortis Bank will tackle the market by active investments in independent private equity funds. These are funds in which the Fortis Bank will take a significant stake and act as a hands-on investor but where management teams, independent from Fortis Bank, will manage these funds.

Purely financial investments in other top quartile private equity funds will further diversify the global private-equity-portfolio.

Information Banking

In 1996, Fortis launched the concept of Information banking in the Netherlands. Significant expenditures on Information systems resulted in the improvement of the group's integrated securities and derivatives clearing systems. Fortis Information Bank is now a major player in the Benelux markets with a global reach. Information Banking provides an integrated approach to its services of transaction processing, safe custody, risk management and asset financing supported by state-of-the art information technology.

As a global custodian, Information Banking processes and manages international securities transactions and portfolios. In addition, transactions in international derivatives are cleared and financed. The assets of Custody and Fund Administration (asset gathering on and offshore) are combined from a business perspective with the activities of Securities Borrowing & Lending and Arbitrage, Derivatives Clearing and Prime Banking to utilize the assets to their fullest. This strategy also creates financing facilities for Broker Dealers, Proprietary traders and Unit and Hedge Funds in On and Offshore locations.

In delivering these services, Information Banking targets professional players operating globally in financial markets including institutional investors, insurers, plan sponsors, asset- and fund managers and brokers/marketmakers/proprietary traders with international investment portfolios.

Information Banking provides global custody management and as of December 31, 2001 served as custodian for approximately €400 billion in assets, focusing on medium-sized institutions in Europe who require tailor-made service. In 2001, Information Banking received several awards for its custody and offshore services. The Information Banking business also acts as a depository for Fortis group assets. Information Banking is linked to various trading, clearing and settlement systems and to the main financial markets through information systems that are based on a unique integrated platform and the communication and delivery systems are in the process of being web-enabled.

Financial Institutions and Banks. Fortis Bank has relationships with some 2,500 banks and financial institutions around the world and is one of the largest euroclearing banks. Fortis' Financial Institutions and Banks business line offers interbank credit facilities and supplies, together with its other business lines, services such as custody, clearing, asset management and logistical support. This business line is also responsible for monitoring sovereign risks, maintaining a network of correspondent banks, managing commercial relations and credit lines for Financial Markets and other business units and seeking out opportunities for other parts of Fortis Bank.

Fortis furnishes a broad range of accounting and management services to investment funds, with an emphasis on special offshore funds focusing on the wholesale market. In the case of securities and financing and lending activities, Fortis is one of the leading players in Europe.

Private Banking and Asset Management

Private Banking and Asset Management are managed as separate businesses by their own management teams reporting to a single member of the Fortis Executive Committee responsible for both Private Banking and Asset Management.

The ambition of Private Banking is to become an important player in the Benelux and build a material presence in selected European markets such as France and Spain while opportunistically looking at other opportunities such as Northern Italy and Portugal. Private Banking will target High Net Worth Individuals (€1-5 million) and Super High Net Worth Individuals (€5-100 million) with a premium brand, a full range of investment products and structuring capabilities relying on seamless delivery capabilities. Private Banking will focus its presence on offshore markets including Luxembourg, Switzerland, Guernsey and Curaçao in strict compliance with the applicable local and international legislation and standards. Products for high net worth individuals require a significant amount of personal advice and service and are offered through dedicated global relationship managers. Private Banking clients also benefit from Fortis' global presence and broad product offerings, including trust services.

Asset Management activities are carried out through Fortis Investment Management (Fortis IM), a 100% owned subsidiary, which is organized on a global business line basis and is managed through a Board of Directors with a six member Executive Committee. Fortis IM manages mutual funds for retail distributors, mandates for institutional investors and a portion of the insurance assets of Fortis.

Private Banking

MeesPierson is the brand name for Fortis' private banking activities. It is a market leader in the Benelux region and Fortis' management believes it is well positioned to grow in Europe. It has optimized its services, focusing on high net worth individuals, foundations and multi-national companies. In addition to private asset management, MeesPierson provides financial structuring services and personal advice to its clients in most of the world's financial centers. MeesPierson has been successful at identifying and expanding the number of its potential Private Banking clients through Fortis' Network Banking services. MeesPierson has a leading position in the market for corporate trust services, with multinational structures and finance transactions. MeesPierson continuously increases the scope of its services utilizing its Global Private Wealth Management concept to fine-tune clients' portfolios and preferences.

MeesPierson is among the top ten in Europe in the field of private banking, with assets under management of approximately €60 billion as of December 31, 2001. MeesPierson expects the total volume of private capital in Europe to grow, along with demand for dedicated services and personal advice. MeesPierson intends to intensify its cooperation with other Fortis businesses, especially in The Netherlands, Belgium and Spain, to reach new private customers. Informal networks or affinity groups, which match investors to new business initiatives, have been established to meet the increasing demand for private investment.

In 2001, Private Banking launched new alternative investment products and hedge funds to build on its Benelux leadership position. Outside the Benelux countries, MeesPierson continued to grow in France, Switzerland, Hong Kong, Guernsey, the Bahamas and Spain. MeesPierson launched MeesPierson Fortis Patrimoine in the French market, while Béta Capital MeesPierson strengthened its position in Spain, which is among Europe's fastest growing private banking markets.

Following the full integration of Banque Générale du Luxembourg (BGL), all private banking and trust activities were integrated into the Fortis business line structure. In addition, Fortis Private Banking focused on activities in markets in which it has a substantial presence, resulting in the closure of a number of offices in 2001 in Germany, Italy, Denmark and Austria, and the integration of MeesPierson's activities with those of Banque Générale du Luxembourg (BGL) in Switzerland and Luxembourg.

In 2002 MeesPierson will continue to expand its services and service concepts with the goal of increasing overall management of the assets and liabilities of clients.

Asset Management

Fortis IM is an internationally organized fund management group — managing mutual funds for retail distributors and mandates for institutional investors.

Fortis IM ranks among the top 10 asset managers in Europe, operating from offices in Brussels, Utrecht, Paris, Boston and Hong Kong. In November 2000 Chinese authorities granted Fortis a license to open a representative office in Shanghai. This was the first license of its kind granted to a European financial institution. Fortis IM opened a representative office in Shanghai in March 2001 and in November formed a strategic alliance with Haitong Securities, one of China's leading brokerages. The purpose of the alliance is to set up a joint venture to distribute investment funds when China creates the necessary legal framework.

Total volume of Fortis IM's assets under management in 2001 were €84.6 billion, a decrease from €90.8 billion in 2000 and up from €76.0 billion at the end of 1999. Fortis IM manages approximately €51 billion (2000: €56 billion) in investment funds and approximately €34 billion (2000: €34 billion) for institutional clients.

Investment Philosophy. Fortis IM is an active manager who believes that fundamental analysis, utilizing proprietary research and quantitative tools, is the best approach to secure consistent, long-term excess returns.

Research—the Fortis IM investment process is research-based and consists of three phases:

- Research—decision preparation through top-down macroeconomic research as well as bottom-up equity/bond research;
- Portfolio Construction—decision making through active management of model portfolios, which are customized along client specific requirements; and
- Risk Assessment and Performance Reporting.

Product Range. Fortis IM continues to extend and develop its range of products to meet growing client needs and to take advantage of market developments. New segments were added to its range of funds, allowing customers to diversify their exposure and to customize the risk profiles of their investments further. The introduction of the Euro, coupled with the merger between the French, Belgian and Dutch stock exchanges into Euronext, represent a major development towards a single European investment market which is expected to increase demand for sector-related funds. In order to take advantage of this trend, Fortis IM has developed a broad range of sector funds to complement its existing comprehensive range of fixed income, equity, balanced and other funds.

Distribution and Client Service. Fortis IM provides its services to customers by organizing its distribution and client servicing by customer segment and by geographic location within customer segments. In Europe, mutual funds are distributed in Fortis' major markets of the Benelux and France using Fortis Bank and insurance distribution channels as well as third parties. Fortis IM is developing distribution agreements with third parties in other European countries, primarily for distribution of the flagship, Fortis L Fund. Fortis IM Asia, in Hong Kong, has recently begun to distribute certain compartments of the Fortis L Fund in Hong Kong via Fortis Bank and third party distributors.

On the institutional side, Fortis IM adopts a direct approach using locally based teams to market services which can be managed via discretionary mandates or other suitable vehicles. Client servicing is also local to ensure close contact with the clients. Fortis IM's major markets for institutional clients are the U.S., through Harbor Capital Management, France, The Netherlands and Belgium. Institutional clients are made up from, among others, corporate pension plans, endowments, foundations and public funds.

Geographic Markets

Benelux

Fortis believes that it is one of the three largest banks in the Benelux in terms of assets at December 31, 2001. The following table shows the contribution of banking in the Benelux to Fortis' overall banking results and to Fortis' results as a whole as of and for the year ended December 31, 2001.

(€ millions, except percentages)	Year Ended December 31, 2001				
	Benelux Banking	Fortis Banking	Benelux Banking as a % of Fortis Banking	Fortis	Benelux Banking as a % of Fortis
Net interest income	3,692	4,404	84%	6,850	54%
Net commission income	1,420	1,978	72%	1,978	72%
Result before taxation	1,512	1,998	76%	3,493	43%
Assets	329,270	377,994	87%	482,970	68%

Belgium Overview

Fortis' banking operations include the predecessor banks Generale Bank and ASLK-CGER Bank, Belgium's largest and fifth largest banks, respectively, measured by total assets as of December 31, 1998, which were merged in June 1999 to form Fortis Bank. Since March 2000 the merged banks have been operating under the Fortis Bank brand name. The following table shows certain information regarding Fortis' Belgian banking operations at and for the year ended December 31, 2001.

(€ millions, except percentages)	Year Ended December 31, 2001		
	Belgium Banking	Fortis Banking	Belgium Banking as a % of Fortis Banking
Net interest income	2,231	4,404	51%
Net commission income	580	1,978	29%
Result before taxation	798	1,998	40%
Assets	223,613	377,994	59%

Netherlands Overview

Fortis' Dutch operations include the predecessor banks MeesPierson, VSB Bank NV and Generale Bank Nederland. Fortis Bank Nederland's operations are made up mainly of the retail operations of Fortis Bank Nederland and the corporate and investment banking services and private and information banking operations of MeesPierson. Generale Bank Nederland was merged with VSB Bank NV on June 23, 1999 and renamed Fortis Bank (Nederland) N.V. As part of the restructuring of Fortis' banking operations, Fortis Bank Nederland's name was changed to Fortis Bank Nederland (Holding) N.V. on June 23, 1999. Generale Bank Nederland, which was acquired by the Generale Bank Group in 1995, is a Dutch bank offering a wide range of banking products to specific customer segments through various distribution channels. It targets medium-sized firms, large corporates and wealthy private customers.

The following table shows certain information regarding certain of Fortis' Dutch banking operations at and for the year ended December 31, 2001.

(€ millions, except percentages)	Year Ended December 31, 2001		
	Netherlands Banking	Fortis Banking	Netherlands Banking as a % of Fortis Banking
Net interest income	1,137	4,404	26%
Net commission income	569	1,978	29%
Result before taxation	273	1,998	14%
Assets	66,892	377,944	18%

Luxembourg Overview

Fortis operates in Luxembourg principally through Banque Générale du Luxembourg (BGL). Fortis increased its stake in Banque Générale du Luxembourg from 53.0% to more than 97.7% in 2000. Banque Générale du Luxembourg is the largest retail bank in Luxembourg with a nationwide network of 39 branches.

Beginning in August 2000 Fortis began integrating Fortis Bank Luxembourg with BGL. As part of this process BGL acquired the retail network of Fortis Bank Luxembourg. Fortis Bank Luxembourg merged with BGL in 2001.

BGL is Luxembourg's main commercial bank and, via its subsidiary Eurolease Factor, is the market leader in leasing and factoring. Banque Générale du Luxembourg also has a significant private banking business. These services are available in Luxembourg and Switzerland and through the Bank's international trust network.

Fortis provides electronic banking (e-banking) services in Luxembourg through Banque Générale du Luxembourg. Fortis was the first Luxembourg financial institution to offer secure banking services over the internet. BGL also provides trust services in Luxembourg previously provided by MeesPierson.

The following table shows certain information regarding Fortis' Luxembourg operations at and for the year ended December 31, 2001.

(€ millions, except percentages)	Year Ended December 31, 2001		
	Luxembourg Banking	Fortis Banking	Luxembourg Banking as a % of Fortis Banking
Net interest income	325	4,404	7%
Net commission income	271	1,978	14%
Result before taxation	441	1,998	22%
Assets	38,765	377,994	10%

Rest of World

Fortis has banking operations outside the Benelux in Europe, Asia and Africa in the form of branches, subsidiaries or subsidiary branches. Fortis' European banking operations outside the Benelux are principally in France, Switzerland, Germany, the United Kingdom, Spain and Poland. Fortis operates in South and East Asia in Hong Kong and several neighboring countries and in over 15 African countries. In other countries, Fortis has a presence through representative offices. Fortis' current operations focus on services to the small and medium-sized enterprise market, high net worth individuals, private banking and assistance to customers who are expanding their international trade and investment.

The following table shows certain information regarding Fortis' banking operations in the Rest of World at and for the year ended December 31, 2001.

(€ millions, except percentages)	Year Ended December 31, 2001		
	Rest of World Banking	Fortis Banking	Rest of World Banking as a % of Fortis Banking
Net interest income	711	4,404	16%
Net commission income	558	1,978	28%
Result before taxation	486	1,998	24%
Assets	48,728	377,994	13%

France

Fortis operates in France through Fortis Banque France, which has a network of 92 branches, mainly in the Paris region, and has a strong presence through its Business Centers (which are commercial entities with a focus on medium-sized enterprises) in the main economic regions of France. In cooperation with its regional subsidiaries and the leasing and factoring entities, Fortis Banque France focuses on small and medium-sized enterprises and high net worth individuals.

Germany

Fortis operates in Germany, principally in North Rhine Westphalia, the region in which trade between Germany and the Benelux countries is concentrated. It operates through two branches, a main one in Cologne and another in Aachen, both of which focus on medium-sized enterprises. It is also active in stocklending in Germany, with a branch in Frankfurt.

United Kingdom

Fortis operates in the United Kingdom principally through the merged branches of Generale Bank and MeesPierson. With 11 Business Centers in the main economic regions, it concentrates on the small and medium-sized enterprise market, offering services, including tailor-made packages, for cash management, loans, payment facilities and international trade finance. Fortis' presence in the UK market for medium-sized companies was boosted in 1997 by the acquisition of the corporate banking activities of Hambros Bank Ltd. Fortis' UK operations also target high net worth individuals.

Poland

In 1997, Generale Bank acquired a 9.7% stake in Fortis Bank Polska (formerly PPA Bank), a medium-sized commercial bank in Poland with a nationwide network of approximately 20 branches (including four business centers) focused on the small and medium-sized enterprise sector. In 1999, Fortis Bank increased its interest in Fortis Bank Polska to 98.6%. In October 1999, Fortis Bank launched a public offer for the remaining Fortis Bank Polska shares increasing its stake to a 99.7% stake in Fortis Bank Polska.

Switzerland

In Switzerland Fortis offers private banking services through its subsidiary Banque MeesPierson BGL SA, which is the result of the merger between Generale Bank's Compagnie de Gestion et de Banque Gonet SA and MeesPierson (Schweiz) AG in 1999 to form Banque MeesPierson Gonet SA. In 2001 the bank merged with Banque Générale du Luxembourg (Suisse) SA. Banque MeesPierson BGL SA focuses entirely on private banking services, specifically asset management and trust services for private individuals. The bank is headquartered in Nyon and has branches in Geneva, Zurich, Zug and Lugano. It operates trust offices in Zug, Nyon and in Vaduz, Liechtenstein.

Spain

In May 2000, Fortis' subsidiary MeesPierson acquired the remaining 70% of Beta Capital that it did not already own, now called Beta Capital MeesPierson. Beta Capital MeesPierson, whose head office is in Madrid, is primarily engaged in private banking and brokerage in the Spanish market. Beta Capital has 12 branches in Spain. Fortis also has commercial banking activities in Spain for medium-sized and large companies and has Business Centers in Madrid, Barcelona, Valencia and Bilbao.

Portugal

Fortis Bank offers a range of banking services to Portuguese medium-sized companies, through its Business Centers in Lisbon and Porto.

Italy

Fortis' three Business Centers in Milan, Padova and Bologna are part of the integrated network of 100 Business Centers in and outside Europe. As a result of this network, Fortis has developed cross border financial services combining the strengths of an international bank and delivered with local expertise. The network has the support of local specialists including export and project finance, cash management and factoring. Financial Markets and Investment Banking businesses are also present in Italy.

Asia

Fortis offers services to a wide range of individual and corporate customers and, in particular, to local small and medium-sized enterprises involved in the import and export business. Fortis Bank has a network of 28 branches and 5 Business Centers in Hong Kong, as well as Business Centers in Shanghai, Guangzhou and Taipei. In addition to this branch network, Fortis Bank has foreign branches in Singapore and Bangkok and representative offices in Ho Chi Minh City, Manila, Teheran, Mumbai, Jakarta, Beijing, Seoul and Sydney. In addition, Fortis, through separate subsidiaries, offers specialized services, such as clearing and stock lending.

Fortis IM established a strategic alliance with Haitong Securities, one of China's leading brokerages, in November 2001. The agreement grants access for distribution of investment funds over the whole of China, rather than a limited number of cities.

Africa

Fortis operates in Africa through Banque Belgoise, a wholly-owned subsidiary since the fall of 2000. Banque Belgoise, a bank with extensive expertise in Africa, increased its African presence in 1995 and 1996, taking minority stakes in local banks which occupy leading positions in countries such as The Central African Republic, Ghana, The Ivory Coast, Kenya, Mauritania, Niger, Nigeria, South Africa, Tanzania and Uganda. The African banking operations primarily concentrate on trade, finance and banking services for high net worth individuals. Banque Belgoise has a branch in London serving customers from English-speaking countries. In 1997 it opened a branch in Paris for customers in French-speaking African countries other than the former Belgian colonies, which Banque Belgoise continues to serve from Brussels.

In late 1997, following a period of declining profitability resulting primarily from political and economic instability in sub Saharan Africa, Banque Belgoise revised its corporate strategy. It diversified geographically, while continuing to target all customer segments and concentrated on the most profitable lines of business—trade finance, corporate banking and private banking.

The Americas

In addition, Fortis IM has an asset management business based in Boston, Harbor Capital Management, and Fortis provides other financial services through offices in New York, Chicago and Stamford, Connecticut. Fortis Bank has representative offices in Santiago, Sao Paulo and Mexico City

and Fortis Bank has subsidiaries in Curaçao, the Bahamas and the Cayman Islands for private and information banking.

Information Technology

Fortis believes that the use of information technology has become an increasingly important factor in maintaining and enhancing its market positions and cost-effectively servicing a wide customer base through multiple distribution channels. In recent years, Fortis has been providing access to its products through the internet and other electronic means and will continue to encourage its clients (particularly in the retail market) to access simple banking services and products electronically, rather than at a branch. Fortis is making significant investments in upgrading and enhancing its information systems to achieve this goal. Fortis has developed and is continuing to develop its use of information technology, including increasing operational efficiency (e.g., utilizing information systems to improve communications with independent intermediaries, to approve insurance applications and to reduce paperwork). Management believes that enhanced information technology systems will reduce the costs of distribution of its various products and enable it to provide better service to its retail and small and medium-sized enterprise clients. In addition, Fortis is utilizing its information technology to develop enhanced risk management tools, to improve global communications and to support cross-selling opportunities.

Online banking facilities and related Internet resources are crucial to Fortis' quality of service. Traditional financial products and services geared to the needs of today's corporate management are distributed to all enterprises through Fortis' portal "FortisBusiness.com".

General

Legal Proceedings

Management believes that there are currently no legal or governmental proceedings pending or threatened to which Fortis N.V., Fortis SA/NV or any of the Fortis operating companies is a party or to which any of its properties or the properties of any of the Fortis operating companies is subject, other than proceedings that would not have a material adverse effect on the financial position of Fortis N.V., Fortis SA/NV or of Fortis taken as a whole.

Employees

At December 31, 2001, Fortis had more than 66,000 employees worldwide. Management believes that its relationship with its employees is good.

Set out below is an overview of the average number of Fortis employees (in full time equivalents), categorized by Fortis' main business activities.

	Insurance			Banking			General	Total
	Benelux	United States	Other	Benelux	United States	Other		
1999	7,467	9,622	3,108	35,337	117	5,328	130	61,109
2000	7,488	10,070	3,300	35,170	182	6,518	154	62,881
2001	9,654	10,686	2,897	35,468	273	7,050	182	66,210

Properties

In The Netherlands, Fortis owns most of the land and buildings which are used in the normal course of its business, including headquarters space in Utrecht. Fortis rents approximately 60% of the bank branches in The Netherlands and owns the remaining 40%. In Belgium, Fortis owns substantially all of the land and buildings which are used in the normal course of its business, including headquarters space in Brussels and bank branches. Management believes that Fortis' facilities are adequate for its present needs in all material respects.

Supervision and Regulation

General

The banking, asset management, insurance and broker dealer businesses of Fortis are subject to detailed, comprehensive regulation in all the jurisdictions in which Fortis does business. In addition, certain European Community directives discussed more fully below have had and will have a significant impact on the regulation of each of these businesses in the European Union when such directives are implemented through legislation adopted within each member state, including The Netherlands and Belgium.

Supervision of Fortis as a Mixed Financial Group

As a bi-national, integrated financial services provider, Fortis is subject to different forms of internal and external supervision.

Fortis' banking activities and investment services are under the consolidated supervision of the Belgian *Commissie voor het Bank-en Financiewezen/Commission bancaire et financière* (CBF). However, these activities are organised in cross-border business lines, whereby the commercial core is in Belgium, The Netherlands or Luxembourg, depending on the business line. To ensure proper supervision of these activities, the relevant regulators (CBF in Belgium, De Nederlandsche Bank (DNB) in The Netherlands, and the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg) signed a Memorandum of Understanding on March 29, 2001.

Fortis' insurance businesses are not cross-border and are therefore subject to the supervision of the respective national insurance supervisors. Supplementary supervision of the insurance companies within the Benelux is exercised jointly by the Pensioen-en Verzekeringkamer (PVK) in The Netherlands and the Controledienst voor de Verzekeringen/Office de Contrôle des Assurances (CDV/OCA) in Belgium.

The four supervisors (CBF, CDV/OCA, DNB, and PVK) are of the opinion that the integration of the activities within a financial services company (or a financial conglomerate) gives rise to specific risks which require the separate banking and insurance supervision to be supplemented with comprehensive supervision at group level. As a result they concluded on February 28, 2002 a new Protocol (entitled "Framework for the exercise of the supplementary supervision of the Fortis Group") with a view to ensuring adequate supervision of the Fortis Group. This Protocol replaces an Agreement concluded between the supervisors in 1996. That Agreement had to be reviewed as a result of the changes in the management structures of the Fortis Group and the international developments in the supervision of financial services companies.

The new Protocol aims at supplementing the separate supervision of the banking and insurance business of the Fortis Group and comprises two parts.

First of all, the Protocol discusses the key prudential issues which, according to the supervisors, must be addressed to enable supervision of the Group as a whole to be exercised adequately. These issues include supervision of:

- the Group's shareholding structure;
- the persons carrying out management functions within the holding companies;
- the Group's organizational structure;
- its capital adequacy;
- intra-group transactions;
- risk concentration; and
- provisions on the access to and verification of information.

Fortis Group is required to report on several of those issues to the supervisors. Fortis has been informed of these key issues and has agreed to respect the commitments expected pursuant to the Protocol. The supervisory framework laid down in the new Protocol has been established in accordance with the principles underlying the proposal for a Directive of the European businesses on the supervision of financial conglomerates.

Secondly, the Protocol highlights the arrangements made between the supervisors for the organization of the supervision (i.e. the consultation between the supervisors and the role of the co-ordinator). Supplementary supervision is exercised jointly by the four supervisors. The Supervisors agreed to appoint the CBF as co-ordinator within the framework of the supplementary supervision. The co-ordinator acts as the central liaison for the Fortis Group.

Banking

Fortis' banking activities and investment services are under the consolidated supervision of the CBF. However, these activities are organized in cross-border business lines, whereby the commercial core is in Belgium, The Netherlands or Luxembourg, depending on the business line.

To ensure proper supervision of these activities, the relevant regulators (CBF in Belgium, De Nederlandsche Bank (DNB) in The Netherlands, and the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg) signed a Memorandum of Understanding on March 29, 2001.

Regulation of Fortis' Banking Activities in The Netherlands

General

In The Netherlands, the banking activities of Fortis are subject to extensive regulations by the Dutch banking supervisor (DNB) and the Minister of Finance of The Netherlands.

The banking regulatory system in The Netherlands is a comprehensive system based on the Act on the Supervision of the Credit System 1992 (the "ASCS 1992") (*Wet toezicht kredietwezen 1992*). This Act came into force on January 1, 1993 and, among other things, implemented the EC Second Banking Co-ordination Directive.

Fortis Bank Nederland (Holding) N.V. qualifies as a "credit institution" under the terms of this Act. Certain provisions of the Act, summarized below, may restrict their ability to make capital contributions or loans to their subsidiaries, and to make dividends and distributions to Fortis.

Supervision of Credit Institutions

In general, DNB is charged with the supervision of credit institutions in The Netherlands. No enterprise or institution can carry on the business of a credit institution in The Netherlands unless it has obtained prior authorization from DNB. The supervision activities of DNB under the ASCS 1992 focus on monetary supervision and supervision of solvency, liquidity and administrative organization. In addition, the ASCS 1992 contains provisions regarding the structure of credit institutions. DNB is authorized to issue directives in each of these areas of supervision.

Solvency Supervision

The solvency guidelines of DNB, in accordance with the relevant EC directives and the internationally agreed guidelines known as the Basle Agreement, require that Fortis Bank Nederland (Holding) N.V. maintain a minimum level of total capital to support the risk-weighted total value of balance sheet assets and off-balance sheet items. The required minimum is 8%. This ratio is referred to as the total capital ratio in Fortis reports.

Total capital consists of core capital (also referred to as Tier 1 capital) and secondary capital (also referred to as Tier 2 capital). Since January 1, 1996, Fortis Bank Nederland (Holding) N.V. has been permitted to maintain a new form of regulatory capital, Tier 3 capital, to support the market risk of financial instruments in its trading book and the foreign exchange risk of its business activities.

Core, or Tier 1 capital, consists of:

- shareholders' equity (minus revaluation reserves)
- the fund for general banking risks and minority interests
- minus intangible assets.

Secondary or Tier 2 capital consists of:

- revaluation reserves
- cumulative preference shares
- perpetual subordinated debt
- long-term subordinated loans with a minimum original maturity of at least five years.

Tier 2 capital is subdivided into upper Tier 2 capital (revaluation reserves perpetual subordinated debt and part of the cumulative preference shares) and lower Tier 2 capital (long-term subordinated loans and part of the cumulative preference shares).

Tier 3 capital consists of short-term subordinated loans that:

- have a minimum original maturity of at least two years
- are not subject to redemption prior to maturity without the consent of DNB (other than in the event of a winding-up of the bank)
- are subject to a provision which provides that neither interest nor principal may be paid if, prior to or as a result of such payment, the bank's capital adequacy ratio would be less than the required minimum.

The aggregate of Tier 2 and Tier 3 capital included in total capital may not exceed the amount of Tier 1 capital. Lower Tier 2 capital may not exceed 50% of the amount of Tier 1 capital. In addition, Tier 3 capital that is only allocated to support market risks may not exceed 250% of the amount of Tier 1 capital that is allocated to support market risks. Intangible assets deducted from Tier 1 and interests of more than 10% in non-combined banking and financial subsidiaries must be deducted from total capital. When various interests of less than 10% in non-combined banking and financial subsidiaries in the aggregate exceed 10% of the bank's Tier 1 and Tier 2 capital, this excess must be deducted from the sum of Tier 1 and Tier 2 capital.

The risk weighting of assets and off-balance sheet items consists of debtor's risks and market risks. The risk weighting of assets considers the debtor's risks, which depend on the debtor's classification, whether or not security is provided and the country of origin of the debtor. Interests of 10% or less in non-combined banking and financial subsidiaries has to be added here if the cumulated interests do not exceed 10% of Tier 1 and Tier 2. The market risk on trade portfolios in securities, bonds, derivatives and foreign currency is derived from a calculation of general market risk and specific market risk. Off-balance sheet items include guarantees, documentary credits, certain interest- and currency-related contracts, unused portions of committed credit facilities with an original maturity of over one year, note issuance facilities and revolving underwriting facilities. The solvency rules are applied on a combined basis to the worldwide assets of Dutch credit institutions.

Exposure Supervision

As part of its solvency directives, DNB has issued specific rules with respect to large exposures to a single borrower or group of interconnected borrowers or in relation to certain other businesses that involve a concentration of risk. These large exposure rules implement the EC Large Exposures Directive. Large exposures generally include all assets and off-balance sheet items of a credit institution with respect to a single borrower or a group of closely related borrowers which exceed 10% of such credit institution's own funds. Large exposures must be reported once every quarter to DNB. There is a limit of 25% of own funds for large exposures, while the aggregate amount of all

large exposures of a credit institution (including related entities) may not exceed 800% of its own funds.

These limits are expressed as a percentage of total capital and are as follows:

- exposures to The Netherlands central government, The Netherlands local governments and other central governments of OECD countries have no limit
- exposures to other local governments of OECD countries are weighted at 50%
- exposures to banks with a remaining maturity of up to or less than one year or more than one year are weighted at 20% and 50%, respectively
- exposures to others are weighted at 100%.

Participations in insurance companies are exempt up to a level of 40% of total capital of the credit institution.

Facilities and loans to and investments in non-banks of 1% (or €1.36 million) or more of total capital must be reported to DNB. For banks this limit is 3% (or €4.54 million).

Liquidity Supervision

The Dutch banking supervisor has also issued liquidity directives designed to ensure that liquid assets are held against certain liabilities so that liabilities can be met on the due date or on demand, as the case may be. Actual liquidity must be equal to or higher than the required liquidity, and actual cash liquidity (which includes assets with a very high liquidity) must be equal to or higher than the amounts of very liquid debts. Other liquid assets include assets which, depending on negotiability, are considered to be liquid up to a certain percentage.

Supervision on Administrative Organization

In the interests of supervision by DNB, and to enable it to monitor compliance with its directives, the ASCS 1992 requires that each supervised credit institution submit periodic reports. In accordance with the Dutch banking supervisor directives under this provision, Fortis Bank Nederland (Holding) N.V. files monthly reports with it. A registered accountant must certify these periodic returns at least once a year. If, in the opinion of DNB, a credit institution fails to comply with its directives concerning solvency, liquidity or administrative organization, DNB will notify the credit institution, and it may instruct the credit institution to behave in a certain manner. If the credit institution does not respond to the instructions to the satisfaction of DNB, additional supervisory measures are available to it.

Structural Supervision

The provisions of the ASCS 1992 require prior approval for certain changes in the structure of credit institutions, such as:

- mergers
- participations of over 5% in the outstanding share capital of a credit institution or 10% or more in a non-financial institution, by voting power or otherwise
- repayments of capital or distribution of reserves of the credit institution and financial reorganization.

Approval will be denied if, for instance, it is considered that sound banking policy may be jeopardized such that an undesirable effect on the credit system might result or that a conflict might arise in respect of certain solvency directives.

DNB, together with the Minister of Finance of The Netherlands, has developed a "structural policy" for participations by credit institutions in non-financial institutions. Under this policy a participation is not allowed if the value of the participation would exceed 15% of a credit institution's total

capital or if the participation would cause the value of the credit institution's aggregate qualifying participations in non-financial institutions to exceed 60% of its total capital. Certain types of participations will be approved in principle, although such declaration of no-objection will have a limited period of validity, for instance, in the case of a debt rescheduling or rescue operation or when the participation is acquired and held as part of an issuer underwriting operation. Furthermore, the approval will in principle be given when the value of the non-financial institution concerned or the value of the participation does not exceed certain threshold amounts.

Supervision of the Securities Business

Fortis Bank is also subject to supervision of its activities in the securities business. The Act on the Supervision of the Securities Trade (the "ASST 1995") (*Wet toezicht effectenverkeer 1995*), together with the decrees and regulations promulgated pursuant thereto, provide a comprehensive framework for the conduct of securities trading in or from The Netherlands. It incorporates two EC directives: the Investment Services Directive and the Capital Adequacy Directive. The Netherlands Authority for the Financial Markets is charged with supervision of the securities industry.

In addition to regulating the offering of securities, the ASST 1995 prohibits the offering and performance of brokerage services and portfolio management services without a license from the Netherlands Authority for the Financial Markets. Credit institutions which are licensed under the ASCS 1992 are exempt from the license requirement. Nevertheless, certain regulations promulgated under the ASST 1995 are applicable with respect to the securities business of such licensed credit institutions. These regulations among others comprise rules of conduct and provisions relating to the separation of funds.

As an admitted institution of Euronext Amsterdam, Fortis Bank Nederland (Holding) N.V. must comply with the exchange's house rules which complement the ASST 1995, the ASCS 1992 and the regulations promulgated thereunder. These rules mainly concern trading, listing and day-to-day risk management.

Supervision of Investment Business

Fortis Bank Nederland (Holding) N.V. and/or certain subsidiaries of Fortis Bank Nederland (Holding) N.V. are also active as managers and/or custodians of collective investment plans, which comprise both investment funds and investment companies. Collective investment plans are subject to supervision by DNB under the Act on the Supervision of Investment Institutions 1990 (*Wet toezicht beleggingsinstellingen*).

Regulation of Fortis' Banking Activities in Belgium

General

The banking regime in Belgium is governed by the Banking Act of March 22, 1993 (the "Belgian Banking Act") which, among other things, implements the EC Second Banking Co-ordination Directive. The Belgian Banking Act sets forth the conditions under which credit institutions, including banks, may operate in Belgium and grants regulatory and supervisory powers to the Belgian Commission for Banking and Finance. The main objective of the Belgian Banking Act is to preserve the strength and the solvency of each credit institution and the stability of the Belgian banking system in general. Supervision of Belgian credit institutions is the responsibility of the Belgian Commission for Banking and Finance. It is a public agency that operates independently of the Belgian government and of the National Bank of Belgium, the *Banque Nationale de Belgique S.A./Nationale Bank van België NV*, established in Brussels.

Supervision of Credit Institutions

All Belgian credit institutions must obtain a license from the Belgian Commission for Banking and Finance before they may commence operations. In order to obtain a license and keep it, each credit institution must fulfil numerous conditions, including certain minimum paid-up capital requirements.

In addition, any shareholders (directly or indirectly acting in concert with third parties) holding 5% or more of the capital or the voting rights of the institution must be of "fit and proper" character to ensure proper and careful management. The Belgian Commission for Banking and Finance therefore requires the disclosure of the identity and equity participation of any shareholder with a 5% or greater capital or voting interest. If it considers that the participation of a shareholder in a credit institution jeopardizes the reasonable management of the bank, the supervisory authority can suspend the rights attached to this participation and, if necessary, request the shareholder to transfer to a third party its participation in the credit institution's capital. The notification to the Belgian Commission for Banking and Finance is necessary each time the 5% threshold or a multiple of 5% is reached. Furthermore, a shareholder who wishes to sell all or a part of his participation, thereby dropping below any of the above mentioned thresholds, needs to notify the Belgian Commission for Banking and Finance one month in advance of such transfer. A Belgian bank is further under an obligation to notify to the Belgian Commission for Banking and Finance of any such transfer when it obtains knowledge of it.

The Belgian Banking Act requires credit institutions to periodically provide detailed financial information to the Belgian Commission for Banking and Finance and to the National Bank of Belgium. The Belgian Commission for Banking and Finance also supervises the enforcement of laws and regulations with respect to the accounting principles applicable to credit institutions. The Belgian Commission for Banking and Finance, in consultation with the National Bank of Belgium and the Ministers of Finance and of Economic Affairs, sets the minimum capital adequacy ratios that apply to credit institutions. The Belgian Commission for Banking and Finance may also determine other ratios, for example, with respect to the liquidity of credit institutions.

Pursuant to the Belgian Banking Act, the Belgian Commission for Banking and Finance may, in order to exercise its prudential supervision, require the communication of all information with respect to the organization, functioning, condition and activities of a credit institution. The Belgian Commission for Banking and Finance may supplement these communications by on-site inspections. The Belgian Commission for Banking and Finance also exercises its comprehensive supervision of credit institutions through statutory auditors who collaborate with the Belgian Commission for Banking and Finance in its prudential supervision. The credit institution selects its auditors from among the list of auditors or firms of auditors accredited by the Belgian Commission for Banking and Finance.

Where regulations of the Belgian Banking Act have been violated or where credit institutions experience liquidity, administrative or internal control difficulties, the Belgian Commission for Banking and Finance may impose a time limit to improve the situation. If the situation is not improved within the established time limit, the Belgian Commission for Banking and Finance has the power to appoint a special commissioner, to replace management, to suspend or dispose of all or part of its activities and, finally, to revoke the license of the credit institution.

Banking Regulations

Belgian law and regulatory practices make a fundamental distinction between the management of banking activities, which lies within the competence of the Management Committee, and the supervision of this management and the definition of the credit institution's general policy, which must be entrusted to the Board of Directors. In order to ensure that such distinction is maintained, Belgian regulatory practices require a credit institution, its main shareholders and the Belgian Commission for Banking and Finance to enter into a "Protocole sur l'autonomie de la fonction bancaire" to ensure the autonomy of the banking function. The protocol also requires the main shareholders of a credit institution to ensure the institution's autonomy and stability.

Solvency Supervision

Capital requirements and capital adequacy ratios have been established by a regulation promulgated by the Belgian Commission for Banking and Finance (the "Belgian Capital Adequacy Regulation"). The Belgian Capital Adequacy Regulation implements the principles of the European

Directive of April 17, 1989 concerning capital requirements for credit institutions, the European Directive of December 18, 1989 concerning solvency ratios of credit institutions and the European Directive of March 15, 1993 concerning capital adequacy for investment companies and credit institutions (referred to as the "CAD Directive"). The payment of dividends by Belgian credit institutions is not limited by Belgian banking regulations, except indirectly through capital adequacy and solvency requirements, and is further limited by the provisions of Belgian Code of Companies.

The Belgian Capital Adequacy Regulation requires that the solvency of Belgian credit institutions be measured by a ratio that serves as the basis for the calculation of the minimum required capital. This capital requirement is principally determined by the degree of credit risk that is inherent in each item of the balance sheet and in each off-balance sheet item. Each bank subject to the Belgian Capital Adequacy Regulation must maintain a capital adequacy ratio (also referred to as "total capital ratio" in Fortis reports), of total capital (Tier 1 and Tier 2) to risk-weighted assets, of no less than 8%. Since 1996, the capital adequacy ratio takes into account market risk in the calculation of weighted risk.

Solvency is also measured by the gearing ratio, which compares shareholders' equity (*fonds propres*) to debt to third parties (*fonds de tiers*), as defined in applicable regulations. The Belgian Capital Adequacy Regulation also requires that in no event the share capital of credit institutions be less than total fixed assets.

Exposure Supervision

Belgian regulations also ensure the solvency of credit institutions by imposing limits on the concentration of risk in order to limit the impact of failure on the part of a large debtor. For this purpose credit institutions must limit the amount of risk exposure to any single counterpart to 25% of total capital and the total amount of concentrated risks to 800% of total capital. Belgian regulations also require that the credit institutions establish a general provision for country risks as determined periodically by the Belgian Commission for Banking and Finance.

Belgian credit institutions may make equity investments in commercial and industrial companies. However, certain investments ("qualified participations") may not exceed: (i) 15% of the total capital of the credit institution on a per investment basis, or (ii) 45% of the total capital of the credit institution in the aggregate.

Regulation of Fortis' Banking Activities in the European Union

Within the EU, the creation of a single financial market at the end of 1992 has required continued negotiations among EU Member States towards establishing greater freedom in the cross-border banking and securities business, through a harmonized institutionally based regulatory environment, with emphasis on the role of the home country regulator. The Second Banking Co-ordination Directive established a framework for the mutual recognition of the supervision of banks in the EU member states, enabling a bank authorized in one EU member state to carry out activities on a branch or cross-border service basis in other EU Member States on the basis of a single license provided by the home country supervisory authority. The equivalent measure for securities firms carrying out investment business, the Investment Services Directive, was implemented in The Netherlands and in Belgium by legislation introduced in 1995.

Supporting the Second Banking Co-ordination Directive are the Solvency and Own Funds Directives, which establish a minimum harmonization of regulatory capital requirements to enable banks to operate throughout the EU under their authorization granted by the regulators of the home Member State (home country control). The Capital Adequacy Directive, applicable in The Netherlands and Belgium on January 1, 1996, establishes minimum capital standards for the investment and securities business of banks and investment institutions.

Insurance

Solvency

As of December 31, 2001, the aggregate solvency margin of Fortis' insurance subsidiaries, computed in accordance with EC Directives, was €6,975 million. EC Directives require a minimum solvency margin of at least 16% of gross premiums written in the preceding year for property and casualty, and generally 4% of insurance reserves, plus 0.3% of the amount at risk under the life insurance policies for life insurers. The minimum solvency margin was €4,225 million at December 31, 2001.

Regulation of Fortis' Insurance Activities in The Netherlands

The Dutch insurance regulator, the *Pensioen-en Verzekeringskamer* (PVK) supervises insurance companies in The Netherlands under the mandate of the Insurance Industry Supervision Act (the "IISA 1993") (*Wet toezicht verzekeringbedrijf 1993*). Fortis files its annual report with the PVK and, in accordance with this law, Fortis' life and general insurance subsidiaries in The Netherlands file detailed annual reports. These reports are audited by Fortis' independent auditors and include:

- balance sheets
- profit and loss statements
- actuarial statements
- detailed descriptions of real estate, securities and other investments, mortgages, guarantees granted and received and private placement loans.

The technical provisions are prepared in accordance with Dutch GAAP, and are based on the "net level premium method". In common with many companies, Fortis defers and amortizes the variable acquisition cost of new business. Insurance companies are licensed initially by the PVK and monitored closely thereafter through annual filings. The authorization granted by the PVK stipulates classes of business that an insurer may write. In addition, the PVK may require an insurer to submit any other information that it requests and may conduct an audit at any time. Generally, the PVK performs an audit every 10 years.

Under the IISA 1993, general insurance companies are required to maintain shareholders' equity equal to not less than 16% of premiums written in the previous year, net of reinsurance but subject to other possible limitations. Life insurance companies are required to maintain equity of approximately 4% (subject to upwards adjustment depending on the risk profile of the relevant product) of actuarial reserves for non-linked products and approximately 1% for products where the investment risk is transferred to the policyholder.

Regulation of Fortis' Insurance Operations in Belgium

Insurance activities are regulated in Belgium by the "Supervision Act" of July 9, 1975 and its implementing orders, of which the most important one to date is the Royal Decree of February 22, 1991, entitled "general rules relating to the supervision of insurance undertakings."

The Belgian legislation and implementing orders are intended to give effect to applicable European directives and to meet the requirements of European law. Accordingly, the legislation on insurance supervision establishes the framework under which Belgian, European and foreign (non-E.U.) insurance companies conduct their insurance business in Belgium. The legislation and orders impose obligations on Belgian insurance businesses and create a regime for enforcement.

The basic principles of the Belgian legislation include the following:

- No business may carry on any insurance activity in Belgium absent prior authorization from the Controledienst voor de Verzekeringen/Office de Contrôle des Assurances (CDV/OCA).
- Under European law and Belgian legislation, supervision of rates and contract terms occur retrospectively. Therefore, although there is no requirement for prior notification by

insurance businesses of their rates and contract terms, the CDV/OCA has the power to investigate and obtain information on rates and terms and to compel changes where it deems necessary. The CDV/OCA generally reviews rates by sampling a product or category of products. For example, if the CDV/OCA concludes, following a review, that a given contract is not in compliance with the statutory requirements, it may require cancellation or adjustments of the contract terms.

- European directives and Belgian legislation make a distinction between “life” insurance business and “non-life” insurance business. Subject to certain exceptions, an entity established under Belgian law that carries on a “non-life” insurance business is prohibited from carrying on at the same time a “life” insurance business.
- Each insurance company conducting business in Belgium is required to establish and maintain a solvency margin sufficient for its activities as a whole. In addition, each company is required to establish and maintain appropriate technical reserves or provisions enabling it to fulfil all its obligations arising from its insurance contracts.
- Transfers of insurance portfolios to other insurance companies require the prior approval of the CDV/ODA.
- The Supervision Act also contains regulations governing the liquidation of an insurance business and relating to insolvency proceedings.

Regulation of Fortis’ Insurance Activities in the European Union

EC directives, including the 1992 third life and non-life EC insurance directives, were implemented in Belgium and The Netherlands in July 1994. These directives are founded on the “home country control” principle, in which the ongoing regulation of insurance companies, including their foreign insurance operations, is the responsibility of the home country insurance regulatory authority. The home country regulatory authority monitors compliance with applicable regulations, the solvency of the insurer and its actuarial reserves, as well as the assets of the insurer which support such reserves. As a result of the implementation of these directives, an insurance company that has been licensed to conduct insurance business in one member state of the European Union may conduct business, directly or through foreign branches, in all other member states without being subject to licensing requirements under the laws of such member states.

Regulation of Fortis’ Insurance Activities in the United States

Fortis’ U.S. insurance subsidiaries are subject to regulation and supervision in the individual states in which they transact business. Supervisory agencies in the various states have broad powers to grant or revoke licenses to transact business, regulate trade practices, license agents, approve policy forms and certain premium rates, set reserve requirements, determine the form and content of required financial reports, examine the companies and prescribe the type and amount of investments permitted. Insurance companies are subject to a mandatory audit every three to five years by the regulatory authorities and every year by their independent auditors. Applicable state insurance laws, rather than federal bankruptcy laws, apply to the liquidation or the reorganization of insurance companies.

The National Association of Insurance Commissioners (“NAIC”) recommended a “Risk Based Capital for Life and/or Health Insurers Model Act” in December of 1992, which most states have adopted in the form of laws or regulations, designed to identify inadequately capitalized life and health insurers. Should an insurer’s total adjusted capital fall below certain prescribed levels (defined in terms of its risk based capital), the model act provides for various actions. An insurance company’s risk based capital ratio will vary over time depending upon many factors, including:

- its statutory earnings, by legal entity as well as gains and losses in the statutory capital account;
- the mix of assets in its investment portfolio;

- the nature of the products it sells and its rates of sales growth; and
- changes in the risk based capital formulas required by regulations.

Under this regulatory system, if a life company holds statutory capital at or below the authorized control level (“ACL”), a state may at its discretion assume control of the corporation in the public interest. When actual total adjusted capital reaches 200% of ACL required capital, insurance companies are required to file an action plan with the state in order to raise profitability and restore capital adequacy. Fortis generally seeks to maintain enough capital to avoid the diversion of management attention that this would entail. This level varies with the volatility of earnings. The total adjusted capital levels of Fortis’ U.S. insurance subsidiaries currently exceed all of the regulatory action levels defined by all applicable state laws and regulations.

On the basis of statutory financial statements filed with state insurance regulators, the NAIC calculates annually 12 financial ratios to assist state regulators in monitoring the financial condition of insurance companies. A “usual range” of results for each ratio is used as a benchmark. Departure from the “usual range” on four or more ratios generally leads to inquiries from individual state insurance commissioners. Based on these ratios, the association’s examiner team assigns a “priority” to each insurance company, which is used by the state regulatory authorities in prioritizing their workload.

With the addition of ABI an increasing portion of the business written by Fortis’ U.S. insurance subsidiaries is credit-related insurance. Most states and other jurisdictions in which Fortis’ U.S. insurance subsidiaries do business have enacted laws and regulations that apply specifically to credit-related insurance, which are in addition to the laws and regulations that govern insurance operations generally. The methods of regulation vary but generally relate to, among other things, the amount and term of coverage, the content of required disclosures to debtors, the filing and approval of policy forms and rates, and limitations on the amount of premiums that may be charged and on the amount of compensation that may be paid as a percentage of premium. In addition, some jurisdictions have enacted or are considering regulations which attempt to limit profitability arising from credit-related insurance based on underwriting experience.

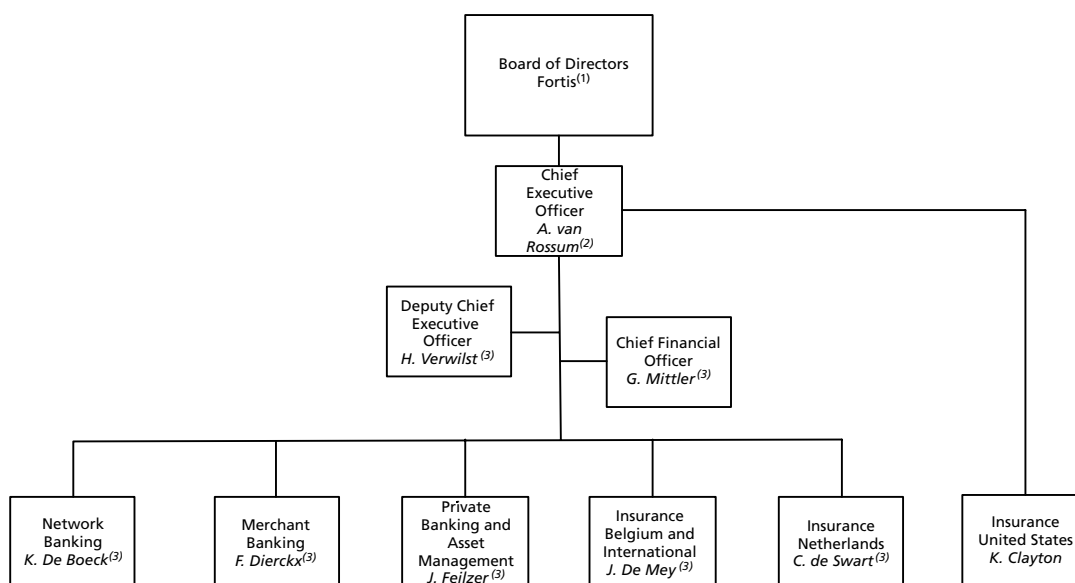
Insurance holding company statutes and regulations of each insurer’s domiciliary state in the United States require periodic disclosure concerning the ultimate controlling person (i.e., the corporation or individual that controls the domiciled insurer in each state). Such statutes also impose various limitations on investments in affiliates and may require prior approval of the payment of certain dividends by the domiciled insurer to Fortis or several of its affiliates. Fortis is subject, by virtue of its ownership of insurance companies, to certain of these statutes and regulations. Fortis’ ability to meet its obligations and pay dividends to its shareholders may be affected by any such required approval.

Management

Since January 1, 1999, Fortis has been managed with a structure intended to provide full unity of management, create greater transparency throughout Fortis and to allow more efficient decision-making. To achieve this goal, the following measures were implemented between January 1999 and August 2000:

- the number of members of the Fortis Board of Directors was reduced to a maximum of 17 (currently there are 15 board members), and the boards of directors of Fortis SA/NV and Fortis N.V. are now comprised of the same members;
- the Executive Committee members are no longer members of the Fortis Board of Directors, with the exception of the Chief Executive Officer;
- one Chief Executive Officer, Anton van Rossum, was appointed (effective as of September 2000), and the CEO function has been separated from the function of chairman of the Fortis Board of Directors; and
- the composition of the Executive Committee is no longer equally divided between Belgian and Dutch members.

The diagram below outlines Fortis' operating and management structure.



(1) Members of the Board of Directors of Fortis are also directors of Fortis N.V. and Fortis SA/NV and the sub-holding companies, Fortis Utrecht N.V. and Fortis Brussels SA/NV, through which Fortis operates its insurance and banking and asset management businesses.

(2) Mr. van Rossum is a member of the Fortis Board of Directors and Chairman of the Executive Committee.

(3) Member of the Executive Committee.

The current structure provides full unity of management within Fortis and thereby increases management's decision-making ability.

The Fortis Boards of Directors

The boards of directors of Fortis SA/NV and Fortis N.V. (the "Fortis Board of Directors") are composed of the same members and function as a single Fortis board of directors. The Fortis Board of Directors consists of a maximum of 17 members: one executive member, being the Chief Executive Officer, and a maximum of 16 non-executive members. The scope of activity of the non-executive members of the Fortis Board of Directors involves the general course of affairs. There are currently 15 directors.

The Fortis Board of Directors is responsible for the general business of the Group and for monitoring and checking the Group's financial status. The Fortis Board of Directors meets at least seven times a year, according to a fixed timetable, and on as many other occasions as the group's interests require. The Fortis Boards of Directors' working methods, meetings and decision-making process are specified in the board rules.

Following the resignation of Hans Bartelds as member and Co-Chairman of the Fortis Board of Directors on February 1, 2002, the composition of the Fortis Board of Directors, Fortis N.V. and Fortis SA/NV currently is as follows:

Name	Position	Director Since	Term Expires
Count M. Lippens	Director Fortis (Chairman)	1981	2002
J.R. Glasz	Director Fortis (Chairman)	1989	2004
Viscount E. Davignon	Director Fortis (Vice Chairman)	1989	2002
J.J. Slechte	Director Fortis (Vice Chairman)	1996	2003
A. van Rossum	Director Fortis (Chief Executive Officer)	2000	2003
Baron V. Croes	Director Fortis	1987	2003
H.J. Hielkema	Director Fortis	1988	2003
Baron D. Janssen	Director Fortis	1999	2002
C. Morin-Postel	Director Fortis	1998	2003
Ms. A.J.M. Roobeek	Director Fortis	1994	2002
P. Speeckaert	Director Fortis	1989	2004
Baron P. Van Waeyenberge	Director Fortis	1988	2004
N.J. Westdijk	Director Fortis	1996	2003
J-M. Hessels	Director Fortis	2001	2004
J.M. Schröder	Director Fortis	2001	2003

The Fortis Board of Directors may institute from among its members all committees that it considers useful. The board rules govern the composition and responsibilities of these committees. Currently, the Fortis Board of Directors has established four committees: the Compensation and Nominating Committee, the Audit Committee, the Capital Committee and the Chairmen's Committee. Each committee is chaired by both chairmen of the Fortis Board of Directors.

- The Compensation and Nominating Committee advises the Fortis Board of Directors on matters concerning remuneration and appointment policy for the Fortis Board of Directors and Executive Committee members.
- The Audit Committee supports the Fortis Board of Directors in its duty to ensure the quality of the financial and management information and of the internal auditing. It also oversees the provision of information to shareholders, management bodies and external regulators. The Audit Committee has six members, none of whom bear any responsibility for day-to-day management.
- The Capital Committee advises the Fortis Board of Directors on matters relating to Fortis' capital availability and asset allocation.
- The Chairmen's Committee is responsible for preparing the meetings of the Fortis Board of Directors.

In early 2001, Fortis set up an International Advisory Council which is comprised of persons with a diversity of backgrounds and from different geographical areas in which Fortis is active, and which is a general advisory body for the Fortis Board of Directors.

The boards of directors of the sub-holding companies, Fortis Brussels SA/NV and Fortis Utrecht N.V., are composed of the same members as the Boards of Directors of the parent companies Fortis SA/NV and Fortis N.V., and are responsible for strategic and financial development and control, capital allocation and the representation of Fortis with external constituencies.

The Fortis Executive Committee

Fortis' Chief Executive Officer is responsible for the day-to-day management of Fortis and for formulating the strategic direction for the Group. The Chief Executive Officer is Chairman of the Executive Committee.

Fortis' Executive Committee is responsible for the daily management of Fortis and implements Fortis' strategy, proposes options for further development of Fortis to the Fortis Board of Directors, including acquisitions and dispositions, stimulates the cross transfer of best practices and implements synergies within Fortis and manages capital allocation and target setting. Except for the Chief Executive Officer, none of the members of the Executive Committee are also members of the Board of Directors.

The Fortis Executive Committee consists of the following members who, with the exception of the CEO, Deputy CEO and the CFO are responsible for individual businesses. The CEO of Fortis, Inc. reports directly to Anton van Rossum, the Chief Executive Officer.

A. van Rossum	Chief Executive Officer
H. Verwilt	Deputy Chief Executive Officer
G. Mittler	Chief Financial Officer
K. De Boeck	CEO Network Banking
F. Dierckx	CEO Merchant Banking
B. J. H. S. Feilzer	CEO Private Banking and Asset Management
J. De Mey	CEO Insurance Intermediaries: Belgium & International
C. de Swart	CEO Insurance Intermediaries: The Netherlands

Compensation of Directors and Officers

In 2001, total compensation paid to the Executive Committee was €10.3 million, which amount was charged to various Fortis companies. As part of the compensation in 2001, 172,750 options on Fortis shares were granted to the members of the Executive Committee.

Remuneration of the directors who have no executive duties within Fortis is fixed in accordance with the articles of association of the relevant Fortis companies. The remuneration is determined in view of the responsibilities of the non-executive directors in the Fortis Board of Directors and international market practice. For the financial year 2001, remuneration of the non-executive directors came to €2.6 million. From that amount €0.5 million was paid to companies outside Fortis, where those directors exercise functions.

Terms and Conditions of the FRESH Capital Securities

The following is a summary of the terms and conditions of the undated Floating Rate Equity-linked Subordinated Hybrid ("FRESH") Capital Securities in aggregate principal amount of €1,250 million (the "FRESH Capital Securities") of Fortfinlux S.A., a company incorporated under the laws of Luxembourg ("Luxco"), as issuer and Co-obligor, Fortis SA/NV, a listed public company with limited liability incorporated under the laws of Belgium, having its registered office in Brussels, as Co-obligor and Fortis N.V., a listed public company with limited liability incorporated under the laws of The Netherlands, having its corporate seat in Utrecht, as Co-obligor (Fortis SA/NV together with Fortis N.V., the "Parent Companies") to be issued pursuant to an Indenture dated as of May 7, 2002 (the "Indenture") among Luxco, the Parent Companies and JPMorgan Chase Bank, as trustee, together with any successor appointed from time to time under the Indenture (the "Trustee"). A copy of the form of Indenture shall be available from the Trustee upon request by a registered holder (a "Holder") of the FRESH Capital Securities. The following (other than the paragraphs in italics) is the text of the Terms and Conditions of the FRESH Capital Securities which will be contained in any certificates representing the FRESH Capital Securities.

1. General

The FRESH Capital Securities shall be issued in registered form and shall constitute direct, secured and subordinated obligations of the Co-obligors (as defined below) and shall have no fixed maturity date. The issue of the FRESH Capital Securities was authorized by resolutions of the Board of Directors of Luxco passed on April 24, 2002. The issue of the Underlying Shares (as defined in Paragraph 8(a)(i)) and acceptance of the obligations in respect of the issue of the FRESH Capital Securities and the Exchange Rights was authorized pursuant to resolutions of the Fortis Board of Directors passed on April 24, 2002.

The FRESH Capital Securities and the Fortis Shares (as defined in Paragraph 4(b)) deliverable upon exercise of the Exchange Rights or under the Alternative Coupon Satisfaction Method (as defined in Paragraph 6(c)) have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act").

2. Co-obligors

As separate, continuing and independent obligations, Luxco and each Parent Company (together, the "Co-obligors") shall unconditionally and irrevocably agree, jointly and severally, to make or cause to be made the due and punctual payment of interest (each payment, a "Coupon") (as used herein, Coupon shall include any Arrears of Interest (as defined in Paragraph 7) and Additional Interest (as defined in Paragraph 7(a)) due on such Coupon Date) on, and other payment obligations with respect to, the FRESH Capital Securities and otherwise to perform or ensure the performance of all of the terms of the FRESH Capital Securities and the Indenture. Notwithstanding the foregoing, no Co-obligor shall engage in any activity that constitutes illegal financial assistance under Belgium, Netherlands or Luxembourg law in the performance of its obligations under the Indenture.

Under the terms of the Indenture, each Co-obligor shall agree that the obligations set out in this Paragraph 2 are primary, separate, independent and absolute obligations of such Co-obligor. Each Co-obligor shall agree that such obligations have been undertaken by each Parent Company as a co-obligor and not as a guarantor. To the extent any Co-obligor may be deemed to be a guarantor or surety under applicable law, each Co-obligor explicitly shall waive any and all privileges, defences, rights and exceptions granted to guarantors or sureties under applicable laws and specifically shall waive and agree not to exercise any privilege, defence, right or remedy which at any time may be available to it in respect of its obligations under this Paragraph 2 or any other document, including, without limitation, any right of set-off or counterclaim which it or any other Co-obligor may have against the relevant Holder of FRESH Capital Securities or the Trustee.

The obligations set out in this Paragraph 2 are for the benefit of each Holder of FRESH Capital Securities and for the Trustee. The foregoing is hereby unconditionally and irrevocably agreed and

stipulated by way of third party stipulation for the benefit of each Holder of FRESH Capital Securities, whether present or future, upon having become a Holder of FRESH Capital Securities (unless such Holder has rejected such stipulation without delay upon becoming aware of its existence) and for the benefit of the Trustee, whether present or future, upon having been appointed pursuant to the terms of the Indenture.

Upon the transfer of any FRESH Capital Security to a third party, the transferor thereof shall not retain any rights under the obligations set out in this Paragraph 2 with respect to such FRESH Capital Security. The rights under this Paragraph 2 with respect to a FRESH Capital Security are not separately transferable from such FRESH Capital Security.

3. Form and Denomination of the FRESH Capital Securities

The FRESH Capital Securities shall be issued on May 7, 2002 (the "Issue Date") in the form of two permanent global certificates in registered form without interest coupons. Notwithstanding anything to the contrary herein, the FRESH Capital Securities shall be in registered form (*obligations nominatives*) within the meaning of article 84 of the Luxembourg law on commercial companies of 10 August 1915, as amended, title to which shall be evidenced in the register held at the registered office of Luxco. The FRESH Capital Securities shall be issued in denominations of €250,000 principal amount and integral multiples thereof. FRESH Capital Securities will be issued on the Issue Date against payment in immediately available funds. The FRESH Capital Securities are being offered and sold in offshore transactions in reliance on Regulation S under the Securities Act ("Regulation S"). The FRESH Capital Securities may also be offered and sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act ("Rule 144A").

FRESH Capital Securities sold in reliance on Regulation S shall be known as "Unrestricted Securities". The Unrestricted Securities shall initially be evidenced by a single global certificate in fully registered form without interest coupons (the "Unrestricted Global Certificate"). The Unrestricted Global Certificate shall be deposited with a nominee of a common depository (the "Common Depository") of Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Luxembourg Banking, *société anonyme*, Luxembourg ("Clearstream Luxembourg") and registered in the name of a nominee of the Common Depository. The Unrestricted Global Certificate (and any securities issued in exchange therefore) will bear a legend (in the form provided in the Indenture) to the effect that the FRESH Capital Securities have not been registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, any U.S. person unless such FRESH Capital Securities are registered under the Securities Act or an exemption from such registration requirements is available.

FRESH Capital Securities sold in reliance on Rule 144A shall be known as "Restricted Securities". Restricted Securities shall initially be evidenced by a single global certificate in fully registered form without interest coupons (the "Restricted Global Certificate" and, together with the Unrestricted Global Certificate, the "Global Certificates"). The Restricted Global Certificate shall be deposited with a nominee of the Common Depository of Euroclear and Clearstream Luxembourg and registered in the name of a nominee of the Common Depository. The Restricted Global Certificate (and any FRESH Capital Securities issued in exchange therefore) shall be subject to certain restrictions on transfer set forth therein and in the Indenture and will bear the legend regarding such restrictions set forth in the Indenture.

Except in the limited circumstances provided below, Global Certificates shall not be exchangeable for definitive FRESH Capital Securities ("Definitive Securities").

Ownership of interests in the Global Certificates ("Book-Entry Interests") shall be limited to persons that have accounts with Euroclear and Clearstream Luxembourg, or persons that may hold interests through their participants. Book-Entry Interests shall be shown on, and transfers thereof shall be effected only through, records maintained in book-entry form by Euroclear, Clearstream Luxembourg and their participants. Transfers of beneficial interests in the FRESH Capital Securities will be subject to the applicable rules and procedures of Euroclear and Clearstream Luxembourg and

their respective direct or indirect participants which rules and procedures may change from time to time.

Book-Entry Interests shall be exchangeable in whole and not in part for Definitive Securities in registered form if (a)(i) the relevant FRESH Capital Securities become ineligible for clearance and settlement through Euroclear and Clearstream Luxembourg and (ii) the Co-obligors are not able, after using reasonable efforts, to arrange for clearance and settlement of the FRESH Capital Securities through a successor clearing system within 120 days of notice of such event or (b) if as a result of any amendment to, or change in, the laws or regulations of Luxembourg, Belgium or The Netherlands (or any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation, by any revenue authority or a court or administration, of such laws or regulations which become effective, on or after the Issue Date, the Co-obligors or the Trustee or any paying agent is or shall be required to make any deduction or withholding from any payment in respect of the FRESH Capital Securities which would not be required were the FRESH Capital Securities in definitive registered form. As used herein, where applicable, FRESH Capital Securities includes any Definitive Securities that may be outstanding. The Global Certificates may be transferred only in accordance with the terms set out in the Indenture.

A Holder may transfer or exchange Definitive Securities at the offices of the paying agent (the "Paying Agent") or to its order, and for so long as the FRESH Capital Securities are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange shall so require, at the offices of the paying agent, transfer agent and exchange agent in Luxembourg (collectively, the "Luxembourg Paying Agent") in all cases in accordance with the Indenture. The registrar and the transfer agent may require a Holder of Definitive Securities, among other things, to furnish appropriate endorsements and transfer documents in the form provided and as specified in the Indenture, and Luxco may require a Holder of FRESH Capital Securities to pay any taxes and fees required by law or permitted by the Indenture.

In the case of a transfer of only part of the Definitive Security, a new Definitive Security shall be issued to the transferee in respect of the part transferred and a further new Definitive Security in respect of the balance of the holding not transferred shall be issued to the transferor.

JPMorgan Chase has initially been appointed to act as registrar, Paying Agent, interest rate calculation agent (the "Interest Rate Calculation Agent"), transfer agent and exchange agent (the "Exchange Agent"). J.P. Morgan Securities Ltd. has been appointed as calculation agent (the "Calculation Agent") and Banque Générale du Luxembourg S.A. has been appointed as the Luxembourg exchange agent. An updated copy of the register shall at all times be maintained at the registered office of Luxco. In case of discrepancy between the register kept at the registrar's office and the copy kept at the registered office of Luxco, the copy kept at the registered office of Luxco shall prevail. So long as any FRESH Capital Securities are listed on the Luxembourg Stock Exchange, the Co-obligors shall maintain a Luxembourg Paying Agent. Banque Générale du Luxembourg S.A. initially shall act as the Luxembourg Paying Agent. The Co-obligors may appoint a successor registrar, Paying Agent, Luxembourg Paying Agent, Interest Rate Calculation Agent, Calculation Agent, transfer agent or exchange agent or change any registrar, paying agent, calculation agent, collateral agent, transfer agent or exchange agent without prior notice to the Holders of FRESH Capital Securities, provided that upon any such appointment or change, the Co-obligors shall publish a notice in accordance with Paragraph 13 hereof.

4. Subordination

(a) The indebtedness evidenced by the FRESH Capital Securities constitutes direct, secured and subordinated obligations of the Co-obligors, jointly and severally. The FRESH Capital Securities rank and at all times shall rank (i) junior to any indebtedness or obligation, including any preference shares, of the Co-obligors other than such indebtedness or obligation set forth in clauses (ii) and (iii) below (such indebtedness and obligations, together "Senior and Subordinated Obligations"), (ii) *pari passu* and without any preference among themselves and any other indebtedness or obligation that, expressly or by applicable law, ranks *pari passu* with the FRESH Capital Securities

and (iii) senior to (A) any indebtedness or obligation of the Co-obligors that, expressly or by applicable law, is subordinated to the FRESH Capital Securities and (B) any ordinary shares of Luxco and any Fortis Shares.

(b) As used herein, each "Fortis Share" means a unit comprised of one fully-paid ordinary share in the capital of Fortis SA/NV twinned with one fully-paid ordinary share in the capital of Fortis N.V. and any successor ordinary share capital issued by either. The ordinary shares of each such Parent Company have no preference in respect of such Parent Company dividends or amounts payable in the event of any voluntary or involuntary liquidation or winding-up of such Parent Company.

(c) Subject to the right of the Holders of FRESH Capital Securities to effect the Optional Exchange for the Underlying Shares pledged by Luxco as set forth in Paragraph 10(d), upon any payment or distribution of the assets of any Co-obligor, upon a total or partial liquidation or dissolution or in a bankruptcy, reorganization, insolvency, receivership, winding-up, arrangement, adjustment, composition or other similar proceeding relating to such Co-obligor, or its respective property, whether voluntary or involuntary, or an assignment for the benefit of its respective creditors or any marshalling of its respective assets and liabilities (any such proceeding, a "Bankruptcy Proceeding"), the holders of Senior and Subordinated Obligations of such Co-obligor shall be entitled to receive payment in full in cash or other payment satisfactory to the holders of such Senior and Subordinated Obligations of all obligations in respect of such Senior and Subordinated Obligations before the Holders of FRESH Capital Securities are entitled to receive any cash payment of the Coupons on the FRESH Capital Securities from such Co-obligor. For the avoidance of doubt, the Holders of FRESH Capital Securities are entitled to receive any such payment from another Co-obligor unless such Co-obligor is also subject to Bankruptcy Proceedings.

5. Interest and Interest Rate Adjustment

(a) The FRESH Capital Securities bear interest from and including the Issue Date at the Interest Rate (as defined below) payable, subject to Paragraph 6, quarterly in arrears on February 7, May 7, August 7 and November 7 of each year (each, a "Coupon Date"), commencing on August 7, 2002, to Holders of FRESH Capital Securities of record at the close of business on the immediately preceding Business Day (each such date, a "Record Date"). Each successive period from and including a Coupon Date to, but excluding, the next Coupon Date is referred to as a "Coupon Period," provided that the first such period shall run from and including the Issue Date to, but excluding, the first Coupon Date. If any Coupon Date would otherwise fall on a day which is not a Business Day (as defined below), it shall be postponed to the next day which is a Business Day (without additional interest payable in respect of such delay) unless it would then fall into the next calendar month in which event such Coupon Date shall be brought forward to the immediately preceding Business Day (without any reduction in Coupon amount in respect of such early payment). As used herein, "Business Day" means a day on which commercial banks are open the whole day for domestic business and foreign exchange in Amsterdam, Brussels and Luxembourg and on which the TARGET System (as defined below in subparagraph (d)) is open. Each date on which a Coupon is payable in cash in accordance with this Paragraph 5(a) is referred to as a "Regular Coupon Date".

(b) Interest payable under this Paragraph 5 shall be paid in accordance with the provisions of Paragraph 9. Each FRESH Capital Security shall cease to bear interest:

(i) subject to Paragraph 8(d), when Optional Exchange (as defined in Paragraph 8(a)(i)) with respect to such FRESH Capital Security shall have been exercised, from the Coupon Date immediately preceding the Exchange Date (as defined in Paragraph 8(b)(i)); or

(ii) upon notice by the Co-obligors of an Automatic Exchange Event (as defined in Paragraph 8(a)(i)).

If exchange is effected, but outstanding Coupons remain due and unpaid, the Co-obligors will be obligated to pay such outstanding amounts. In addition, such amounts shall constitute Arrears of Interest, subject to the provisions of Paragraph 7.

(c) The applicable rate of interest payable in respect of the FRESH Capital Securities for any Coupon Period from and including May 7, 2002 (the "Interest Rate") shall be EURIBOR (as defined below) plus 1.35%. The Coupon payable on any Coupon Date shall be computed for the relevant Coupon Period on the basis of the relevant Interest Rate for such period for each €250,000 principal amount on an Actual/Actual Basis (as defined below). The Interest Rate Calculation Agent shall determine the Interest Rate on the Determination Date (as defined below) and notify such amount to the Co-obligors. On or before the first Business Day of each new Coupon Period, the Interest Rate Calculation Agent on behalf of the Co-obligors shall cause such Interest Rate and the amount of interest payable on the next Coupon Date to be notified to the Luxembourg Stock Exchange and to the Holders of FRESH Capital Securities in accordance with Paragraph 13. Any such calculations shall include any amounts due with respect to Arrears of Interest and Additional Interest.

(d) As used herein:

"EURIBOR" means the rate per annum for deposits in euro for a period of three months for an amount approximately equal to the outstanding principal amount of the FRESH Capital Securities at approximately 11:00 a.m. (Brussels time) and fixed quarterly on the second TARGET Settlement Day (as defined below) prior to the first day of the related Coupon Period (the "Determination Date") which appears on the Telerate Page 248 (or such other Telerate Page as may in the future contain the per annum rate for the three month EURIBOR). If Telerate ceases or fails to publish such a rate:

(i) the Interest Rate Calculation Agent shall request, two TARGET Settlement Days prior to each such new Coupon Period, the principal Euro-zone office of each of four major banks in the Euro-zone interbank market unaffiliated with the Co-obligors, as selected by the Interest Rate Calculation Agent, after consultation with the Co-obligors, to provide the Interest Rate Calculation Agent with its offered rate for deposits in euros, at approximately 11:00 a.m. (Brussels time) on such date, to prime banks in the Euro-zone interbank market for a period of three months and for an amount approximately equal to the outstanding principal amount of the FRESH Capital Securities, in that market at that time. If at least two quotations are provided, EURIBOR will be the arithmetic mean of those quotations (rounded, if necessary to 1/100,000 of 1 percent, 0.000005 being rounded upwards).

(ii) If fewer than two quotations are provided, EURIBOR will be the arithmetic mean of the rates quoted by four major banks in the Euro-zone, as selected by the Interest Rate Calculation Agent, after consultation with the Co-obligors, at approximately 11:00 a.m. (Brussels time), on the applicable Coupon Date for loans in euro to leading European banks for a period of three months and for an amount approximately equal to the outstanding principal amount of the FRESH Capital Securities.

(iii) If the banks so selected by the Interest Rate Calculation Agent are not quoting as mentioned in clause (ii) above, the EURIBOR rate in effect for the applicable period will be the same as EURIBOR for the immediately preceding Coupon Period.

"Actual/Actual Basis" means the number of days in the relevant Coupon Period, from and including the date from which the Coupon begins to accrue to but excluding the date on which such Coupon falls due, divided by the number of days in the relevant Coupon Period (including the first such day but excluding the last day).

"Euro-zone" means the region comprised of member states of the European Union that adopted or adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union.

"TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor thereto.

"TARGET Settlement Day" means a day on which the TARGET System is operating.

6. Alternative Coupon Satisfaction Method

(a) All Coupons which are payable on any Coupon Date with respect to a Coupon Period after the first public announcement by either or both of the Parent Companies stating:

- an intention to propose that no dividend on the Fortis Shares be declared or
- that a dividend be declared that represents a Dividend Yield (as defined below) in any fiscal year lower than 0.5% (the "Threshold Dividend Yield")

until the day first occurring after the first public announcement by either or both of the Parent Companies stating an intention that a dividend on the Fortis Shares be declared that equals or exceeds in aggregate the Threshold Dividend Yield, shall be paid, except as provided by the following paragraph, in accordance with the Alternative Coupon Satisfaction Method (as defined in subparagraph (c) below). As used herein, "Alternative Coupon Period" means any Coupon Period in which the Coupon is paid in accordance with the Alternative Coupon Satisfaction Method pursuant to this subparagraph (a).

For the avoidance of doubt, in the event that the general meeting of shareholders of either or both Parent Companies declares a dividend on the Fortis Shares that equals or exceeds in aggregate the Threshold Dividend Yield, all Coupons that become due and payable on any Coupon Date from and after the date of such general meeting shall be paid in cash until such time as a requirement to pay a Coupon through the Alternative Coupon Satisfaction Method subsequently arises by operation of the provisions of either this subparagraph (a) or subparagraph (b) below.

On an annual basis and prior to the board of directors meeting of each Parent Company in March of each year that considers the level of dividend to be proposed to holders of Fortis Shares for the prior fiscal year, Fortis will present a calculation to the CBF setting out the level of distributable reserves available to cover any dividends to such shareholders as well as other obligations. Before proposing any such ordinary dividend Fortis must obtain the authorisation of the CBF. The CBF has informed Fortis that prior to authorising the payment of a dividend on the Fortis Share it will take into account the following factors:

- *the solvency of Fortis; and*
- *the availability of distributable reserves to cover the proposed dividend on the Fortis Shares as well as any coupons due during the coming year on outstanding hybrid Tier 1 capital securities including the Coupons to be payable on the FRESH Capital Securities.*

As used herein:

(i) "Dividend Yield" in any fiscal year means the amount of the aggregate annual dividend proposed or declared, as the case may be, in such fiscal year on a Fortis Share (the "Dividend") divided by the average of the Volume Weighted Average Price of a Fortis Share on the ten Stock Exchange Business Days (as defined below) prior to the most recent to have occurred of (A) the public announcement by either or both of the Parent Companies stating that the determination has been made whether to declare an annual dividend for the previous year and, if so, the proposed amount of such dividend and (B) the public announcement by both Parent Companies that such dividend has been declared (in each case, the "Dividend Announcement"). In the event that the Volume Weighted Average Price is not available on each day during such ten Stock Exchange Business Days, then the average of the Volume Weighted Average Prices which are available during such ten Stock Exchange Business Days will be used (subject to the Volume Weighted Average Price being available on a minimum of five Stock Exchange Business Days). If Volume Weighted Average Prices are available on fewer than five Stock Exchange Business Days during such ten Stock Exchange Business Days, then the Dividend shall be divided by the average of the Volume Weighted Average Prices on the ten most recent Stock Exchange Business Days on which the Volume Weighted Average Price is available prior to the most recent Dividend Announcement to have occurred (so long as such Volume Weighted Average Prices occur during the 20 Stock

Exchange Business Days preceding such announcement). If fewer than ten Volume Weighted Average Prices are available during the 20 Stock Exchange Business Days prior to the most recent Dividend Announcement to have occurred, then the Dividend shall be divided by an amount to be determined by the Co-obligors in conjunction with two investment banks (unaffiliated with the Co-obligors) of international repute selected by the Co-obligors. The preceding Dividend Yield formula is based on the assumption that a dividend on the Fortis Shares shall be declared on an annual basis. In the event such dividend policy is changed, the Dividend Yield formula shall be adjusted accordingly by the Co-obligors in conjunction with two investment banks (unaffiliated with the Co-obligors) of international repute selected by the Co-obligors.

(ii) "Relevant Exchange" means Euronext Brussels S.A./N.V. ("Euronext Brussels") and Euronext Amsterdam N.V. ("Euronext Amsterdam") or, the principal stock exchange or securities market on which the Fortis Shares are traded.

(iii) "Stock Exchange Business Day" means any day (other than a Saturday or Sunday) on which the Relevant Exchange is open for business.

(iv) "Volume Weighted Average Price" means the volume weighted average price of a Fortis Share as traded on the Relevant Exchange. For so long as the Fortis Share is traded on both Euronext Brussels and Euronext Amsterdam, the volume weighted average price shall be the arithmetic average of such volume weighted average prices.

(b) All Coupons which are payable on any Coupon Date with respect to any Coupon Period (a "Default Coupon Period") in which:

(i) a default in the payment of the interest, or other payment obligations in respect of Senior and Subordinated Obligations, occurs and is continuing beyond any applicable period of grace (a "Senior and Subordinated Payment Default"); or

(ii) a default, other than a Senior and Subordinated Payment Default, occurs and is continuing with respect to any Senior and Subordinated Obligation that permits the holders of such Senior and Subordinated Obligation as to which the default relates to accelerate its maturity and the Co-obligors receive written notice of such default from any holder of such Senior and Subordinated Obligation or a holder's representative, or from a trustee under an indenture under which such Senior and Subordinated Obligation has been issued, accelerating the maturity thereof (a "Senior and Subordinated Non-Payment Default");

shall be paid, except as provided by the next paragraph, in accordance with the Alternative Coupon Satisfaction Method.

For the avoidance of doubt, in the event that the Senior and Subordinated Payment Default or the Senior and Subordinated Non-Payment Default, as the case may be, is cured or waived or ceases to exist, all Coupons that become due and payable on any Coupon Date from and after such event shall be paid in cash until such time as a requirement to pay a Coupon through the Alternative Coupon Satisfaction Method subsequently arises by operation of the provisions of either this subparagraph (b) or subparagraph (a) above.

(c) The Co-obligors shall satisfy their obligation to pay any Coupon accruing during an Alternative Coupon Period or a Default Coupon Period (each, a "Stock Coupon Period") in accordance with the "Alternative Coupon Satisfaction Method" as follows:

(i) On the Business Day following a Dividend Announcement to which the Alternative Coupon Satisfaction Method will apply or the occurrence of a Senior and Subordinated Payment Default or a Senior and Subordinated Non-Payment Default, as determined in accordance with subparagraphs (a) or (b) above, the Co-obligors shall give notice to the Trustee, any Paying Agent (if different from the Trustee), the Interest Rate Calculation Agent, the Calculation Agent and the Holders of FRESH Capital Securities thereof that the

Alternative Coupon Satisfaction Method will apply to subsequent Coupon Dates until notice is provided otherwise under subparagraph (f) below;

(ii) By the end of the Business Day prior to the Coupon Date, the Interest Rate Calculation Agent shall inform the Co-obligors of the number of Fortis Shares to be issued in respect of such Coupon Date. The number of Fortis Shares to be issued with respect to a Coupon shall be determined by the Interest Rate Calculation Agent by dividing the fair market value of a Fortis Share, determined by the Calculation Agent as described below, into the amount of the Coupon payable on such Coupon Date and multiplied by 103% (as so calculated, a "Stock Settlement Coupon"). On each Coupon Date with respect to a Stock Coupon Period, the Co-obligors shall give notice to the Trustee and the Holders of FRESH Capital Securities (A) as to the number of Fortis Shares that will be issued for each Coupon with respect to such Stock Coupon Period and (B) that unless a Holder provides the certification described in sub-paragraph (vi) below by the seventh Business Day following a Coupon Date with respect to a Stock Coupon Period (the "Certification Date"), the relevant Stock Settlement Coupon will be settled by the Cash Settlement Method described in sub-paragraph (vi) below;

As used herein, the "fair market value" of one Fortis Share shall be calculated by the Calculation Agent and notified to the Trustee, the Interest Rate Calculation Agent and the Co-obligors and shall be equal to the Volume Weighted Average Price on the first Stock Exchange Business Day preceding the Coupon Date. In the event that the Volume Weighted Average Price is not available on such date, "fair market value" shall be the first available Volume Weighted Average Price in the seven Stock Exchange Business Days immediately preceding such Coupon Date. In the event that the Volume Weighted Average Price is not available during such period, then the fair market value shall be determined by the Co-obligors in conjunction with two investment banks (unaffiliated with the Co-obligors) of international repute selected by the Co-obligors.

(iii) Upon receipt of the notice from the Co-obligors referred to in sub-paragraph (i) above, the Holders will be deemed to have transferred to the Trustee and the Trustee shall have the right to receive the relevant coupons on their behalf;

(iv) On the Coupon Date, the Trustee shall subscribe, on behalf of the Holders of FRESH Capital Securities, for the number of new Fortis Shares determined in accordance with sub-paragraph (ii) above, through a contribution of the relevant Coupons in equal portions to the capital of both Parent Companies.

(v) On or as soon after the Coupon Date as reasonably practicable, the Parent Companies shall issue (in compliance with any applicable regulations relating to the contribution of share capital in kind) to the Trustee on behalf of the Holders of FRESH Capital Securities, the Fortis Shares subscribed by the Trustee. Fractions of a share will be aggregated to the nearest whole share and such shares will be issued to the Trustee as part of such subscription.

Failure to deliver the Fortis Shares subscribed by the Trustee by the fourteenth day following the relevant Coupon Date, except where such failure is due to insufficient availability of authorized but unissued Fortis Shares or due to a Market Disruption Event, shall be an Event of Default.

(vi) As soon as reasonably practicable after delivery to the Trustee in accordance with subparagraph (v) above but in no event earlier than the relevant Certification Date and subject to satisfaction of such certification requirements as are described below, the newly issued Fortis Shares, other than any fractional entitlements, will be credited to the accounts of (or if the Fortis Shares are in registered form, delivered to) the Holders of FRESH Capital Securities. As provided in the Indenture in order to receive Fortis Shares, in connection with the payment of any Stock Settlement Coupon in accordance with this Paragraph 6(c), Holders of FRESH Capital Securities will be required to provide a certificate including a representation by or on behalf of the beneficial owner of the FRESH Capital Security covered

thereby to the effect that (i) the person receiving the Fortis Shares is not a U.S. person (within the meaning of Regulation S) and is acquiring the Fortis Shares in an offshore transaction exempt from registration under the Securities Act pursuant to Regulation S thereunder or (ii) (A) the person receiving the Fortis Shares is a qualified institutional buyer (within the meaning of Rule 144A) and such person is aware that the Fortis Shares it is acquiring have not been and will not be registered under the Securities Act or (B) such Fortis Shares are being acquired pursuant to another exemption from the Securities Act. Such certificate shall also include certain undertakings not to resell the Fortis Shares except in compliance with U.S. securities laws.

If any Holder of FRESH Capital Securities fails to provide such certification by the Certification Date, then such Holder will be deemed to have directed the Trustee to instruct the Calculation Agent (which shall be an internationally recognized investment bank or brokerage firm) on such Holder's behalf, to use reasonable endeavours on normal market terms to procure purchasers as soon as practicable thereafter but within the five Stock Exchange Business Days of the Certification Date for any such allotment of Fortis Shares, other than any fractional entitlements, to be issued in connection with such Stock Settlement Coupon, and as soon thereafter as reasonably practicable, to distribute the net proceeds from such sale to such Holder in accordance with the terms of the Indenture (the "Cash Settlement Method");

(vii) With respect to Fortis Shares representing fractional entitlements, the Holders will be deemed to have directed the Trustee to instruct the Calculation Agent on such Holder's behalf to use reasonable endeavours on normal market terms to procure purchasers for such Fortis Shares (to the extent they can be aggregated into whole shares) as soon as practicable, but within the five Stock Exchange Business Days following receipt of such Fortis Shares by the Trustee and as soon thereafter as reasonably practicable, to distribute the net proceeds of such sales to the Holders on a pro rata basis.

(viii) Except in the case of a Market Disruption Event, the delivery of the Fortis Shares to the Trustee in accordance with clause (v) above will be in full satisfaction of the obligations of the Co-obligors to settle the Coupon payable on such Coupon Date using the Alternative Coupon Satisfaction Method. Coupons settled pursuant to the Cash Settlement Method will be deemed satisfied without regard to whether the net sales proceeds ultimately delivered equal the Coupon payable on such Coupon Date. Net sale proceeds from the sale of any Fortis Shares representing fractional entitlements or pursuant to the Cash Settlement Method shall be aggregated and distributed to Holders on a pro rata basis. Notwithstanding any provision of the Indenture, in the absence of gross negligence or willful misconduct, the delivery of such net sale proceeds shall satisfy any obligations that the Trustee and the Calculation Agent may have with respect to the sale of such Fortis Shares and the delivery of the net sale proceeds thereof, and the Holders expressly waive any rights they may have against the Trustee and the Calculation Agent in respect of such obligations; and

(ix) Fortis Shares issued pursuant to the Alternative Coupon Satisfaction Method shall be fully-paid and shall rank *pari passu* in all respects with the fully-paid Fortis Shares in issue on the Stock Coupon Date, except that Fortis Shares so allotted shall not rank for any dividend or other distribution paid or made by reference to a record date for the payment of a dividend or other distribution with respect to the Fortis Shares prior to such Stock Coupon Date.

As used herein, "Stock Coupon Date" means each Coupon Date on which the Alternative Coupon Satisfaction Method is applied.

(d) *Sufficiency of Fortis Shares.* Under the terms of the Indenture, the Parent Companies shall jointly and severally undertake to use all reasonable efforts to ensure that the Parent Companies have sufficient authorised and unissued Fortis Shares for the purpose of satisfying their obligations under this Paragraph 6; *provided* that the Parent Companies shall not be required to acquire any issued

and outstanding Fortis Shares. If, notwithstanding such efforts, the available Fortis Shares are not sufficient to satisfy a Stock Settlement Coupon when it is due pursuant to the Alternative Coupon Satisfaction Method then (and only in such event) the Stock Coupon Date with respect to such Stock Settlement Coupon shall be postponed until such time as the shareholders of the Parent Companies approve resolutions authorising the issuance of a sufficient number of Fortis Shares. The Parent Companies have undertaken to (i) convene an Extraordinary General Meeting of the shareholders of each Parent Company concurrent with, or as soon as reasonably possible following, each annual general meeting and (ii) propose that their respective shareholders approve resolutions authorising the issue of such number of Fortis Shares as the Parent Companies reasonably determine are sufficient to satisfy the next four Coupons on the FRESH Capital Securities by way of the Alternative Coupon Satisfaction Method, *unless* the Board of Directors of each Parent Company determines prior to such annual general meeting that the authorised capital is sufficient to satisfy such Coupons.

(e) *Market Disruption Event*. If a Market Disruption Event exists on any Coupon Date with respect to a Stock Coupon Period, the requirement to pay a Coupon through the Alternative Coupon Satisfaction Method may, subject to certain conditions, be deferred until such Market Disruption Event no longer exists. A deferral of any Stock Settlement Coupon as a result of a Market Disruption Event shall not constitute an Event of Default. Holders will not be entitled to Arrears of Interest or Additional Interest from any delay of a Stock Settlement Coupon due to a Market Disruption Event.

“Market Disruption Event” means (i) the occurrence or existence of any material suspension of or limitation on trading or on settlement procedures for transactions in Fortis Shares through any Relevant Exchange or the principal central securities depository through which Fortis Shares are then cleared or (ii) the existence of any prohibition or material restriction imposed by applicable law (or by order, decree or regulation of any governmental entity, stock exchange or self-regulating body having jurisdiction) on the ability of the Co-obligors to issue and/or transfer the Fortis shares.

(f) If at any time following the notification in accordance with subparagraph (c)(i) above, the Alternative Coupon Satisfaction Method ceases to apply, the Co-obligors shall give notice to the Trustee and the Holders to such effect.

7. Arrears of Interest and Additional Interest

Any Coupon not paid on a Coupon Date (except such Coupon required to be paid in accordance with the Alternative Coupon Satisfaction Method but which is not paid due to insufficient availability of authorised but unissued Fortis Shares as described in Paragraph 6(d) or due to a Market Disruption Event as described in Paragraph 6(e)) together with any other such Coupons not paid on any other prior Coupon Date (except such Coupon required to be paid in accordance with the Alternative Coupon Satisfaction Method but which is not paid due to insufficient availability of authorised but unissued Fortis Shares as described in Paragraph 6(d) or due to a Market Disruption Event as described in Paragraph 6(e)) shall, so long as the same remains unpaid, constitute “Arrears of Interest”. Arrears of Interest shall not be payable in respect of Coupons paid pursuant to the Alternative Coupon Satisfaction Method.

(a) Any amount of Arrears of Interest shall bear interest (to the extent permitted by applicable law) as if it constituted the principal of such FRESH Capital Securities at the applicable Interest Rate for such Coupon Period (“*Additional Interest*”). Any Additional Interest payable on any Arrears of Interest shall become due and payable at the time that it is accrued. The Interest Rate Calculation Agent shall calculate the amount of Additional Interest. The amount of Additional Interest accrued as of a Coupon Date for the then-ended Coupon Period shall be added, for purposes only of the calculation of the amount of Additional Interest due after such Coupon Date, to the amount of respective Arrears of Interest unpaid as of such Coupon Date as if such amount would itself constitute Arrears of Interest.

(b) If during any Stock Coupon Period, Arrears of Interest and Additional Interest are outstanding which accrued prior to commencement of such Stock Coupon Period, such amounts shall continue to

be due in cash and the Arrears of Interest shall continue to accrue Additional Interest as set forth in subparagraph (a) above in the form of cash. Notwithstanding the foregoing, during any Stock Coupon Period, a Holder of FRESH Capital Securities, at his option, may request to receive such Arrears of Interest and Additional Interest pursuant to the Alternative Coupon Satisfaction Method on the applicable Stock Coupon Date so long as such Holder has notified the Trustee not later than 10 Business Days prior to the applicable Stock Coupon Date of such request and otherwise complies with the terms of the Indenture.

(c) Any Arrears of Interest that initially becomes due upon the failure to pay a Coupon on a Stock Coupon Date and any Additional Interest that accrues thereon shall only be payable pursuant to the Alternative Coupon Satisfaction Method, including in any Bankruptcy Proceeding.

(d) Prior to each Coupon Date, the Interest Rate Calculation Agent shall notify the Paying Agent and the Trustee (if different from the Interest Rate Calculation Agent) of the aggregate amount of Arrears of Interest and the corresponding amount of Additional Interest, if any, which is payable. On each Coupon Date, the Interest Rate Calculation Agent shall notify the Holders of FRESH Capital Securities of such amount, if any, which is payable.

(e) If any Arrears of Interest and Additional Interest are paid in part:

(i) all unpaid Arrears of Interest on such FRESH Capital Securities shall be payable before any Additional Interest;

(ii) Arrears of Interest accrued for any Coupon Period shall not be payable until full payment has been made of all Arrears of Interest that have accrued during any earlier Coupon Period and the order of payment of Additional Interest shall follow that of the Arrears of Interest to which it relates; and

(iii) Arrears of Interest or Additional Interest payable with respect to any Coupon Period shall be computed pro rata to the total amount of all unpaid Arrears of Interest or, as the case may be, amount of Additional Interest in respect of that Coupon Period to the date of payment.

As used herein, all references to Coupons shall, unless the context otherwise requires, include Arrears of Interest and Additional Interest.

8. Exchange and Protection Mechanisms for Holders of FRESH Capital Securities

(a) Exchange Right; Exchange Period; Exchange Price

(i) Each Holder of FRESH Capital Securities shall have the right at any time during the Exchange Period referred to below to exchange all or any of its FRESH Capital Securities for Fortis Shares and, in certain circumstances described below, such exchange shall be automatic. Such exchange shall be effected in accordance with the procedures described in subparagraph (b) below. As used herein, the "Exchange Right" means the right of a Holder of FRESH Capital Securities to exchange any FRESH Capital Securities for Fortis Shares.

Subject to and upon compliance with the provisions of this Paragraph 8, the Exchange Right attached to any FRESH Capital Security may be exercised, at the option of the Holder thereof (an "Optional Exchange"), at any time from the day that is 40 days after the Issue Date (the "Exchange Period").

The initial price (subject to adjustment according to Paragraph 8(c)(i) and (v)) at which Fortis Shares will be delivered to such Holder upon exchange (the "Exchange Price") will be €31.50 per Fortis Share (representing an initial exchange ratio of 7,936.5079 Fortis Shares (the "Exchange Ratio") for each €250,000 in principal amount of FRESH Capital Securities). In addition, in the case of an Automatic Exchange, the Holder shall be entitled to Arrears of Interest and Additional Interest, if any, thereon, as the same shall have accrued in the period ending on the Coupon Date immediately preceding the Exchange Date (as defined in Paragraph 8(b)(i)).

If, at any time after the seventh anniversary of the Issue Date, the Volume Weighted Average Price for 20 consecutive Stock Exchange Business Days equals or exceeds the Automatic Exchange Price Level as determined by the Co-obligors (an "Automatic Exchange Event"), all FRESH Capital Securities outstanding shall automatically be exchanged for Fortis Shares ("Automatic Exchange") at the Exchange Price plus the Coupon (or portion thereof) due (as determined under the terms of Paragraph 5(b)(ii)), Arrears of Interest and Additional Interest, if any. As used herein, the "Automatic Exchange Price Level" shall be equal to 150% of the Exchange Price. On the Business Day following the determination that an Automatic Exchange has been triggered in accordance with this subparagraph, the Co-obligors shall give notice to the Trustee, the Registrar, the Exchange Agent and the Collateral Agent (if different from the Trustee) and the Holders of FRESH Capital Securities thereof.

The Fortis Shares to be delivered as a result of the exercise of any Exchange Right shall be fully-paid and shall rank *pari passu* in all respects with the fully-paid Fortis Shares in issue on the Exchange Date, except that Fortis Shares so allotted shall not rank for any dividend or other distribution declared or paid or made by reference to a record date for the payment of a dividend or other distribution with respect to the Fortis Shares prior to such Exchange Date.

The Parent Companies have issued 39,682,540 Fortis Shares to J.P. Morgan Securities Ltd. as the initial subscriber, for market value and Luxco has purchased these Fortis Shares for market value from J.P. Morgan Securities Ltd. As used herein, "Underlying Shares" means the 39,682,540 Fortis Shares initially issued to J.P. Morgan Securities Ltd. and subsequently purchased by Luxco and pledged to the Collateral Agent for the benefit of Holders (the "Initial Underlying Shares") or any other Fortis Shares substituted for such Initial Underlying Shares in accordance with the terms of the Pledge Agreement as they may be adjusted from time to time in accordance with paragraph 8(c) resulting in an adjustment in the Exchange Price. Luxco shall grant to the Collateral Agent for the benefit of the Holders a right of pledge on the Underlying Shares (including as they may be adjusted from time to time) as security for the performance of the exchange obligations under the FRESH Capital Securities and the Indenture. The Parent Companies have undertaken to list the Underlying Shares on such exchange or exchanges as the Fortis Shares are listed at such time as the Underlying Shares are delivered to Holders.

(ii) The number of Fortis Shares to be delivered upon exchange shall be calculated by the Exchange Agent on the basis of the aggregate principal amount of the FRESH Capital Securities to be exchanged at the then prevailing Exchange Price and notified by the Exchange Agent to the Co-obligors, the Collateral Agent and the Trustee. Fractions of a Fortis Share will be aggregated into whole shares (to the extent they can be so aggregated) and such shares will be delivered to the Trustee.

(iii) With respect to Fortis Shares to which Holders are entitled upon exchange which represent fractional entitlements, the Holders will be deemed to have directed the Trustee to aggregate such fractional Fortis Shares as described in (ii) above and to instruct the Calculation Agent on such Holder's behalf to use reasonable endeavours on normal market terms to procure purchasers for such Fortis Shares as soon as practicable but within the five Stock Exchange Business Days following receipt of such Fortis Shares by the Trustee and as soon thereafter as reasonably practicable to distribute the net proceeds of such sales to the Holders on a pro rata basis.

(b) Procedure for Exchange

(i) To exercise Optional Exchange or, unless the Co-obligors should determine otherwise, to receive Underlying Shares pursuant to Automatic Exchange, the Holder of any FRESH Capital Security must complete, execute and deposit (in accordance with the applicable rules and procedures of Euroclear and Clearstream, Luxembourg, if relevant) at his own expense

during normal business hours at the specified office of the Exchange Agent a duly completed notice of exchange (an "Exchange Notice") in duplicate in the form obtainable from the specified office of the Exchange Agent, together with the relevant FRESH Capital Securities and amounts, if any, to be paid by such Holder. As used herein, "Exchange Date" means, in the case of an Optional Exchange, the date set forth in the next succeeding paragraph and, in the case of Automatic Exchange, the date on which a duly signed and completed Exchange Notice is delivered or, where no such Exchange Notice is required, the date on which the Co-obligors provide notice to the Holders in accordance with Paragraph 13 that an Automatic Exchange Event has occurred.

An Exchange Notice with respect to Optional Exchange once given shall be irrevocable and may not be withdrawn without the consent in writing of the Co-obligors. The Exchange Date with respect to an Optional Exchange must fall at a time when the Exchange Right attaching to that FRESH Capital Security is expressed in the Indenture to be exercisable and shall be deemed to be the Stock Exchange Business Day immediately following the date of the deposit of such FRESH Capital Security and delivery of such Exchange Notice and, if applicable, any payment to be made or indemnity given under the Indenture in connection with the exercise of such Exchange Right. If the Holder of the FRESH Capital Security is a central securities depository and the certificate evidencing such FRESH Capital Security being exchanged is a Global Certificate evidencing all or any portion of the FRESH Capital Securities, the Holder of the FRESH Capital Security must certify to the Exchange Agent that the principal amount of the Global Certificate will be written down upon the exchange to reflect such exchange as provided for in the Indenture.

Each Exchange Notice will include certain representations and warranties, including, among others, except in the circumstances described in subparagraph (iv) below, a representation by or on behalf of the beneficial owner of the FRESH Capital Security covered thereby to the effect that (i) the person exchanging the FRESH Capital Security is not a U.S. person (within the meaning of Regulation S) acquiring the Fortis Shares in an offshore transaction exempt from registration under the Securities Act pursuant to Regulation S thereunder or (ii) (A) the person exchanging the FRESH Capital Security is a qualified institutional buyer (within the meaning of Rule 144A) and such person is aware that the Fortis Shares it is acquiring have not been and will not be registered under the Securities Act or (B) such Fortis Shares are being acquired pursuant to another exemption from the Securities Act. Such representations and warranties shall also include certain undertakings not to resell the Fortis Shares except in compliance with U.S. securities laws if applicable. If a Holder is unable to provide the representations in clause (i) or (ii) above, when required, then the Co-obligors shall effect delivery of the relevant number of Underlying Shares, including any Additional Shares, to which such Holder is entitled to the Trustee and the Holder will be deemed to have directed the Trustee to effect the sale of such shares pursuant to the Exchange Cash Settlement Method described below.

A Holder of FRESH Capital Securities must pay any expenses, taxes and capital, stamp, issue, registration, documentary, transfer or other duties arising on exchange (other than any taxes or capital or stamp duties payable in the United States, United Kingdom, Luxembourg, Belgium, The Netherlands and in the place of any other securities exchange on which the FRESH Capital Securities or the Fortis Shares may be listed or traded by the Co-obligors or the Parent Companies, as the case may be, in respect of the transfer and delivery of Underlying Shares on exchange which shall be payable by the Co-obligors), and such Holder must pay all, if any, taxes arising by reference to any disposal or deemed disposal of FRESH Capital Security in connection with such exchange.

The Co-obligors shall pay all expenses of obtaining and maintaining a listing for Underlying Shares delivered on exchange of the FRESH Capital Securities.

(ii) As soon as practicable and subject to satisfaction of the certification requirements described in Paragraph 8(b)(i) above where applicable, and in any event not later than 10

Stock Exchange Business Days after the Exchange Date (the "Exchange Settlement Period"), except as set forth below, the Co-obligors shall effect delivery of the relevant number of Underlying Shares (including Additional Shares (as defined below) if issued during the Exchange Settlement Period) (other than fractional entitlements) through the procedures of Euroclear and Clearstream Luxembourg or such other principal clearing agency, as applicable, to the person or persons designated in the Exchange Notice. In the case of Automatic Exchange where no Exchange Notice is required, the relevant number of Underlying Shares (including any Additional Shares if issued during the Exchange Settlement Period) (other than fractional entitlements) shall be delivered within the Exchange Settlement Period through the procedures of Euroclear and Clearstream Luxembourg or such other principal clearing agency, as applicable, to the accounts of such participants holding FRESH Capital Securities subject to Automatic Exchange. If any Holder of FRESH Capital Securities fails to provide any required representation of beneficial ownership set forth in an Exchange Notice delivered by such Holder when required in accordance with Paragraph 8(b)(i) above, except in the circumstances described in subparagraph (iv) below, then the Co-obligors shall effect delivery of the relevant number of Underlying Shares, including the Additional Shares, to which such Holder is entitled to the Trustee and the Holder will be deemed to have directed the Trustee to instruct the Calculation Agent (which shall be an internationally recognized investment bank or brokerage firm) on such Holder's behalf to use reasonable endeavours on normal market terms to procure purchasers as soon as reasonably practicable but within the five Stock Exchange Business Days following receipt of such Underlying Shares (including Additional Shares if issued during the Exchange Settlement Period) (other than fractional entitlements) by the Trustee on such Holder's behalf and, as soon thereafter as reasonably practicable, to deliver to such Holder the net proceeds from such sale (the "Exchange Cash Settlement Method"). Notwithstanding any provision of the Indenture, in the absence of gross negligence or willful misconduct, the delivery of net sale proceeds pursuant to this paragraph shall satisfy any obligations that the Trustee and Calculation Agent may have with respect to the sale of such Fortis Shares and the delivery of the net sale proceeds thereof, and the Holders expressly waive any rights they may have against the Trustee and the Calculation Agent in respect of such obligations.

In the case where an Exchange Notice is required to be delivered in connection with an Automatic Exchange, and a Holder fails to deliver such Exchange Notice within 30 calendar days following notice that the Automatic Exchange Event has occurred, such Holder will be deemed to have directed the Trustee to settle the Automatic Exchange on such Holder's behalf using the Exchange Cash Settlement method and the delivery of Fortis Shares to the Trustee (if not previously delivered) will take place within five Stock Exchange Business Days following the end of such 30-day period.

If the Exchange Date in relation to any FRESH Capital Security shall be on or after a date with effect from which an adjustment to the Exchange Price takes retroactive effect pursuant to any of the provisions referred to in Paragraph 8(c) and the relevant Exchange Date falls on a date when the relevant adjustment has not yet been reflected in the then current Exchange Price, the Co-obligors shall procure that the provisions of this subparagraph (ii) shall be applied, *mutatis mutandis*, to such number of Fortis Shares (the "Additional Shares") as is equal to the excess of the number of Fortis Shares which would have been required to be delivered on exchange of such FRESH Capital Security if the relevant retroactive adjustment had been given effect as at the said Exchange Date over the number of Underlying Shares previously delivered pursuant to such exchange, and in such event and in respect of such number of Fortis Shares references in this subparagraph (ii) to the Exchange Date shall be deemed to refer to the date upon which such retroactive adjustment becomes effective (disregarding the fact that it becomes effective retroactively). Any Additional Shares not delivered during the Exchange Settlement Period shall be delivered in accordance with this paragraph.

(iii) The person or persons designated for that purpose in Paragraph 8(b)(ii) shall be the legal owner of the number of Underlying Shares deliverable upon exchange with effect from the Exchange Date and, in respect of any Additional Shares, shall be the beneficial owner of all rights (other than voting rights), distributions or payments in respect of such Additional Shares from the Exchange Date for the Underlying Shares previously delivered pursuant to such exchange.

Without prejudice to the preceding paragraph of this Paragraph 8(b)(iii), if the record date for the payment of any dividend or other distribution in respect of the Fortis Shares, including any Additional Shares, is on or after the Exchange Date in respect of any FRESH Capital Security but before the date the person or persons specified for that purpose is or are registered as a holder of record of the relevant number of Underlying Shares, the Co-obligors shall pay to the exchanging Holder of FRESH Capital Securities or his designee an amount (the "Equivalent Amount") in euro equal to any such dividend or other distribution to which he would have been entitled had he on that record date been a holder of record of such Underlying Shares including any Additional Shares. The Equivalent Amount shall be paid in an amount in euros in immediately available funds. Payment of any amounts due in respect of Global Certificates shall be made through Euroclear and Clearstream Luxembourg in accordance with applicable rules and procedures.

(iv) At any time that the Trustee is in receipt of an opinion of counsel satisfactory to the Trustee, to the effect that an Optional Exchange or Automatic Exchange will be exempt from registration under Section 3(a)(9) of the Securities Act, the certifications specified in subparagraph (i) shall not be required and the Exchange Cash Settlement Method shall not apply. In such circumstances, any Restricted Securities will be exchanged for Underlying Shares that are restricted securities within the meaning of Rule 144 under the Securities Act. The Holders may be required in such circumstances to provide such other certifications as the Trustee and the Co-obligors shall agree.

(c) Protection Mechanisms for Holders of FRESH Capital Securities

(i) *Stock Split, Reverse Stock Split or Capital Increase from Reserves.* If there shall have occurred a subdivision or consolidation of the Fortis Shares (except for a subdivision or consolidation arising as a result of a Merger/Change in Control Event (as defined below)) into a greater or lesser number of Fortis Shares or an issuance of Fortis Shares by the means of a capital increase from reserves, the Exchange Price shall be adjusted as of the date upon which such event occurred by multiplying the Exchange Price then in effect by the following fraction:

$$\frac{X}{Y}$$

where: X = The number of Fortis Shares outstanding immediately prior to the occurrence of such event.

Y = The number of Fortis Shares outstanding immediately after the occurrence of such event.

Such adjustment shall be determined by the Co-obligors and notified to the Trustee and the Holders in accordance with the terms of the Indenture.

(ii) *Entitlement of Holders of FRESH Capital Securities to Certain Parent Company Distributions.* Except as otherwise provided under this subparagraph (ii), the Co-obligors shall promptly arrange to make available to the Holders of FRESH Capital Securities (A) the proceeds of any Capital Distribution (as defined below) and (B) any rights, securities or other property offered on a pre-emptive basis by either of the Parent Companies to its shareholders. Without limiting the generality of the foregoing, and subject to compliance with all applicable laws and the certification requirements of the Indenture, if either of the

Parent Companies offers to its shareholders on a pre-emptive basis notes, warrants, preference shares or other similar securities convertible into Fortis Shares, then it shall notify the Trustee and the Holders of such pre-emptive rights and the Holders of FRESH Capital Securities shall be entitled to such pre-emptive rights on the same terms and conditions. Any such entitlement of Holders of FRESH Capital Securities under this subparagraph (ii) shall be made to such Holders in proportion to the Exchange Ratio.

For the avoidance of doubt, Holders of FRESH Capital Securities shall have no entitlement under this subparagraph (ii) to cash dividends that are not Capital Distributions.

(iii) No adjustment shall be made to the Exchange Price or any other change to the FRESH Capital Securities when Fortis Shares or other securities (including rights or options) are issued, offered or granted pursuant to any employee incentive plan that provides for the issuance, sale or award of shares to employees.

(iv) *Merger or Change in Control.* Upon the occurrence of a Merger/Change in Control Event, the Parent Companies shall use their best efforts to cause the surviving or successor entity, following such Merger/Change in Control Event, to:

- (A) assume the obligations of the Parent Companies under the Indenture,
- (B) replace the Fortis Shares that have been pledged in favour of the Holders of FRESH Capital Securities with equity securities of the surviving or successor entity that are listed on a recognized exchange and have an equivalent market value to such Fortis Shares immediately prior to such Merger/Change in Control Event, and
- (C) adjust the Coupon of the FRESH Capital Securities to reflect any deterioration in the credit quality of the surviving or successor entity, on a consolidated basis, following such Merger/Change in Control Event compared with the credit quality of the Parent Companies immediately prior to such Merger/Change in Control Event.

Any determination of equivalent market value pursuant to subparagraph (B) and any adjustment to the Coupon pursuant to subparagraph (C) shall be made by Luxco and such surviving or successor entity in conjunction with two investment banks (unaffiliated with such surviving or successor entity) of international repute selected by Luxco and such surviving or successor entity and notified to the Trustee. Such replacement or adjustment shall take effect in accordance with such determination.

(v) *Other Events.* Should the Co-obligors believe in good faith that an event or circumstance that has occurred or shall occur that is different from those expressly contemplated under this subparagraph (c), but that could or shall have similar effects as those discussed in subparagraphs (c) (i), (ii) or (iv) above, the Co-obligors shall take such actions or decisions as they deem necessary or appropriate in order to ensure that, following the occurrence of such event or circumstance, the Holders of FRESH Capital Securities enjoy economic and other rights under the Indenture that, so far as practicable, are substantially similar to those enjoyed by them immediately prior to the occurrence of such event or circumstance. If, and only if, the Co-obligors believe in good faith that any such actions or decisions may be necessary or appropriate, then such actions or decisions shall be taken by the Co-obligors only in conjunction with two investment banks (unaffiliated with the Co-obligors) of international repute selected by the Co-obligors.

(vi) As used herein:

- (A) “Merger/Change in Control Event” means, in respect of the Fortis Shares, any
 - (i) reclassification or change of the Fortis Shares that results in a transfer of or an irrevocable commitment to transfer all of the outstanding Fortis Shares,
 - (ii) consolidation, amalgamation or merger of Fortis N.V. or Fortis SA/NV with or into another entity or of Fortis N.V. and Fortis SA/NV with or into each other (other than a consolidation, amalgamation or merger in which Fortis N.V. or Fortis SA/NV is the continuing entity and which does not result in any such reclassification or change of all of such outstanding Fortis Shares),
 - (iii) other takeover offer for the Fortis Shares

that results in a transfer of or an irrevocable commitment to transfer all of the Fortis Shares (other than the Fortis Shares owned or controlled by the offeror) or (iv) a statutory split-up (*juridische splitsing*).

(B) "Capital Distribution" means (i) any distribution of assets *in specie* or (ii) any cash dividend or distribution of any kind charged or provided for in the accounts of either of the Parent Companies for any financial period (whenever paid or made and however described) if the amount of the proposed dividend or distribution per Fortis Share, together with the amount per Fortis Share of any other dividends or distributions on such Fortis Shares charged or provided for in the accounts for such financial period (other than any part thereof previously deemed to be a Capital Distribution) exceeds 5% of the Volume Weighted Average Price on the Stock Exchange Business Day immediately preceding the date on which such dividend or distribution is publicly announced (the "Yield Threshold"). In the event that the Volume Weighted Average Price is not available on such date, the Yield Threshold shall be determined by reference to the first available Volume Weighted Average Price in the preceding seven Stock Exchange Business Days immediately preceding the date on which such dividend or distribution is publicly announced. In the event that the Volume Weighted Average Price is not available during such period, then the Yield Threshold shall be determined by the Co-obligors in conjunction with two investment banks (unaffiliated with the Co-obligors) of international repute selected by the Co-obligors. The amount of such Capital Distribution shall be the amount by which such proposed dividend or distribution per Fortis Share together with the amount per Fortis Share of any other dividends or distributions of the Fortis Shares charged or provided for in the accounts for such financial period exceeds the Yield Threshold.

(vii) Notice of any adjustments, rights, decisions or actions pursuant to this paragraph 8(c) shall be given by the Co-obligors to the Trustee and the Holders as soon as practicable after the determination thereof.

(viii) Where more than one event which gives or may give rise to an adjustment to the Exchange Price or any other change to the FRESH Capital Securities pursuant to this subparagraph (c) occurs within such a short period of time that, in the good faith opinion of the Co-obligors, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be determined in good faith by the Co-obligors in conjunction with two investment banks (unaffiliated with the Co-obligors) of international repute selected by the Co-obligors to be in their opinion appropriate in order to give such intended result.

(ix) Except in the case of a transaction contemplated by Paragraph (c)(i) or (c)(v) above, no adjustment shall be made so as to decrease the Exchange Price for any Fortis Share.

(x) As provided in the Indenture, in connection with any delivery or issuance of Fortis Shares, rights or any other securities in accordance with Paragraph 8(c)(ii) above, each Holder of FRESH Capital Securities will, if required, provide a certificate, within fifteen days of the date notice is given to the Holders of the right to receive such Fortis Shares, rights or other securities, including a representation by or on behalf of the beneficial owner of the FRESH Capital Security covered thereby to the effect that (i) such person is not a U.S. person (within the meaning of Regulation S) and is acquiring the Fortis Shares, rights or any other securities in an offshore transaction exempt from registration under the Securities Act pursuant to Regulation S thereunder or (ii) (A) such person is a qualified institutional buyer (within the meaning of Rule 144A) and such person is aware that the Fortis Shares, rights or any other securities it is acquiring have not been and will not be registered under the Securities Act or (B) such Fortis Shares, rights or any other securities are being acquired pursuant to another exemption from the Securities Act. Such certificate shall also include certain undertakings

not to resell the Fortis Shares, rights or any other securities except in compliance with U.S. securities laws.

If any Holder of FRESH Capital Securities fails to provide any required certification within the fifteen day period specified in (x) above, the Holder will be deemed to have directed the Trustee to instruct the Calculation Agent (which shall be an internationally recognized investment bank or brokerage firm) on such Holder's behalf to use reasonable endeavours on normal market terms to procure purchasers for any such Fortis Shares, rights or other securities to which the Holders are entitled as soon as reasonably practicable, but within the five Stock Exchange Business Days following receipt of such Fortis Shares, rights or other securities by the Trustee, and to deliver to such Holder as soon thereafter as reasonably practicable, the net proceeds from such sale. The making available of the Fortis Shares, rights or any other securities in accordance with Paragraph 8(c)(ii) to the Holders of the FRESH Capital Securities will be in full satisfaction of the obligations of the Co-obligors thereunder without regard to the amount of the net sales proceeds ultimately delivered to such Holder in the event the Holder fails to deliver the required certification. Notwithstanding any provision of the Indenture, in the absence of gross negligence or willful misconduct, the delivery of such net sale proceeds shall satisfy any obligations that the Trustee and the Calculation Agent may have with respect to the sale of such Fortis Shares, rights or other securities and the delivery of the net sale proceeds thereof, and the Holders expressly waive any rights they may have against the Trustee and the Calculation Agent in respect of such obligations.

(d) Market Disruption Event. If a Market Disruption Event exists during any Exchange Settlement Period, the delivery of Underlying Shares during such period may, subject to certain conditions, be deferred until such Market Disruption Event no longer exists. A Market Disruption Event deferral shall not constitute an Event of Default. If a Market Disruption Event exists and is continuing for more than 30 days after delivery of the relevant Exchange Notice, any Securities deposited with the Exchange Agent in connection with such Exchange Notice shall be returned to the respective Holders and Holders of such Securities will be entitled to Coupons as if no Exchange Notice had been provided.

9. Payments

On the Record Date of any payment due in respect of the FRESH Capital Securities, the Paying Agent and, if applicable, the Luxembourg Paying Agent shall obtain from the Registrar the names of the registered Holders of FRESH Capital Securities and the principal amount of FRESH Capital Securities registered in the name of each such Holder, and shall notify the Co-obligors as to the amount of such payment to be made to the Paying Agent and, if applicable, the Luxembourg Paying Agent, respectively, for payment to each such registered Holder. Coupons on the FRESH Capital Securities shall be paid by the Co-obligors without collection costs to the Holders in good time in immediately available euros which shall be placed with such paying agents on behalf of the Holders of FRESH Capital Securities, irrespective of any future transfer restrictions and outside of any bilateral or multilateral payment or clearing arrangement which may be applicable at the time of such payments.

Upon receipt of the funds and under the same conditions as received, the Paying Agent and, if applicable, the Luxembourg Paying Agent, shall arrange for payment to the Holders of FRESH Capital Securities. The Indenture shall require that payments in respect of the FRESH Capital Securities held of record by Euroclear, Clearstream Luxembourg or their nominees (including FRESH Capital Securities evidenced by Global Certificates) be made in accordance with the applicable rules and procedures of Euroclear and Clearstream Luxembourg. Upon receipt of any payment in respect of the FRESH Capital Securities, Euroclear or Clearstream Luxembourg shall immediately credit the accounts of the relevant account holders with the payment. The Co-obligors expect that payments by the account holders to the beneficial owners of the FRESH Capital Securities shall be governed by standing instructions and customary practices and shall be the responsibility of the account holders and shall not be the responsibility of Euroclear, Clearstream Luxembourg, the Trustee, the Paying Agent, the Luxembourg Paying Agent, or the Co-obligors. Payments in respect of the FRESH Capital

Securities held of record by Holders other than Euroclear, Clearstream Luxembourg or their nominees may, at the Co-obligors' option, be made by cheque and mailed to such Holders of record as shown on the register for the FRESH Capital Securities.

The receipt of the funds by the relevant paying agent shall release the Co-obligors of their obligations under the FRESH Capital Securities to the extent of the amount paid. A record of each payment made on the FRESH Capital Securities shall be made by each paying agent, as applicable, and such record shall be *prima facie* evidence that the payment in question has been made.

10. Events of Default

(a) *Events of Default.* As used herein, "Event of Default" means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(i) *Non-payment on any Regular Coupon Date.* The Co-obligors fail to pay a Coupon on any Regular Coupon Date and the default continues for a period of seven days; or

(ii) *Non-payment on any Stock Coupon Date.* The Co-obligors fail to pay a Coupon on any Stock Coupon Date and the default continues for a period of fourteen days, except where such default is due to insufficient availability of authorised but unissued Fortis Shares as described in Paragraph 6(d) or due to a Market Disruption Event as described in Paragraph 6(e); *provided* that if any Stock Settlement Coupon is not satisfied within fourteen days after the date on which any such Market Disruption Event is no longer continuing, such failure will constitute an Event of Default; or

(iii) *Other default.* Any Co-obligor defaults in the performance or observance of any other covenant, condition or provision contained in the Indenture or the FRESH Capital Securities, including failure to deliver Underlying Shares in connection with any Optional Exchange or Automatic Exchange, to be performed or observed by it (other than the covenant to pay the Coupons in respect of any of the FRESH Capital Securities) and such default continues for a period of 30 days following the service by the Trustee on the Co-obligors of notice requiring such default to be remedied (no such notice shall be required where the Trustee certifies in writing that, in its opinion, such default is not capable of remedy).

(b) *Reports to Trustee.* Each Co-obligor shall deliver to the Trustee as soon as possible and in any event within 30 days (or seven days in the case of a payment default under subparagraph (a)(i) or fourteen days in the case of payment default under subparagraph (a)(ii) above) after the Co-obligors become aware or should reasonably have become aware of the occurrence of an Event of Default, an Officer's Certificate setting forth the details of the default, and the action which the Co-obligors propose to take with respect thereto.

(c) *Trustee and Holders May Institute Proceedings.* (i) Subject to the provisions of subparagraph (d) below, if an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the FRESH Capital Securities then outstanding, by written notice to the Co-obligors (and to the Trustee if the notice is given by the Holders of FRESH Capital Securities), may, and the Trustee at the request of Holders of at least 50% in aggregate principal amount of the FRESH Capital Securities then outstanding shall (subject to the terms and conditions of the Indenture), institute proceedings to obtain the payment of any Coupon due or compliance with the defaulted covenant or agreement.

(ii) Notwithstanding clause (i) above, if an Event of Default occurs and is continuing under Paragraphs 10(a)(i) and (ii) a Holder, or the Trustee on a Holder's behalf, may institute proceedings to obtain enforcement of such obligations and such right shall not be impaired or effected without the consent of such Holder. In addition, if an Event of Default occurs and is continuing under Paragraph 10(a)(iii) due to the failure to deliver Underlying Shares in connection with an Optional Exchange or Automatic Exchange, at the request of a Holder the Trustee shall instruct the Collateral

Agent to foreclose on the relevant Underlying Shares in accordance with the terms of the Pledge Agreement.

(iii) Upon the occurrence of an Event of Default, the Holders of FRESH Capital Securities will not have any rights of acceleration or redemption with respect to the FRESH Capital Securities.

(d) *Limited Recourse.* The sole recourse of the Holders of FRESH Capital Securities against any of the Co-obligors with respect to the principal amount of the FRESH Capital Securities shall be the Underlying Shares (or other securities that replace the Underlying Shares pursuant to the Indenture) on which a right of pledge has been granted to the Collateral Agent for the benefit of such Holders. In the event of Bankruptcy Proceedings applicable to all of the Co-obligors, the Holders of FRESH Capital Securities sole right with respect to the principal amount of the FRESH Capital Securities shall be the right to exchange their FRESH Capital Securities pursuant to the Optional Exchange for Underlying Shares, or to seek to institute foreclosure proceedings under the Pledge Agreement with respect to such Underlying Shares. Notwithstanding the foregoing, in the event of Bankruptcy Proceedings applicable to all of the Co-obligors, the Holders of FRESH Capital Securities shall continue to have claims for any past due Coupons consistent with the subordination provisions set forth in Paragraph 4. In addition, such claims shall continue to be subject to the provisions of Paragraph 7.

11. Purchases of FRESH Capital Securities

Neither any of the Co-obligors nor any of their respective subsidiaries may acquire any of the FRESH Capital Securities, other than in connection with dealing in securities in the ordinary course of business.

12. Replacement of FRESH Capital Securities

Should any FRESH Capital Security be lost, stolen, mutilated, defaced or destroyed it may, subject to all applicable laws and stock exchange requirements, be replaced at the specified office of the Trustee upon payment by the claimant of the expenses, taxes and duties incurred in connection therewith and on such terms as to evidence and indemnity as Luxco or the Trustee may reasonably require. Mutilated or defaced FRESH Capital Securities must be surrendered before replacements shall be issued.

13. Notices

All notices to the Holders of FRESH Capital Securities shall be valid if sent by mail, postage prepaid to the person in whose name a FRESH Capital Security is registered, or, for so long as the FRESH Capital Securities are represented by Global Certificates and trade in book-entry form through Euroclear and Clearstream Luxembourg there may be substituted for notice sent by mail, notice in accordance with the then applicable procedures of Euroclear and Clearstream Luxembourg for communication to their participants and, if the Co-obligors so request, such other method as the Co-obligors and the Trustee agree. In case by reason of suspension of regular mail service or for any other reason it shall be impracticable to give notice as provided above, such notices as shall be given with the approval of the Trustee shall constitute sufficient notice for all purposes under the FRESH Capital Securities.

All notices to Holders, for so long as the FRESH Capital Securities are listed on the Luxembourg Stock Exchange, shall be published in a leading Luxembourg newspaper (which is expected to be the *Luxemburger Wort*) or otherwise in compliance with the listing rules of the Luxembourg Stock Exchange.

14. Reports

Each Co-obligor shall, if it is neither subject to the information reporting requirements of Sections 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") nor exempt therefrom pursuant to Rule 12g3-2(b) promulgated under the Exchange Act at any time

while the FRESH Capital Securities or the Fortis Shares deliverable upon exchange thereof constitute “restricted securities” within the meaning of the Securities Act, furnish to the Trustee and to Holders and beneficial owners of the FRESH Capital Securities and such Fortis Shares, and to prospective purchasers designated by such Holders or beneficial owners, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act to permit compliance with Rule 144A in connection with resales of the FRESH Capital Securities and such Fortis Shares.

The Parent Companies shall regularly furnish or otherwise make available to the Trustee copies of their annual report to shareholders, containing audited financial statements, and any other financial reports which it furnishes to its shareholders.

15. Resale Restrictions

Neither the FRESH Capital Securities nor the Underlying Shares have been or shall be registered under the Securities Act. Subject to certain exceptions, neither the FRESH Capital Securities nor the Underlying Shares may be offered or sold within the United States or to U.S. persons (within the meaning of Regulation S). In addition, until 40 days after the Issue Date, an offer or sale of the FRESH Capital Securities or the Underlying Shares within the United States by any dealer (whether or not participating in the initial placement of the FRESH Capital Securities) may violate the registration requirements of the Securities Act. However, the FRESH Capital Securities may be initially offered in the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act.

16. Taxes

All payments by the Co-obligors in respect of the FRESH Capital Securities and the Indenture will be made free and clear of and without deduction or withholding for or on account of any present or future taxes, duties, assessments, fees or other governmental charges (“Taxes”) imposed or levied by or on behalf of Luxembourg, Belgium or The Netherlands or any jurisdiction from or through which a payment is made, or any political subdivision or taxing authority thereof or therein (each, a “Taxing Jurisdiction”), unless such withholding or deduction is required by law. If the Co-obligors, the Trustee or any Paying Agent are required to make any withholding or deduction for or on account of any Taxes from any payment made under or with respect to the FRESH Capital Securities, they shall not be required to pay any additional or further amounts in respect of such withholding or deduction.

The Co-obligors, the Trustee and any Paying Agent shall make any such withholding or deduction for or on account of Taxes and shall remit the full amount deducted or withheld to the relevant authority in accordance with the applicable law. In the event of any non-cash payment by the Co-obligors, a portion of the property distributed to Holders of FRESH Capital Securities may be sold in an amount sufficient to cover any withholding obligation with the proceeds of such sale applied to pay any such withholding tax. The Co-obligors shall furnish to the Holders of FRESH Capital Securities that are outstanding on the date of the required payment within 30 days after the date the payment of any Taxes is due pursuant to applicable law, certified copies of tax receipts evidencing that such payment has been made by the Co-obligors.

17. Modifications of the Indenture

(a) The Co-obligors and the Trustee may, at any time and from time to time, without notice to or consent of Holders of FRESH Capital Securities, enter into one or more indentures supplemental to the Indenture:

- (i) to evidence the succession of another person to a Co-obligor, to the extent permitted by the Indenture and the assumption by such successor of the covenants of such Co-obligor, under the Indenture, or the FRESH Capital Securities and to otherwise modify the Indenture in connection with the requirement for such succession provided for in the Indenture;

- (ii) to add to the covenants of the Co-obligors, for the benefit of the Holders of FRESH Capital Securities or to surrender any right or power conferred upon a Co-obligor by the Indenture, or the FRESH Capital Securities;
 - (iii) to add any additional Events of Default;
 - (iv) to provide for certificated FRESH Capital Securities in addition to or in place of uncertificated FRESH Capital Securities;
 - (v) to evidence and provide for the acceptance of appointment under the Indenture of a successor trustee;
 - (vi) to provide additional security for the FRESH Capital Securities;
 - (vii) to add guarantees with respect to the FRESH Capital Securities; or
 - (viii) to add any required certifications to comply with securities laws in connection with any exchange, Alternative Coupon Satisfaction Method or under Paragraph 8(c)(ii).
 - (ix) to cure any ambiguity in the Indenture, to correct or supplement any provision in the Indenture which may be inconsistent with any other provision therein or to add any other provision with respect to matters or questions arising under the Indenture; provided such actions shall not adversely affect the interests of the Holders of FRESH Capital Securities in any material respect.
- (b) Other modifications and amendments of the Indenture may be made, and certain past defaults by any Co-obligor may be waived, with the written consent of the Holders of not less than a majority in principal amount of the outstanding FRESH Capital Securities. However, without the consent of each Holder affected, an amendment may not:
- (i) reduce the amount of FRESH Capital Securities whose Holders must consent to an amendment or waiver;
 - (ii) reduce the rate or change the time for payment of Coupons on any FRESH Capital Security;
 - (iii) make any FRESH Capital Security or Coupon payable in a currency other than that stated in the FRESH Capital Security;
 - (iv) change the provisions of the Indenture regarding the right of a majority of the Holders of FRESH Capital Securities to waive defaults under the Indenture or impair the right of any Holders of FRESH Capital Securities to institute suit for the enforcement of any payment of Coupons on the FRESH Capital Securities on and after their respective due dates;
 - (v) make any change, except as set forth in the Indenture, that adversely affects the Exchange Right of any FRESH Capital Security;
 - (vi) at any time after a Merger/Change of Control Event has occurred, modify the provisions of the Indenture in a manner adverse to the Holders of FRESH Capital Securities;
 - (vii) modify the subordination provisions in a manner adverse to the Holders of FRESH Capital Securities; or
 - (viii) change the provisions in the Indenture regarding the satisfaction and discharge of the Indenture.

18. Governing Law and Jurisdiction

The Indenture and the FRESH Capital Securities shall be governed by, and construed in accordance with, the laws of the State of New York, United States of America, except that the subordination provisions of the Indenture and the FRESH Capital Securities, as such provisions relate to the obligations of any Co-obligor, shall be governed by the laws of the jurisdictions of incorporation of such Co-obligor, as applicable. The pledge of the Underlying Shares shall be governed by the laws of

The Netherlands. The provisions of Articles 86 to 94-8 of the Luxembourg Law on Commercial Companies of 10 August 1915, as amended, are hereby excluded.

19. Currency Indemnity

If any payment obligation of a Co-obligor in favour of the Holders of FRESH Capital Securities has to be changed from euro into a different currency (to obtain a judgment, execution, or for any other reason), the Co-obligors each undertake as a separate and independent obligation to indemnify the Holders of FRESH Capital Securities for any shortfall caused by fluctuations of the exchange rates applied for such conversions.

The rates of exchange to be applied in calculating such shortfall shall be the spot rate of exchange used by the Paying Agent prevailing between euro and the applicable other currency on the date on which such conversions are necessary.

20. Transfer

A Holder of FRESH Capital Securities may transfer the FRESH Capital Securities in accordance with the Indenture.

21. Listing

Application has been made to list the FRESH Capital Securities on the Luxembourg Stock Exchange. The FRESH Capital Securities are expected to be listed by the date of issuance or shortly thereafter. The legal notice relating to the issuance of the FRESH Capital Securities, the Articles of Incorporation of Luxco and the Articles of Association of the Parent Companies shall be registered prior to the listing with the Registrar of the District Court of Luxembourg, where such documents are available for inspection and where copies thereof can be obtained upon request.

The Co-obligors shall use all reasonable endeavours to maintain the listing of the FRESH Capital Securities on the Luxembourg Stock Exchange or its successor exchange, and the Parent Companies shall use all reasonable endeavours to maintain listings for all the issued Fortis Shares on Euronext Brussels and Euronext Amsterdam and their respective successor exchanges. If the Co-obligors or the Parent Companies, as the case may be, are unable to obtain or maintain such listings, the Co-obligors or the Parent Companies, as the case may be, shall obtain and maintain a listing for the FRESH Capital Securities and any Underlying Shares delivered upon the exercise of any Exchange Right on another European stock exchange of at least equal standing as the Co-obligors or the Parent Companies, as the case may be, may from time to time determine, except in the case of a winding-up or liquidation of both Parent Companies. The Parent Companies will undertake to list the Underlying Shares no later than such time as they are delivered to Holders on exchange. In case of de-unification of the Fortis Shares, each Parent Company shall ensure that all of its shares resulting therefrom are listed on Euronext Brussels or Euronext Amsterdam, as the case may be, and if such Parent Company is unable to obtain the applicable listing, such shares shall be listed on another European stock exchange of at least equal standing. The Co-obligors shall forthwith give notice to the Holders of FRESH Capital Securities in accordance with Paragraph 13 above of the listing or delisting of the FRESH Capital Securities or, as the case may be, the Fortis Shares (as a class) by any of such stock exchanges.

22. Prescription

Any right to any unclaimed Coupon will become void unless a claim for payment is made within a period of five years from the date on which such payment becomes due and thereafter no claim may be made in respect thereof.

Definitions

As used herein, the following capitalized terms have the meanings set forth below:

- “Actual/Actual Basis” has the meaning set forth in Paragraph 5(d)
- “Additional Interest” has the meaning set forth in Paragraph 7(a)
- “Additional Shares” has the meaning set forth in Paragraph 8(b)(ii)
- “Automatic Exchange” has the meaning set forth in Paragraph 8(a)(i)
- “Automatic Exchange Event” has the meaning set forth in Paragraph 8(a)(i)
- “Automatic Exchange Price Level” has the meaning set forth in Paragraph 8(a)(i)
- “Alternative Coupon Period” has the meaning set forth in Paragraph 6(a)
- “Alternative Coupon Satisfaction Method” has the meaning set forth in Paragraph 6(c)
- “Arrears of Interest” has the meaning set forth in Paragraph 7
- “Book-Entry Interests” has the meaning set forth in Paragraph 3
- “Bankruptcy Proceeding” has the meaning set forth in Paragraph 4(c)
- “Business Day” has the meaning set forth in Paragraph 5(a)
- “Calculation Agent” has the meaning set forth in Paragraph 3
- “Capital Distribution” has the meaning set forth in Paragraph 8(c)(vi)(B)
- “Cash Settlement Method” has the meaning set forth in Paragraph 6(c)(vi)
- “Certification Date” has the meaning set forth in Paragraph 6(c)(ii)
- “Clearstream Luxembourg” has the meaning set forth in Paragraph 3
- “Common Depository” has the meaning set forth in Paragraph 3
- “Co-obligors” has the meaning set forth in Paragraph 2
- “Coupon” has the meaning set forth in Paragraph 2
- “Coupon Date” has the meaning set forth in Paragraph 5(a)
- “Coupon Period” has the meaning set forth in Paragraph 5(a)
- “Default Coupon Period” has the meaning set forth in Paragraph 6(b)
- “Definitive Securities” has the meaning set forth in Paragraph 3
- “Determination Date” has the meaning set forth in Paragraph 5(d)
- “Dividend” has the meaning set forth in Paragraph 6(a)(i)
- “Dividend Announcement” has the meaning set forth in Paragraph 6(a)(i)
- “Dividend Yield” has the meaning set forth in Paragraph 6(a)(i)
- “Equivalent Amount” has the meaning set forth in Paragraph 8(b)(iii)
- “EURIBOR” has the meaning set forth in Paragraph 5(d)
- “Euroclear” has the meaning set forth in Paragraph 3
- “Euronext Amsterdam” has the meaning set forth in Paragraph 6(a)(ii)
- “Euronext Brussels” has the meaning set forth in Paragraph 6(a)(ii)
- “Euro-zone” has the meaning set forth in Paragraph 5(d)
- “Event of Default” has the meaning set forth in Paragraph 10(a)

“Exchange Act” has the meaning set forth in Paragraph 14

“Exchange Agent” has the meaning set forth in Paragraph 3

“Exchange Cash Settlement Method” has the meaning set forth in Paragraph 8(b)(ii)

“Exchange Date” has the meaning set forth in Paragraph 8(b)(i)

“Exchange Notice” has the meaning set forth in Paragraph 8(b)(i)

“Exchange Period” has the meaning set forth in Paragraph 8(a)(i)

“Exchange Price” has the meaning set forth in Paragraph 8(a)(i)

“Exchange Ratio” has the meaning set forth in Paragraph 8(a)(i)

“Exchange Right” has the meaning set forth in Paragraph 8(a)(i)

“Exchange Settlement Period” has the meaning set forth in Paragraph 8(b)(ii)

“fair market value” has the meaning set forth in Paragraph 6(c)(ii)

“Fortis Share” has the meaning set forth in Paragraph 4(b)

“FRESH Capital Securities” means undated Floating Rate Equity-Linked Subordinated Hybrid (“FRESH”) Capital Securities in aggregate principal amount of €1,250,000,000.

“Global Certificates” has the meaning set forth in Paragraph 3

“Holder” means a registered holder of the FRESH Capital Securities

“Indenture” means an Indenture dated as of May 7, 2002

“Interest Rate” has the meaning set forth in Paragraph 5(c)

“Interest Rate Calculation Agent” has the meaning set forth in Paragraph 3

“Issue Date” has the meaning set forth in Paragraph 3

“Luxco” means Fortfinlux S.A., a company incorporated under the laws of Luxembourg

“Luxembourg Paying Agent” has the meaning set forth in Paragraph 3

“Market Disruption Event” has the meaning set forth in Paragraph 6(e)

“Merger/Change in Control Event” has the meaning set forth in Paragraph 8(c)(vi)(A)

“Optional Exchange” has the meaning set forth in paragraph 8(a)(i)

“Parent Companies” means Fortis N.V. together with Fortis SA/NV

“Paying Agent” has the meaning set forth in Paragraph 3

“Record Date” has the meaning set forth in Paragraph 5(a)

“Regular Coupon Date” has the meaning set forth in Paragraph 5(a)

“Regulation S” has the meaning set forth in Paragraph 3

“Relevant Exchange” has the meaning set forth in Paragraph 6(a)(ii)

“Restricted Global Certificate” has the meaning set forth in Paragraph 3

“Restricted Securities” has the meaning set forth in Paragraph 3

“Rule 144A” has the meaning set forth in Paragraph 3

“Securities Act” has the meaning set forth in Paragraph 1

“Senior and Subordinated Non-Payment Default” has the meaning set forth in Paragraph 6(b)(ii)

“Senior and Subordinated Obligations” has the meaning set forth in Paragraph 4(a)

“Senior and Subordinated Payment Default” has the meaning set forth in Paragraph 6(b)(i)

“Stock Coupon Date” has the meaning set forth in Paragraph 6(c)(ix)

“Stock Coupon Period” has the meaning set forth in Paragraph 6(c)

“Stock Exchange Business Day” has the meaning set forth in Paragraph 6(a)(iii)

“Stock Settlement Coupon” has the meaning set forth in Paragraph 6(c)(ii)

“TARGET Settlement Day” has the meaning set forth in Paragraph 5(d)

“TARGET System” has the meaning set forth in Paragraph 5(d)

“Taxes” has the meaning set forth in Paragraph 16

“Taxing Jurisdiction” has the meaning set forth in Paragraph 16

“Threshold Dividend Yield” has the meaning set forth in Paragraph 6(a)

“Trustee” means JPMorgan Chase Bank, together with any successor appointed from time to time under the Indenture

“Underlying Shares” has the meaning set forth in Paragraph 8(a)(i)

“Unrestricted Global Certificate” has the meaning set forth in Paragraph 3

“Unrestricted Securities” has the meaning set forth in Paragraph 3

“Volume Weighted Average Price” has the meaning set forth in Paragraph 6(a)(iv)

“Yield Threshold” has the meaning set forth in Paragraph 8(c)(vi)(B)

Description of Pledge Agreement

The Pledge Agreement, between Luxco as pledgor and JPMorgan Chase as collateral agent, secures the Co-obligors' obligation to exchange the Underlying Shares upon exercise of the Exchange Right by the holders of the FRESH Capital Securities pursuant to the Indenture. Under the Pledge Agreement, Luxco will pledge to the Collateral Agent in favor of the holders of the FRESH Capital Securities, as a first ranking pledge, the Underlying Shares as well as any additional Fortis Shares or other securities which may be issued from time to time pursuant to the terms of the Indenture.

The security created by the Pledge Agreement is a continuing security which will not be affected by (i) any amendment to the Indenture, (ii) any amendments to Luxco's articles of association, or (iii) any modifications to the articles of association of Fortis N.V. or Fortis SA/NV.

Luxco will indemnify the Collateral Agent with respect to all liabilities and expenses incurred by the Collateral Agent under the Pledge Agreement, save for liabilities and expenses arising from gross negligence or willful misconduct of the Collateral Agent, and neither the Collateral Agent nor Luxco will be liable for any losses arising in connection with the timing of the exercise by the Collateral Agent of its powers under the Pledge Agreement. The Collateral Agent, but not Luxco, will possess a right of assignment. The Pledge Agreement will be governed by Dutch law; the Collateral Agent will reserve the right to refer any disputes arising under the Pledge Agreement to any court of competent jurisdiction.

Description of Fortis Capital Stock

The description set forth below is a summary of the material information relating to Fortis N.V.'s and Fortis SA/NV's share capital, including summaries of certain provisions of the articles of association and applicable Dutch and Belgian law in effect at the date hereof. This summary does not purport to be complete and is qualified in its entirety by reference to the full articles of association.

Fortis Share

On December 14, 2001 Fortis unified the separately listed securities of Fortis (B) and Fortis (NL) through the creation of a new single listed security, the Fortis Share, comprising one ordinary share in Fortis SA/NV twinned with one ordinary share in Fortis N.V., the legal successors of Fortis (B) and Fortis (NL) respectively.

According to the articles of association of each of Fortis SA/NV and Fortis N.V., the number of ordinary shares in Fortis SA/NV and Fortis N.V. shall remain identical at all times. Any issue of a Fortis Share will require the issue of one ordinary share in each of the Parent Companies. The ordinary shares in Fortis SA/NV and Fortis N.V. cannot be transferred separately, and any holder of a Fortis Share holds an interest in each of the Parent Companies and will be treated as a shareholder for voting and other purposes of each Parent Company. All holders of a Fortis Share will have the right to choose whether they receive a Fortis SA/NV dividend or a Fortis N.V. dividend.

Fortis N.V.

General

Fortis N.V. is a public company incorporated in the form of a *naamloze vennootschap* under Dutch law. Fortis N.V. was incorporated on April 19, 1984 as a public limited liability company. Fortis N.V. has its corporate seat in Utrecht, The Netherlands, with its head office at 3584 BA Utrecht, Archimedeslaan 6, The Netherlands, and is registered with the Trade Register at the Chamber of Commerce of Utrecht under number 30072145.

Share Capital

Authorized Capital

The authorized share capital of Fortis N.V. amounts to €1,470,000,000 and is currently divided into (i) 1,500 million ordinary shares twinned with an ordinary share of Fortis SA/NV, each with a nominal value of €0.42; (ii) 1,750 million cumulative preference A shares, each with a nominal value of €0.42; and (iii) 250 million cumulative preference B shares, each with a nominal value of €0.42. The cumulative preference A shares and the cumulative preference B shares will only be in registered form. The ordinary twinned shares may be held, at the option of the shareholder, in bearer or registered form.

In accordance with Dutch law, transfer of a registered share requires, among other things, an instrument of transfer and, if Fortis N.V. is not a party to the transfer, a written acknowledgment by Fortis N.V. or service of an instrument on Fortis N.V. The acknowledgment must be made in the instrument of transfer, or by a dated statement on the instrument of transfer or on a copy or extract thereof certified by a civil law notary or the transferor to be a true copy or extract of the instrument of transfer. Official service by a public bailiff of the instrument of transfer or of such copy or extract on Fortis N.V. has the same effect as an acknowledgment by Fortis N.V. of the transfer. Holders of registered shares are entered in a shareholder register, which is maintained by Fortis N.V. for each class of shares. On request of the holder of registered shares, Fortis N.V. is required to provide an extract from the register of shareholders in the name of the holder.

The ordinary twinned bearer shares will be issued in the form of unit certificates which bear a dividend coupon sheet consisting of separate dividend coupons and talon. These unit certificates indicate that the holder of a twinned bearer share is also holder of a Fortis SA/NV share.

Ordinary Twinned Shares

At April 25, 2002, 1,293,565,659 ordinary twinned shares were issued and outstanding. All issued and outstanding ordinary twinned shares are fully paid.

Cumulative Preference A Shares

None of Fortis N.V.'s 1,750 million, €0.42 par value, authorized cumulative preference A shares 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 A shares of Fortis N.V. (which have the same voting rights as ordinary shares). Once the option has been exercised, the number of cumulative preference A shares issued shall not exceed the number of ordinary shares and cumulative preference B Shares issued. Fortis N.V. is entitled to require the Foundation to accept the issue of cumulative preference A shares.

Under Dutch law, the Foundation is an independent legal entity and is not owned or controlled by any person or entity. Its purpose is to provide a protective measure against unfriendly take-over bids. The Foundation will only exercise its option rights in accordance with this purpose. The exercise price of each of the options is €0.42 per cumulative preference A share, although upon exercise only 25% of the nominal value is required to be paid. The additional 75% of the nominal value per cumulative preference A share will not be required to be paid by the Foundation until a call for payment is made by Fortis N.V. by resolution of the Fortis N.V. Board of Directors.

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.

Each transfer of cumulative preference A shares requires the approval of the Fortis N.V. Board of Directors. If any cumulative preference A shares are issued, a general meeting of shareholders shall be convened which shall be held not later than two years after the date on which cumulative preference A shares were first issued. A resolution concerning purchase or cancellation, as the case may be, of the cumulative preference A shares shall be put on the agenda of such meeting. If the resolution to be taken on this agenda item is not a resolution for the purchase or cancellation, as the case may be, of the cumulative preference A shares, 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 the purchase or cancellation, as the case may be, of the cumulative preference A shares will be put on the agenda, until there are no cumulative preference A shares outstanding.

Cumulative Preference B Shares

No cumulative preference B shares are outstanding. Cumulative preference B shares must be fully paid up upon issue. Each transfer of cumulative preference B shares requires the approval of the Fortis N.V. Board of Directors. Cumulative preference B shares may be issued by Fortis N.V. for financing purposes only.

Issuance of Shares

The Board of Directors may be authorized by resolution of the general meeting of shareholders to issue from time to time ordinary twinned shares, cumulative preference A shares and cumulative preference B shares. If the Board of Directors has been so authorized, the general meeting of shareholders may not resolve to issue new shares for the duration of the authorization. The Board of Directors of Fortis N.V. has been authorized to this effect on December 12, 2001. The authority of the Board of Directors to issue shares of capital stock will terminate on May 30, 2004 unless

renewed by the general meeting of shareholders of Fortis N.V. in accordance with Dutch law and the articles of association, in each instance for a period not exceeding five years. In the event that the authority of the Board of Directors to issue shares of capital stock terminates, the issuance of capital stock would require a resolution of the general meeting of shareholders. For purposes of the foregoing granted authority, issuance of shares of capital stock include the granting of rights to subscribe for shares of capital stock, such as options and warrants, but do not apply to the issue of shares to a person exercising prior rights to take shares. Ordinary shares and cumulative preference B shares shall only be issued against payment of at least the nominal value. Cumulative preference A shares may be issued against partial payment, provided that upon the taking of such shares at least one-fourth of the nominal value is paid.

Ordinary twinned shares of Fortis N.V. can only be issued, subscribed, transferred by others than the company, and encumbered with a right of pledge or usufruct or any other limited right *in rem* (*beperkt zakelijk recht*), together with a Fortis SA/NV share in the form of a unit, so that shareholders are in the same position as if they held shares in a single company.

Dividends

Subject to certain exceptions, dividends may only be paid out of annual profits as shown in the annual accounts of Fortis N.V. Distributions may not be made if the distribution would reduce shareholder's equity below the sum of the paid up capital and any reserves required by Dutch law or the articles of association. Prior to paying dividends on ordinary shares, Fortis N.V. has an obligation to pay dividends on outstanding cumulative preference A shares and cumulative preference B shares, if any. Out of the profits remaining after payment of dividends to holders of cumulative preference A shares and cumulative preference B shares, such amount shall be reserved as the Board of Directors may deem necessary. The portion of the profits then remaining shall be at the disposal of the general meeting of shareholders, which may resolve to distribute such profits among the holders of ordinary shares. The Board of Directors may pay interim dividends on one or more classes of shares, subject to the condition that the distribution of interim dividends shall only be possible if an interim statement of capital, drawn up in accordance with the statutory requirements, shows that the shareholders' equity exceeds the sum of the issued and paid up share capital plus the reserves to be maintained pursuant to the law and Fortis N.V.'s articles of association. Fortis N.V. will follow the same dividend policy as Fortis SA/NV. The gross amount of dividends paid with respect to ordinary twinned Fortis N.V. shares has to equal the gross amount of dividends paid with respect to Fortis SA/NV shares. The holder of an ordinary twinned Fortis N.V. share has the option to select either the dividend payable to holders of Fortis N.V. shares or to holders of Fortis SA/NV shares, but not both. Distributions shall be due and payable with effect from a day to be determined by the Board of Directors. The days for distributions on ordinary shares, on cumulative preference A shares, and on cumulative preference B shares, may differ. A shareholder's claim to a particular dividend shall lapse five years after commencement of the day following the day on which the claim became payable.

Voting Rights

The annual general meeting of shareholders shall be held at Utrecht or Amsterdam before the first day of July. Extraordinary general meetings of shareholders shall be held as often as the Board of Directors convenes the same and must be held if one or more shareholders representing at least one-tenth of the issued share capital make a written request to that effect to the Board of Directors specifying in detail the business to be dealt with. All notices of those meetings shall be given by means of an advertisement, not later than the 15th day prior to the day of the meeting, in a national daily paper distributed in The Netherlands, in one or more other daily papers and/or newspapers, including in any case a national daily paper or newspaper distributed in each country where Fortis N.V. shares are listed on a stock exchange, and in the Official Price List of Euronext Amsterdam N.V. in Amsterdam. All members of the Board of Directors, and holders of Fortis N.V. shares and persons who, by virtue of Section 88 or Section 89, Book 2, of the Dutch Civil Code, enjoy the rights by law, conferred on holders of depositary receipts for shares issued with the

cooperation of Fortis N.V. or their proxies, shall be entitled to attend the general meeting of Shareholders and there, if so entitled, to cast their vote. In order to be able to exercise their rights, holders of registered ordinary shares or cumulative preference B shares and usufructuaries and pledgees of ordinary shares or cumulative preference B shares are required to notify Fortis N.V. in writing of their wish to do so, such notification being given at the registered offices of Fortis N.V. and by the date mentioned in the notice of meeting.

The holders of bearer ordinary twinned shares will be admitted to the meeting upon the production of proof that their bearer ordinary twinned shares have been lodged at the place and by the date mentioned in the notice of meeting. The production of a declaration by a bank that the bearer ordinary shares referred to therein are in its keeping, or are part of a deposit within the meaning of The Netherlands Act on Securities Book-Entry Transactions 1977 to whom the person mentioned therein is entitled to a corresponding number of ordinary shares and will remain so until the end of the meeting, shall be equated with the lodging of bearer ordinary shares. The admission to the meeting of persons other than those entitled to attend shall be at the discretion of the chairman of the meeting.

Meetings of holders of shares of a particular class shall be held whenever a resolution by the meeting of holders of shares of the class concerned is required or whenever such a meeting is deemed desirable in the opinion of the Board of Directors, or of one or more holders of such shares representing at least forty percent of the issued shares of that class.

Resolutions are adopted at general meetings of shareholders by a majority of the votes cast (except where a different proportion of votes is required by the articles of association or Dutch law), and there are generally no quorum requirements applicable to such meetings, except as set forth in the following paragraphs. Each share in the capital of Fortis N.V. is entitled to one vote except for shares owned by Fortis N.V., Fortis SA/NV, or any of their subsidiaries, which do not have voting rights.

Amendment of Articles of Association and Dissolution of Fortis N.V.

A resolution to amend the articles of association or to dissolve Fortis N.V. may be passed only upon a motion by the Board of Directors. The full text of the motion shall be made available at the offices of Fortis N.V. for inspection by shareholders and other persons entitled to participate in the general meeting of shareholders from the day notice of the general meeting of shareholders is given until the end of the meeting; copies of the motion shall be made available free of charge to shareholders and other persons entitled to participate in the general meeting of shareholders. This shall be stated in the advertisement containing the notice of meeting. The resolution to dissolve Fortis N.V. or amend the articles of association may be taken only in a general meeting of shareholders in which more than half of the issued share capital is represented and by at least three-fourths of the votes cast. Should the required proportion of the capital not be represented in a meeting called for this purpose, a new meeting shall be convened and held within four weeks, which meeting may pass the resolution to dissolve Fortis N.V. or amend the articles of association, irrespective of the proportion of the issued share capital represented, but with at least three-fourths of the votes cast. Upon dissolution of Fortis N.V., the Board of Directors shall liquidate its affairs.

Appointment of the Board of Directors

Fortis N.V. is governed by a Board of Directors consisting of a maximum of 17 persons of which a maximum of eight may be appointed upon nomination of Fortis N.V. (class A members), a maximum of eight may be appointed upon nomination of Fortis SA/NV (class B members) and one may be a class C member. The scope of activity of the A and B members involves in particular the general course of affairs and that of the C member, the CEO, the daily management. The Board of Directors appoints two chairmen from amongst its members, one of whom is a class A member and one of whom is a class B member and, as the case may be two vice chairmen one of whom is elected from among the class A members and one of whom is elected from among the class B members. The members of the Board of Directors are elected by the general meeting of shareholders. The Board of Directors has the right to make a binding nomination to the general meeting of shareholders for

the appointment of new Board members, which nomination may be overruled by resolution of the general meeting of shareholders approved by a majority of the outstanding shares and two-thirds of the votes cast. Members of the Board of Directors may be suspended or dismissed by a resolution of the general meeting of shareholders approved by a majority of the outstanding shares and two-thirds of the votes cast, unless such suspension or dismissal is proposed by the Board of Directors.

A and B Members of the Board of Directors must resign from the Board no later than the annual general meeting of shareholders held in the year such member is or will be 70 years old.

Adoption of Annual Accounts

Fortis N.V. has a calendar fiscal year. Within five months after the end of the fiscal year, the Board of Directors submits Fortis N.V.'s annual accounts, together with a certificate of the auditor in respect thereof, to the general meeting of shareholders for adoption. Following adoption of Fortis N.V.'s annual accounts by the general meeting of shareholders, the shareholders will be requested to discharge the members of the Board of Directors from liability for the performance of their respective duties for the past financial year. Under Dutch law this discharge is not absolute and is not effective as to matters not disclosed to the shareholders.

Liquidation Rights

In the event of the dissolution and liquidation of Fortis N.V., the assets remaining after payment of all debts and liquidation expenses ought to be distributed to the holders of the ordinary twinned shares, each receiving a sum proportional to the number of ordinary shares held by them, after payment of any sums due to the holders of the then outstanding cumulative preference A shares and cumulative preference B shares, if any.

Shareholders Pre-emptive Rights

Each holder of ordinary twinned shares, cumulative preference A shares and cumulative preference B shares has upon issue of their respective class of shares, a pre-emptive right to take new ordinary twinned shares, cumulative preference A shares or cumulative preference B shares, as the case may be proportional to the amount of old shares he held. Notwithstanding the foregoing, holders of shares will not have pre-emptive rights in respect of (i) issuances of shares to employees of Fortis N.V. or group companies and (ii) issuances of shares for non-cash consideration. Holders of shares also do not have pre-emptive rights in connection with the issuance of shares that are issued pursuant to the exercise of a right to subscribe for such shares, such as options and warrants, although the holders of shares have preemptive rights in respect of the issuance of such options and warrants.

The Board of Directors may be authorized by resolution of the general meeting of shareholders to restrict or exclude pre-emptive rights with respect to the shares if the shareholders have delegated the authority to issue these shares to the Board of Directors. The shareholders have delegated that authority by resolution dated December 12, 2001. The current authority of the Board of Directors to restrict or exclude pre-emption rights is unlimited. This authority will terminate on May 30, 2004 unless renewed by the general meeting of shareholders of Fortis N.V. in accordance with Dutch law and the articles of association, in each instance for a period not exceeding five years. In the absence of such authorization or extension of such authorization the general meeting of shareholders has the power to limit or eliminate such rights. Such a resolution requires a two-thirds majority of the votes cast, if less than half of the issued share capital is represented at the meeting.

Acquisition of Fortis N.V. of its Own Shares

Fortis N.V. or any subsidiary of Fortis N.V. may acquire shares of any class of its capital, subject to certain provisions of Dutch law and the articles of association, if (i) shareholders' equity less the payment required to make the acquisition does not fall below the sum of paid-up capital and any reserves required by Dutch law or the articles of association and (ii) Fortis N.V. and its subsidiaries

would thereafter not hold or retain by way of pledge shares with an aggregate nominal value exceeding one-tenth of Fortis N.V.'s issued share capital. No right to any distributions shall accrue to Fortis N.V. in respect of shares in its own capital. At a general meeting of shareholders, no votes may be cast in respect of a share held by Fortis N.V. or a subsidiary. An acquisition by Fortis N.V. of shares of any class of its capital may be effected by the Board of Directors. Acquisitions by Fortis N.V. of shares in its own capital require the general meeting of shareholders of Fortis N.V. to grant to the Board of Directors the authority to effect such acquisitions. Such grant of authority may apply for a maximum period of 18 months and must specify the number of shares that may be acquired, the manner in which the shares may be acquired and the price limits within which shares may be acquired. On December 12, 2001, the general meeting of shareholders of Fortis N.V. has authorized the Board of Directors to repurchase paid up shares in its own capital up to the maximum number of shares permitted by law. Such repurchase may be carried out privately or on a stock exchange, for any consideration ranging between the nominal value of the shares and the most recent closing price of those shares plus 5%. This authorization shall expire on November 30, 2002. No such authority is required for the acquisition by Fortis N.V. of shares in its own capital for the purpose of transferring such shares to employees of Fortis N.V. or any subsidiary thereof pursuant to any arrangements applicable to such employees, provided that such shares are included in the price list of a stock exchange.

Capital Reduction

Upon a proposal of the Board of Directors, the general meeting of shareholders of Fortis N.V. may resolve to reduce the issued share capital of Fortis N.V. by canceling shares which Fortis N.V. holds in its own capital. The resolution of the general meeting of shareholders requires a majority of at least two-thirds of the votes cast if less than half of the issued share capital is present or represented at the meeting. The issued share capital also may be reduced by reduction of the nominal value of any class of shares of Fortis N.V. In addition to the approval of the general meeting of shareholders, any reduction in the share capital of Fortis N.V. also requires the prior or simultaneous approval of each class of shares to which the capital reduction relates, with the proviso that the meeting of holders of cumulative preference A shares may only grant the approval, if the resolution to that effect is passed by unanimous vote in a meeting in which the whole of the cumulative preference A share capital is represented.

Limitation on Right to Hold or Vote Shares

There are no limitations imposed by Dutch law or the articles of association on the right of non-resident owners to hold or vote the shares solely by reason of such non-residence.

Option Rights

See "Description of Stock Programs".

Obligation of Shareholders to Disclose Major Holdings

As of June 1, 1997, the Dutch Act on Disclosure of Holdings in Listed Companies was replaced by the 1996 Act on Disclosure of Holdings (*Wet melding zeggenschap in ter beurze genoteerde ondernemingen 1996*) (the "1996 Disclosure of Holdings Act"). Under the 1996 Disclosure of Holdings Act any person who, directly or indirectly, acquires or disposes of an interest in the capital or the voting rights of a public limited liability company incorporated under Dutch law with an official listing on a stock exchange within the European Economic Area must give a written notice of such acquisition or disposal, if as a result of such acquisition or disposal the percentage of capital interest or voting rights held by such person falls within another percentage range as compared to the percentage range held by such person prior to such acquisition or disposal. The percentage ranges referred to in the 1996 Disclosure of Holdings Act are 0-5%, 5-10%, 10-25%, 25-50%, 50-66 $\frac{2}{3}$ % and over 66 $\frac{2}{3}$ %.

Notification in writing must be given to Fortis N.V. and the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*), which will disclose the information as notified to the public by publication in a newspaper distributed throughout the member states of the European Economic Area in which Fortis N.V. is officially listed on a stock exchange.

Non-compliance with the obligations of the 1996 Disclosure of Holdings Act constitutes a criminal offense. In addition, the District Court (*Arrondissementsrechtbank*) competent for the jurisdiction within which Fortis N.V. has its corporate seat can impose measures if notification has not taken place in accordance with the 1996 Disclosure of Holdings Act. A claim for such measures to be imposed may be instituted by one or more holders of shares who alone or together with others represent at least one-twentieth of the issued share capital and by Fortis N.V. The measures which the District Court may impose include (i) condemnation of the person who is obliged to notify to do so in accordance with the 1996 Disclosure of Holdings Act; (ii) suspension of voting rights in respect of such person's shares for a period to be determined by the court with a maximum of three years; (iii) suspension of a resolution of Fortis N.V.'s general meeting of shareholders until an irrevocable decision has been taken on an order as referred to in subsection (iv); (iv) nullification of a resolution by Fortis N.V.'s general meeting of shareholders, insofar as it is reasonable to assume that such resolution would not have been adopted if the voting rights on the shares in Fortis N.V.'s capital held by the person who is obliged to notify had not been exercised; and (v) an order to the person who is obliged to notify to refrain, during a period to be determined by the court with a maximum of five years, from acquiring shares in the capital of Fortis N.V. and/or voting rights.

Fortis SA/NV

General

Fortis SA/NV is a public company with limited liability incorporated in the form of a *société anonyme/naamloze vennootschap* under Belgian law. Fortis SA/NV was incorporated on November 16, 1993 and has its registered office at 1000 Brussels, Rue Royale/Koningsstraat 20, Belgium. Fortis SA/NV is registered with the Brussels Trade Register under number 577615.

Share Capital

Fortis SA/NV's capital is set at €5,541,595,618 and is fully paid up. Fortis SA/NV's capital is represented by 1,293,565,659 twinned shares, without indication of nominal value. Twinned shares can only be issued twinned with one Fortis N.V. share so as to form a unit. At all times the number of twinned Fortis SA/NV shares in issue and the number of Fortis N.V. shares in issue must be equal.

The Fortis SA/NV Board of Directors is authorized, for a period of three years as from the date of the extraordinary general meeting of shareholders of December 12, 2001 to increase the company's capital, in one or more operations, up to a maximum increase of €500,000,000.

Issuance of Shares

Fortis SA/NV twinned shares are issued by way of resolution of either the general meeting of shareholders or the Board of Directors in the case of capital increase through authorized capital. Any resolution to issue Fortis SA/NV twinned shares or to grant any right to subscribe or acquire Fortis SA/NV twinned shares (including, but not limited to, warrants and convertible bonds) is only effective, once, and to the extent that, there is a corresponding resolution of the appropriate corporate body of Fortis N.V., both resolutions taking effect on the same time, to issue the same number of Fortis N.V. shares or, as the case may be, the same number of rights to subscribe or acquire Fortis N.V. shares.

Dividends

The Belgian Companies Code provides that dividends can only be paid up to an amount equal to the excess of a company's shareholders' equity over the sum of (i) paid up or called up capital and (ii) reserves not available for distribution pursuant to law or the articles of association. Fortis SA/NV

will follow the same dividend policy as Fortis N.V. The gross amount of dividends paid with respect to twinned Fortis SA/NV shares has to equal the gross amount of dividends paid with respect to ordinary Fortis N.V. shares. The holder of a Fortis SA/NV twinned share has the option to select either the dividend payable to holders of Fortis SA/NV twinned shares or to holders of Fortis N.V. twinned shares, but not both.

Voting Rights

The annual general meeting of shareholders shall be held at the registered office of Fortis SA/NV on the last Wednesday of May at 10:30 am. Extraordinary general meetings of shareholders may be called by the Board of Directors and independent auditors. They are obliged to do so at the request of the shareholders representing one fifth of its capital.

Notice for the general meeting of shareholders shall be given in the form of announcements placed in the Belgian Official Gazette at least 15 days before the Meeting, and twice, at eight days intervals at least and the second time at least eight days before the meeting, in a Belgian national newspaper, in a Dutch national newspaper, in nationally distributed newspapers in every country where the units, in which Fortis SA/NV twinned shares are included, are admitted to the official listing of a stock exchange and in a regional newspaper in the region where the registered office is located.

All holders of Fortis SA/NV twinned shares are entitled to attend the general meetings of shareholders, take part in the deliberations and, within the limits prescribed by the Belgian Code of Companies, to vote. In order to be admitted to the shareholders meeting holders of Fortis SA/NV bearer twinned shares must have lodged these at the registered office or any other place indicated in the published notice at least four working days before the date set for the meeting. Holders of Fortis SA/NV registered twinned shares must within the same period have informed Fortis SA/NV of their intention to take part in the meeting. Holders of book-entry Fortis SA/NV twinned shares must lodge, at the registered office or any other place indicated in the notice and at least four working days before the date set for the meeting, an attestation, issued by the approved accountholder or the payment body, establishing the non-availability of the twinned shares until the date of the meeting.

Resolutions are adopted at general meetings of shareholders by a majority of the votes cast (except where a different proportion of votes is required by Fortis SA/NV's articles of association or by Belgian law), and there are generally no quorum requirements applicable to such meetings, except as set forth in the following paragraphs.

Each share in the capital of Fortis SA/NV is entitled to one vote except for shares owned by Fortis SA/NV, or by any of its direct subsidiaries, the voting rights of which are suspended.

Amendment of Articles of Association and Dissolution of Fortis SA/NV

A resolution to amend the provisions of the articles of association that give effect to the twinned shares principle or govern the constitution and powers of the Board of Directors, or to dissolve Fortis SA/NV must be passed in a general meeting of shareholders in which more than half of the issued share capital is represented and by at least three-fourths of the votes cast. Should the required proportion of the capital not be represented in a meeting called for this purpose, a new meeting shall be convened, which meeting may pass the resolution to dissolve Fortis SA/NV or amend the provisions of the articles of association that give effect to the twinned shares principle or govern the constitution and powers of the Board of Directors, irrespective of the proportion of the issued share capital represented, but with at least three-fourths of the votes cast.

Appointment of the Board of Directors

Fortis SA/NV is governed by a Board of Directors consisting of a maximum of 17 persons of which a maximum of eight may be appointed upon nomination of Fortis N.V. (class A members), a maximum of eight may be appointed upon nomination of Fortis SA/NV (class B members) and one may be a

class C member. The scope of activity of the A and B members involves in particular the general course of affairs and that of the C member, the CEO, the daily management. The Board of Directors appoints two chairmen from amongst its members, one of whom is a class A member and one of whom is a class B member and, as the case may be two vice chairmen one of whom is elected from among the class A members and one of whom is elected from among the class B members. The members of the Board of Directors are elected by the general meeting of shareholders.

Liquidation Rights

In the event of the dissolution and liquidation of Fortis SA/NV, the assets remaining after payment of all debts and liquidation expenses ought to be distributed to the holders of the Fortis SA/NV twinned shares, each receiving a sum proportional to the number of Fortis SA/NV twinned shares held by them.

Shareholders Preferential Subscription Rights

Pursuant to Belgian law existing shareholders must be offered a preferential subscription right in the event of a capital increase to be subscribed in cash. However, the general meeting of shareholders may decide, in the interest of the company and in accordance with the conditions required for amending the articles of association and in observance of the requirements for the issue of Fortis SA/NV twinned shares, that all or part of the new Fortis SA/NV twinned shares to be subscribed will not be offered to existing shareholders on a preferential basis. The board of directors may equally, in connection with a capital increase by way of authorized capital, in the interest of the company and in observance with the requirements for the issue of Fortis SA/NV twinned shares, decide that the preferential subscription rights of existing shareholders are to be limited or cancelled, even if this limitation or cancellation is undertaken in favor of one or more specific persons, other than employees of Fortis SA/NV or one or more of its subsidiaries.

Acquisition of Fortis SA/NV of its own shares

Fortis SA/NV may only acquire its own shares, following a decision by the general meeting of shareholders taken under the conditions of quorum and majority provided for in Belgian Code of Companies. The authorization of the general meeting of shareholders is not required when the acquisition of Fortis SA/NV's own shares is necessary in order to avoid serious and imminent damage to the company. In this event, the Board of Directors is authorized to acquire the shares by way of purchase or exchange, in accordance with the legal provisions in force. This authorization by the general meeting of shareholders to acquire its own shares is conferred for a period of three years starting after the general meeting of shareholders of December 12, 2001. This authorization may be extended one or more times in accordance with the provisions of Belgian Code of Companies.

Capital Reduction and Cancellation of Shares

Any resolution to reduce the capital of Fortis SA/NV shall only be effective, once, and to the extent that, there is a corresponding resolution of the appropriate corporate body of Fortis N.V., both resolutions taking effect on the same time, in which case the amount of the capital reduction in Fortis SA/NV must be equal to the amount of the capital reduction decided or to be decided by Fortis N.V. and, if such capital reduction involves the cancellation of shares, the number of Fortis SA/NV twinned shares cancelled must be equal to the number of Fortis N.V. shares cancelled.

A resolution to cancel Fortis SA/NV twinned shares shall only relate to Fortis SA/NV twinned shares, which the company holds or will acquire. Any resolution to cancel Fortis SA/NV twinned shares shall only be effective once, and to the extent that, there is a corresponding resolution of the appropriate corporate body of Fortis N.V., both resolutions taking effect on the same time, in which case the number of Fortis SA/NV twinned shares cancelled must be equal to the number of Fortis N.V. shares cancelled.

Limitation on Right to Hold or Vote Shares

There are no limitations imposed by Belgian law or the articles of association on the right of non-resident owners to hold or vote the shares solely by reason of such non-residence.

Option Rights

See "Description of Stock Programs".

Obligation of Shareholders to Disclose Major Holdings

All natural or legal persons who possess or acquire rights or other securities in the meaning of the law of March 2, 1989 concerning the notification of major shareholdings in companies listed on the stock market and regulating public take-over bids, must declare to the Board of Directors and the Banking and Financial Commission the number of rights or securities directly or indirectly owned or owned in concert with one or more other persons, when these rights or securities confer voting rights amounting to three per cent or more of the total voting rights in the company at the time when the situation giving rise to the declaration occurs.

All additional rights or securities acquired or transferred under the same conditions as those described above must also be declared to the Board of Directors and to the Banking and Financial Commission if, as a result of this operation, the voting rights in the company attached to the rights or securities rise above, or drop below, a band respectively greater than or less than three per cent of the total voting rights in the company at the time when the operation giving rise to the declaration is implemented.

Such declarations relating to the acquisition or transfer of rights or securities must be sent to the Banking and Financial Commission and, by registered letter, to the Board of Directors, no later than the second working day following the day on which the acquisition or transfer took place. Rights or securities acquired by means of an inheritance do not have to be declared until thirty days following the acceptance of the inheritance, made subject to the benefits of the inventory, as the case may be.

Fortis SA/NV shall take the necessary steps to publish any declarations it has received by posting these on public notice-boards and including them in the official listings of all Stock Exchanges on which Fortis Shares are officially listed, no later than the working day following the receipt of the declaration.

No person may cast a greater number of votes at the General Meeting than those attached to the rights or securities he has declared to be in his possession according to the above described provisions at least twenty days before the date of the general meeting of shareholders.

Subject to the provisions regarding the duty to disclose major holdings in Fortis SA/NV shares described above, Articles 514, 515 and 516 of the Belgian Code of Companies and the terms and conditions of the law of March 2, 1989 concerning the notification of major shareholdings in companies listed on the stock market and regulating public take-over bids, as well as its implementing Royal Decree of May 10, 1989 are applicable to such duty to disclose major holdings in Fortis SA/NV shares.

Description of Stock Programs

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, the United Kingdom, Spain and France. With the exception of the Executive Committee and senior management no employees were offered options in 2001. This was due to the historically significant effect of the past plans on earnings per share 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 April 19, 2001. The exercise price of the options is €37.57, the closing price of the Fortis Shares on Euronext on April 18, 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 to the Fortis Board and Executive Committee and outstanding options is included in Note 18 of Fortis' consolidated financial statements for the year ended December 31, 2001 included in this offering memorandum.

Options offered	2001	2000	1999	1998	1997	1996
Exercise period	2006-2008	2005-2007	2004-2009	2003	2002-2007	2001
Number of options granted	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 December 31, 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 value 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 December 31, 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 an accrual of €0.8 million (2000: €2.1 million) was made.

As a result of the acquisition of ASR, the outstanding employee option plans on shares of ASR were transferred to Fortis option plans on January 15, 2001. The table below shows the number of Fortis stock options based on the number of ASR stock options outstanding as of December 31, 2001:

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

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.

As a result of the acquisition of ASR by Fortis, the SARs of ASR shares have been transferred to SARs on Fortis Shares. As of December 31, 2001 the following SARs were outstanding:

Year granted	Exercise period	Number of SARs on Fortis Shares	Exercise price	Exercised in 2001	Outstanding at December 31, 2001
1999	2002-2004	1,035,626	19.26	—	1,035,626
2000	2003-2005	1,279,783	17.47	—	1,279,783

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

2002 Employee Stock Program

On October 25, 2001, Fortis' Board of Directors authorized the CEO to issue shares and options on shares up to a maximum aggregate amount of 1% of the outstanding number of Fortis Shares in connection with the 2002 Employee Stock Program.

The 2002 Employee Stock Program is composed of two parts:

- a stock option plan for Executives, Professionals and High Performers ("EPSOP"); and
- a share purchase plan for all eligible Fortis employees ("AESPP") in Belgium, The Netherlands (including the Netherlands Antilles), Luxembourg, Spain, France and the United Kingdom.

On April 24, 2002, the Boards of Directors of both Fortis N.V. and Fortis SA/NV decided within the framework of the authorized capital upon the use of a maximum of 7,200,000 Fortis Shares for the EPSOP and a maximum of 9,462,000 Fortis Shares for the AESPP.

The EPSOP and AESPP were launched in The Netherlands (including the Netherlands Antilles) on March 26, 2002; the acceptance period ran until April 26, 2002. In the other countries involved, the AESPP was launched on April 25, 2002, with an acceptance period from May 6, 2002 until June 7, 2002, and the EPSOP will be launched on April 29, 2002, with an acceptance period from April 29, 2002 until June 7, 2002.

The exercise price for both plans in all countries was based on the closing stock market price of the Fortis Share on Euronext Brussels on April 26, 2002, which was €25.18.

The capital increases in Fortis N.V. and Fortis SA/NV in execution of both plans, will be effected in June 2002.

Shareholding

The table below shows the principal shareholders of Fortis. Principal shareholders are shareholders with a participation exceeding 5%.

	At March 31, 2002
Société Générale de Belgique	11.18%
Stichting VSB Fonds Utrecht	5.72%

Taxation

The following is a general description of the material Luxembourg, Belgium, Netherlands and United States tax consequences of purchasing, owning and disposing of the FRESH Capital Securities and the holding of the Fortis Shares. Prospective purchasers of the FRESH Capital Securities should consult their own tax advisors as to the applicable tax consequences of the ownership of the FRESH Capital Securities and the holding of Fortis Shares, based on their particular circumstances.

Luxembourg Tax Considerations

This description is based on the laws in force in Luxembourg as of the date of this offering memorandum, and is for general information only. It does not purport to be a complete analysis of all possible tax situations that may be relevant to a decision to purchase, own or deposit the FRESH Capital Securities and the holding of the Fortis Shares. It does not, in particular, address the situation of any persons holding 10% or more of the Fortis Shares, or of any companies taking advantage of a special income tax treatment in Luxembourg, such as holding companies regulated under the Law of July 31, 1929 or undertakings for collective investments regulated under the laws of March 30, 1988 and July 19, 1991.

This summary does not allow any conclusions to be drawn with respect to issues not specifically addressed.

Taxation of the FRESH Capital Securities

Characterization of the FRESH Capital Securities

The FRESH Capital Securities will be considered as a debt investment for Luxembourg income tax purposes. The remainder of this description assumes such a characterization.

Tax Residency

The term "Luxembourg resident" as used hereafter means any individual, corporation, partnership or any other entity that for Luxembourg tax purposes is a resident individual or resident corporation and therefore is fully subject to Luxembourg income tax.

A holder of the FRESH Capital Securities will not become resident, or deemed to be resident, in Luxembourg by reason only of the holding of the FRESH Capital Securities, or the execution, performance, delivery and/or enforcement of the FRESH Capital Securities.

Withholding Tax on Income

Under Luxembourg tax law currently in effect, there is no withholding tax for Luxembourg residents and non-residents on payments of interest, or on accrued but unpaid interest, nor is any Luxembourg withholding tax payable on payments received upon an exchange of the FRESH Capital Securities for Fortis Shares.

Taxes on Income and Capital Gains

Holders of the FRESH Capital Securities who are non-residents of Luxembourg and who do not hold the FRESH Capital Securities through a permanent establishment in Luxembourg are not liable to any Luxembourg income tax, whether they receive payments of interest (including accrued but unpaid interest), or payments upon exchange of the FRESH Capital Securities, or realize capital gains on the sale of any FRESH Capital Securities.

Holders of the FRESH Capital Securities who are resident of Luxembourg or who have a permanent establishment in Luxembourg with which the holding of the FRESH Capital Securities is connected, must, for income tax purposes include any interest received in their taxable income. These holders will not be liable to any Luxembourg taxation on repayment of principal.

Luxembourg resident individual holders of the FRESH Capital Securities are not subject to taxation on capital gains upon the transfer of the FRESH Capital Securities, unless the transfer of the FRESH Capital Securities precedes the acquisition of the FRESH Capital Securities or the FRESH Capital Securities are disposed of within six months of the date of acquisition of these FRESH Capital Securities. Upon a sale or exchange of the FRESH Capital Securities, individual Luxembourg resident holders must however include the portion of the sale, redemption or exchange price corresponding to accrued but unpaid interest in their taxable income.

Luxembourg resident companies (*société de capitaux*) holders of the FRESH Capital Securities or foreign entities of the same type which have a permanent establishment in Luxembourg with which the holding of the securities is connected, must include in their taxable income the difference between the sale price (including accrued but unpaid interest) and the lower of the cost or book value of the FRESH Capital Securities sold or exchanged.

In case of exchange of the FRESH Capital Securities for Fortis Shares, the Luxembourg resident taxpayers may opt for not realizing capital gains on the exchange. In this case, the date of acquisition of the FRESH Capital Securities and their acquisition value will be carried over to the Fortis Shares. They may also opt for realizing the capital gains, which will then be subject to tax in Luxembourg as if they were realized upon a sale or transfer of the FRESH Capital Securities.

Other Taxes

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the holders of the FRESH Capital Securities as a consequence of the issuance of the FRESH Capital Securities, nor will any of these taxes be payable as a consequence of a subsequent transfer of the FRESH Capital Securities.

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the FRESH Capital Securities or in respect of the payment of interest under the debt securities or the transfer of the FRESH Capital Securities.

Luxembourg net wealth tax will not be levied on a holder of the FRESH Capital Securities, unless (i) such holder is a Luxembourg resident or (ii) such FRESH Capital Securities are attributable to an enterprise or part thereof which is carried on in Luxembourg through a permanent establishment or a permanent representative.

No gift, estate or inheritance taxes is levied on the transfer upon death of a holder of the FRESH Capital Securities in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes.

Taxation of Fortis Shares

Taxation of Non-Residents of Luxembourg

No Luxembourg tax will be payable, as a result of any holding or disposing of Fortis Shares, by an owner that is, for Luxembourg tax purposes, a non-resident of Luxembourg.

Taxation of Luxembourg Residents

Luxembourg resident individuals. Dividends received from Fortis (or any agent thereof) by Luxembourg resident individuals are subject to Luxembourg individual income tax, at the progressive rate applicable to such individual. Luxembourg resident individuals receiving Dutch or Belgian source dividends will be exempt for 50% of these dividends.

Capital gains realized upon a sale or other transfer of the Fortis Shares by a Luxembourg resident individual shareholder are not subject to taxation in Luxembourg, provided the transfer occurs more than six months after the acquisition of the Fortis Shares.

Luxembourg resident companies. Dividends received from Fortis (or any agent thereof) by a Luxembourg resident corporate entity are taxable at ordinary corporate income tax rates. If the

conditions of this participation exemption are not met, 50% of the dividends received from Fortis will be excluded from the taxable basis of the receiving company.

When a Luxembourg resident company holds Fortis shares representing either 10% of Fortis share capital or an acquisition value in excess of €1.2 million for an uninterrupted period of 12 months, the participation exemption regime is applicable, and the dividends are exempted from Luxembourg income taxes.

Upon a sale or transfer of Fortis Shares, a Luxembourg resident corporate shareholder or a foreign entity of the same type which has a permanent establishment in Luxembourg with which the holding of the Fortis Shares is connected, must include in its taxable income the excess of the sale or transfer price of the Fortis Shares over the lower of cost or book value of the Fortis Shares disposed of.

When a Luxembourg resident company shareholder or the permanent establishment in Luxembourg of a EU company or of a company resident in a treaty country sells or transfers Fortis Shares, and the seller or transferor has kept or will keep at least 10% of the Fortis share capital or Fortis Shares representing an acquisition cost of at least €6 million for an uninterrupted period of 12 months, the participation exemption regime will be applicable, and the capital gains are exempted from Luxembourg income taxes.

Other Taxes

Luxembourg resident individuals or companies are subject to net wealth tax on their assets. For Luxembourg resident corporate entities, shares whose dividends qualify for the participation exemption regime are excluded from the taxable basis for net wealth tax purposes.

Belgium Tax Considerations

This description is based on the laws in force in Belgium as of the date of this offering memorandum, and is for general information only. It does not purport to be a complete analysis of all possible tax situations that may be relevant to a decision to purchase, own or deposit the Securities and the holding of the Fortis Shares. With respect to non Belgian resident investors, except as otherwise indicated, the tax information only addresses the position of the investors who do not have any connection with Belgium other than holding the FRESH Capital Securities and/or the Fortis Shares. Investors should appreciate that, as a result of changing law, jurisprudence or practice, the tax consequences may be otherwise than as stated below.

Belgian Withholding Tax

FRESH Capital Securities

On the basis of the present general reading of Article 19 of the Belgian Income Tax Code "BITC", Coupon payments made on the FRESH Capital Securities by Fortis SA/NV acting as co-obligor, would not constitute "interest" to Fortis SA/NV (in the absence of a loan made to Fortis SA/NV with respect to which such Coupon payment would constitute the interest compensation). As a result, such coupon payments would not be subject to Belgian withholding tax.

Fortis Shares

The shareholders are simultaneously shareholders in Fortis SA/NV and Fortis N.V. They may elect to receive dividends from either Fortis SA/NV or Fortis N.V., in such a way that the source of the dividends distributed on the Fortis Shares will be either Belgium or the Netherlands; this process is known as the "dividend election". If no election has been made by the shareholders (or their proxyholders), rules by default will apply for determining the source of the dividends. Dividends received on a Fortis Share can come only from one source, either Belgium or the Netherlands, to the exclusion of the other country.

Dividends paid by Fortis SA/NV will generally be subject to withholding tax at the rate of 25% calculated on the gross amount of the dividend. However, the following reduced rates or exemptions are available:

- (i) the rate of withholding may be reduced to 5%, 10% or 15%, subject to and in accordance with the provisions of bilateral tax treaties; and
- (ii) pension funds and other organizations that have been recognized as exempt from foreign income tax may be able to qualify for a dividend withholding tax exemption if they are not resident in Belgium, have no commercial activities and are not legally or contractually obliged to remit the dividends to third parties.

Investors to whom (i) above applies, will typically claim a refund of tax withheld from the Belgian authorities to the extent the withholding tax deducted exceeds the reduced rate of withholding tax specified in the tax treaty upon making the necessary claims (by using the form 276 Div.-Aut. which is supplied by the Belgian Tax Administration, Bureau Central de Taxation, Etranger, 1000 Brussels, Place Jean Jacobs 10, Belgium). Subject to the availability of the necessary certificates, the reduction can also be applied at source.

U.S. investors will normally benefit from a reduced withholding tax rate in Belgium of 15% if they make use of the reduced withholding tax under the U.S.-Belgium Tax Treaty and by using the form 276 Div.-Aut. which is supplied by the Belgian Tax Administration (Bureau Central de Taxation, Etranger, 1000 Brussels, Place Jean Jacobs 10, Belgium).

U.S. pension funds which are not subject to US income tax should apply for a special procedure for exempting Belgian source dividends from Belgian withholding tax.

Income Tax on the Fortis Shares Dividends

Fortis SA/NV dividends

For Belgian resident individuals the dividend withholding tax is a definitive tax, provided they opt for the possibility not to declare in their personal income tax return such dividends to which the relevant withholding tax would have been applied.

Belgian resident companies that are subject to corporate income taxation, will be taxed on such dividends but would as a matter of principle be entitled to a withholding tax credit provided none of the exclusions would apply. Belgian resident companies may in addition be entitled to the "dividend received deduction" (*revenus définitivement taxés/definitief belaste inkomsten*) provided they meet the requirements to that effect. The conditions for applying the dividend received regime (as defined in Article 202, par. 2 of the BITC) are examined as if the Belgian resident company was holding shares in both Fortis SA/NV and Fortis NV; the acquisition value of each of the components of the Fortis Shares will be determined either on the basis of the ratio existing between the shares of the two Parent Companies, or on the basis of the acquisition value of the Fortis Shares (i) with respect to the Fortis Shares acquired after the "Unification" of the Fortis Share, or (ii) as a result of the various steps of the Unification, if the holders of Fortis Shares have previously held Fortis (B) shares or Fortis (NL) shares and have not treated the various steps of the Unification under the concept of accounting continuity.

Fortis NV dividends

When individuals receive non Belgian source dividends, e.g. dividends distributed by Fortis NV, said dividends will be subject to Belgian withholding tax if their payment is made through a Belgian paying intermediary. When dividends distributed by Fortis NV are received by legal entities that are subject to the income tax on Legal entities (*impôt des personnes morales/rechtspersonenbelasting*), and when these foreign source dividends have not been paid through a Belgian paying intermediary, they should declare and pay Belgian withholding tax on said foreign dividends (under Article 262, 1°, b of the BITC).

Further, for Belgian resident shareholders, dividends received from Fortis NV are subject to the rules applicable on the payment of foreign dividends:

Individuals. For Belgian resident individuals receiving foreign source dividends through a Belgian paying intermediary, Belgian withholding tax retained by the Belgian paying intermediary can be considered as the final tax liability. If, however, foreign source dividends have not been subject to Belgian withholding tax (i.e. these dividends have not been paid through a Belgian paying intermediary), the Individuals must report in their individual income tax return the dividends received from Fortis NV. Said dividends will then be subject to the Belgian individual income tax at the rate of 25%, plus local surtax, unless the progressive individual income tax rate is lower than this rate.

Legal entities. Legal entities receiving dividends from Fortis NV without the intervention of a Belgian paying intermediary should report these dividends in the withholding tax return and pay Belgian withholding tax on these foreign source dividends. In this case, Belgian withholding tax represents the final tax liability for said Belgian legal entities.

Corporate shareholders. Corporate shareholders receiving dividends from Fortis NV will be subject to the same tax treatment as the one described above for dividends received from Fortis SA/NV. No tax credit will be granted for Dutch withholding tax on dividends distributed by Fortis NV.

Tax treaties. Belgian resident Shareholders, will be able to invoke the application of the double tax treaty concluded between Belgium, as their country of residence, and the Netherlands, as the country of origin of the dividends distributed by Fortis NV, namely the application of the reduced withholding tax rates as provided in this treaty.

Capital Contribution Tax

The capital contribution tax (*droit d'apport/inbrengrecht*) will be payable by Fortis SA/NV at the rate of 0.5%: (a) upon the issuing of the Underlying Shares on the total amount of the contribution that is being made; and (b) on any contribution made in respect of the Fortis SA/NV shares issued pursuant to the Alternative Coupon Satisfaction Method.

Capital Gains and Income Tax

Holders of FRESH Capital Securities, who are not residents of Belgium for Belgian tax purposes and not holding the FRESH Capital Securities through a Belgian establishment (*établissement belge*) within the meaning of Article 229 of the BITC, will not incur or become liable for any Belgian tax on income or capital gains or other like taxes by reason only of the acquisition, ownership or exchange of the FRESH Capital Securities.

Belgian resident individuals will as a rule not be taxable on capital gains realized at the occasion of the sale of the FRESH Capital Securities, the exchange of the FRESH Capital Securities into Fortis Shares, or the disposal of such Fortis Shares, provided they are not deemed to be acting in the framework of their professional activities, and provided the transactions they are carrying out are considered to be within the management of their private estate (Article 90, 1° BITC a contrario). Belgian resident companies that are subject to the corporate income tax will be taxable at the general corporate income tax rate (presently 40.17%) on gains realized at the occasion of the disposal of the FRESH Capital Securities. Capital losses will be tax deductible. Capital gains realized upon the exchange of the FRESH Capital Securities into Fortis Shares will likewise give rise to taxation as regular income for corporate income tax purposes. Subsequent capital gains realized upon the transfer of the Fortis Shares will, as a rule, be exempt from corporate income tax. Capital losses realized on Fortis Shares will not be deductible.

Transfer Tax

A tax on stock exchange transactions (*taxe sur les opérations de bourse*) at the rate of 0.07% (in relation to FRESH Capital Securities) or 0.17% (in relation to Fortis Shares) (subject to a maximum of

€ 250 per investor and per transaction) will become due upon the sale and purchase or exchange of FRESH Capital Securities or Fortis Shares entered into or settled in Belgium in which a professional intermediary acts for either party. A separate tax is due from each of the seller and purchaser, to be collected by the professional intermediary.

A tax on repurchase transactions (*taxes sur les reports*) at the rate of 0.085% (subject to a maximum of EUR 250 per party and per transaction) will be due for each party to any such transaction entered into or settled in Belgium in which a stockbroker acts for either party.

However, neither of the two taxes referred to above will be payable by exempt persons acting for their own account, including investors who are not Belgian residents and certain Belgian institutional investors, as defined in Article 126.2 of the code of taxes assimilated to stamp taxes (*Code des taxes assimilées au timbre*).

Tax on the Physical Delivery of Bearer Securities

A tax is levied upon the physical delivery of bearer securities pursuant to their subscription or their acquisition for consideration through a professional intermediary. The same tax applies to the physical delivery of bearer securities pursuant to a withdrawal of these securities from open custody. The tax on the delivery of bearer securities is due at a rate of 0,2%, either on the subscription price or the sales price.

The physical delivery of bearer securities to recognized professional intermediaries (such as credit institutions), acting for their own account, is exempt from the above tax.

Netherlands Tax Considerations

This description is based on the laws in force in The Netherlands as of the date of this offering memorandum, and is for general information only. It does not purport to be a complete analysis of all possible tax situations that may be relevant to a decision to purchase, own or deposit the FRESH Capital Securities and the holding of the Fortis Shares.

Withholding Taxes

All payments under the FRESH Capital Securities may be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.

Any exchange of FRESH Capital Securities for Fortis Shares, whether optional or automatically, (an "Exchange") may be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.

Dividends distributed by Fortis N.V. on Fortis Shares are generally subject to a withholding tax imposed by The Netherlands at a rate of 25%. The expression "dividends distributed by Fortis N.V." as used herein includes, but is not limited to:

- distributions in cash or in kind, deemed and constructive distributions and repayments of paid-up capital (*gestort kapitaal*) not recognized for Netherlands dividend withholding tax purposes;
- liquidation proceeds, proceeds of redemption of Fortis N.V. shares or, as a rule, consideration for the repurchase of Fortis N.V. shares by Fortis N.V. in excess of the average paid-up capital recognized for Netherlands dividend withholding tax purposes;
- the par value of shares issued to a holder of Fortis N.V. shares or an increase of the par value of Fortis N.V. shares, as the case may be, to the extent that it does not appear that a contribution, recognized for Netherlands dividend withholding tax purposes, has been made or will be made; and

- partial repayment of paid-up capital, recognized for Netherlands dividend withholding tax purposes, if and to the extent that there are net profits (*zuivere winst*), unless (a) the general meetings of shareholders of Fortis N.V. and Fortis SA/NV have resolved in advance to make such repayment and (b) the par value of the Fortis N.V. shares concerned has been reduced by an equal amount by way of an amendment of the articles of association of the Fortis N.V.

A holder of Fortis Shares that is resident or deemed to be resident in The Netherlands or, if he is an individual, who has elected to be taxed as resident in The Netherlands for income tax purposes, and that has received a dividend distributed by Fortis N.V., is generally entitled, subject to the rules described below, to a full credit against its (corporate) income tax liability, or a full refund, of Netherlands dividend withholding tax.

A holder of Fortis Shares that is resident in a country other than The Netherlands and that has received a dividend distributed by Fortis N.V., may, if a double taxation convention is in effect between The Netherlands and such country, depending on the terms of such double taxation convention and subject to the rules described below, be eligible for a full or partial exemption from, or refund of, Netherlands dividend withholding tax.

On August 31, 2001, a legislative proposal concerning so-called “dividend stripping” was submitted to Netherlands Parliament (the “Legislative Proposal”). The Legislative Proposal applies retroactively as per April 27, 2001. According to the Legislative Proposal no exemption, reduction, credit or refund of Netherlands dividend withholding tax is allowed if the recipient of the dividend is not considered the “beneficial owner” of the dividend. The following summary is based on the Legislative Proposal only, and not on actual legislation.

According to the Legislative Proposal, a recipient of a dividend is not considered the beneficial owner of the dividend if such recipient:

- paid consideration (in cash or in kind) in connection with the dividend distribution;
- such payment forms part of a sequence of transactions; and
- it is likely that (i) an individual or company (other than the holder of the dividend coupon) benefited in whole or in part from the dividend, and such individual or company would have been entitled to a less favorable exemption, refund or credit of dividend withholding tax than the recipient of the dividend distribution; and (ii) this individual or company directly or indirectly retains or acquires a position in the shares, profit rights or profit sharing bonds that is comparable with its position in similar shares, profit rights or profit sharing bonds that it had before the sequence of transactions commenced.

The Legislative Proposal explicitly states that the term “sequence of transactions” includes the case of a sole acquisition of one or more dividend rights or of the establishment of short-term rights of enjoyment on shares (e.g. usufruct), while the transferor retains the ownership of the shares.

Taxes On Income And Capital Gains

Holders of FRESH Capital Securities and Fortis Shares Resident in The Netherlands

Individuals. A holder of FRESH Capital Securities and/or Fortis Shares who is an individual, resident or deemed to be resident in The Netherlands, or who has elected to be taxed as a resident of The Netherlands, will not be subject to regular Netherlands income tax on income and capital gains, whether realized upon an Exchange or otherwise, in respect of the FRESH Capital Securities and/or the Fortis Shares, unless:

- such holder has an enterprise or an interest in an enterprise, to which enterprise the FRESH Capital Securities and/or the Fortis Shares are attributable;

- such holder’s activities in The Netherlands with respect to the FRESH Capital Securities and/or the Fortis Shares exceed “normal active asset management” (*normaal, actief vermogensbeheer*); and
- (i) as far as the FRESH Capital Securities are concerned, such holder or any of his spouse, his partner, a person deemed to be his partner, or other persons sharing such person’s house or household, or certain other of such persons’ relatives (including foster children), has a substantial interest (as described below) in Luxco and/or any other entity that legally or de facto, directly or indirectly, has the disposition of the proceeds of the FRESH Capital Securities; or
- (ii) as far as the Fortis Shares are concerned, such holder has a substantial interest (as described below) in one or both Parent Companies.

Substantial interest. For the purpose of the conditions mentioned herein, generally, a holder of FRESH Capital Securities and/or Fortis Shares will have a substantial interest in Luxco and/or one or both of the Parent Companies, as the case may be, if such holder—in case of an individual, whether or not together with his partner and/or certain other close relatives—holds, directly or indirectly the ownership of, or certain other rights (including rights to acquire shares, whether or not already issued) over (i) shares representing 5% or more of the total issued and outstanding capital (or of the issued and outstanding capital of any class of shares) of Luxco and/or one or both of the Parent Companies as the case may be; or (ii) profit sharing certificates entitling such holder to 5% or more of the profits or of the liquidation distributions of Luxco and/or one or both of the Parent Companies, as the case may be.

In addition such holder has a substantial interest in Luxco and/or one or both of the Parent Companies if such holder—in case of an individual, whether or not together with his partner and/or certain other close relatives—holds, directly or indirectly the ownership of, certain other rights over, or profits certificates issued by, Luxco and/or one or both of the Parent Companies, as the case may be, that represent less than five per cent of the relevant aggregate as set forth above, but that either formed part of a substantial interest that has been partially disposed of, or is deemed to have been partially disposed of, or that has been acquired, on a non-recognition basis.

If either of the conditions mentioned above under the first two bullet points and the third bullet point under (i) is applicable, income and capital gains, whether realized upon an Exchange or otherwise, in respect of the FRESH Capital Securities and/or the Fortis Shares will, in general, be subject to Netherlands income tax at the progressive rates. If the condition mentioned under the third bullet point under (ii) is applicable, income and capital gains in respect of Fortis Shares will in general be subject to Netherlands income tax at a rate of 25%. Roll-over relief may be available for capital gains realized upon an Exchange.

If none of the conditions mentioned under the bullet points above is applicable, a holder of FRESH Capital Securities and/or Fortis Shares who is an individual, resident or deemed to be resident in The Netherlands, or who has elected to be taxed as a resident of The Netherlands, will not be subject to taxes on income or capital gains, whether realized upon an Exchange or otherwise, in respect of the FRESH Capital Securities and/or the Fortis Shares in The Netherlands. Instead, the individual is taxed at a flat rate of 30% on deemed income from “savings and investments” (*sparen en beleggen*). This deemed income amounts to 4% of the average of the individual’s “yield basis” (*rendementsgrondslag*), generally, at the beginning of a calendar year and his yield basis at the end of such calendar year. The yield basis would include the fair market value of the FRESH Capital Securities and/or the Fortis Shares.

Corporate entities. A holder of FRESH Capital Securities that is resident or deemed to be resident in The Netherlands for corporate income tax purposes, and that is:

- a corporation;
- any other entity with a capital divided into shares;

- a cooperative (association); or
- any other legal entity that has an enterprise or an interest in an enterprise to which the FRESH Capital Securities are attributable,

but which is not:

- a qualifying pension fund;
- a qualifying investment fund (*fiscale beleggingsinstelling*; as defined in article 28 of The Netherlands Corporate Income Tax Act (CITA)); or
- any other entity exempt from corporate income tax,

will in general be subject to Netherlands corporate income tax, generally levied at a rate of 34.5% (29% over profits up to €22,689) over its income and capital gains, whether realized upon an Exchange or otherwise, in respect of the FRESH Capital Securities and/or the Fortis Shares.

Such income and capital gains with respect to Fortis Shares will be exempt from Netherlands corporate income tax, however, if and to the extent that a holder of Fortis Shares is eligible for application of the participation exemption (*deelnemingsvrijstelling*) as defined in article 13 of the CITA. Generally, the participation exemption applies if a holder of Fortis Shares (i) holds an interest of at least 5% in the issued and paid-up nominal share capital of the Parent Companies and (ii) with respect to income and capital gains relating to the Fortis N.V./S.A. shares only, such holder does not hold the Fortis Shares as a portfolio investment.

Holders of FRESH Capital Securities and Fortis Shares Resident outside The Netherlands

Individuals. A holder of FRESH Capital Securities and/or Fortis Shares who is neither a resident nor deemed to be a resident of The Netherlands, nor has elected to be taxed as a resident of The Netherlands, will not be subject to Netherlands income tax on income and capital gains, whether realized upon an Exchange or otherwise, in respect of the FRESH Capital Securities and/or the Fortis Shares, unless:

- such holder has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise, as the case may be, the FRESH Capital Securities and/or the Fortis Shares are attributable;
- such holder's activities in The Netherlands with respect to the FRESH Capital Securities and/or the Fortis Shares exceed normal active asset management; or
- as far as the Fortis Shares are concerned, such holder has a substantial interest (as such term is described above in "—Taxes on Income and Capital Gains—Holders of FRESH Capital Securities and Fortis Shares Resident in The Netherlands—Individuals") in Fortis N.V. and such substantial interest cannot be allocated to the such holder's business assets.

If either of the conditions mentioned under the first two bullet points above is applicable, income and capital gains, whether realized upon an Exchange or otherwise, in respect of the FRESH Capital Securities and/or the Fortis Shares will in general be subject to Netherlands income tax at the progressive rates. If the condition mentioned under the third bullet point above is applicable, income and capital gains in respect of the Fortis Shares will in general be subject to Netherlands income tax at a rate of 25%. Roll-over relief may be available for capital gains realized upon an Exchange.

Corporate entities. A holder of FRESH Capital Securities and/or Fortis Shares, that is a legal entity, any other entity with a capital divided into shares or a fund or trust, not resident or deemed to be resident in The Netherlands, will not be subject to any Netherlands taxes on income or capital gains,

whether realized upon an Exchange or otherwise, in respect of the FRESH Capital Securities and/or Fortis Shares, unless:

- such holder has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise, as the case may be, the FRESH Capital Securities are attributable; or
- as far as the Fortis Shares are concerned, such holder has a substantial interest (as such term is described above in “—Taxes on Income and Capital Gains—Holders of FRESH Capital Securities and Fortis Shares Resident in The Netherlands—Individuals’”) in Fortis N.V. and such substantial interest cannot be allocated to such holder’s business assets.

If either of the above conditions mentioned applies, a holder of FRESH Capital Securities and/or Fortis Shares will in general be subject to Netherlands corporate income tax, generally levied at a rate of 34.5% (29% over profits up to €22,689) over its income and capital gains, whether realized upon an Exchange or otherwise, in respect of the FRESH Capital Securities and/or the Fortis Shares.

General

A holder of FRESH Capital Securities and/or Fortis Shares will not be subject to any Netherlands taxes on income or capital gains, whether realized upon an Exchange or otherwise, in respect of the FRESH Capital Securities and/or the Fortis Shares by reason only of the execution, delivery and/or enforcement of the documents relating to the issue of the FRESH Capital Securities and the issue of the FRESH Capital Securities and/or Fortis Shares or the performance by the Co-obligors of their obligations thereunder or under the FRESH Capital Securities.

Gift, Estate And Inheritance Taxes

Holders of FRESH Capital Securities and Fortis Shares Resident in The Netherlands

Gift tax may be due in The Netherlands with respect to an acquisition of FRESH Capital Securities and/or Fortis Shares by way of a gift by a holder of FRESH Capital Securities and/or Fortis Shares who is resident or deemed to be resident in The Netherlands.

Estate tax may be due in The Netherlands with respect to an acquisition of FRESH Capital Securities and/or Fortis Shares on the death of a holder of FRESH Capital Securities and/or Fortis Shares who is resident or deemed to be resident of The Netherlands, or by way of a gift within 180 days before his death by a holder of FRESH Capital Securities and/or Fortis Shares who is resident or deemed to be resident in The Netherlands at the time of his death.

For purposes of Netherlands gift and estate tax, an individual with Netherlands nationality will be deemed to be resident in The Netherlands if he has been resident in The Netherlands at any time during the ten years preceding the date of the gift or his death. For purposes of Netherlands gift tax, an individual not holding Netherlands nationality will be deemed to be resident of The Netherlands if he has been resident in The Netherlands at any time during the twelve months preceding the date of the gift.

Holders of FRESH Capital Securities and Fortis Shares Resident outside The Netherlands

No gift, estate or inheritance taxes will arise in The Netherlands with respect to an acquisition of FRESH Capital Securities and/or Fortis Shares by way of a gift by, or on the death of, a holder of FRESH Capital Securities and/or Fortis Shares who is neither resident nor deemed to be resident in The Netherlands, unless:

- such holder at the time of the gift has, or at the time of his death had, an enterprise or an interest in an enterprise that is or was, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands, and to which

enterprise or part of an enterprise, as the case may be, the FRESH Capital Securities and/or the Fortis Shares are, or were, attributable; or

- in the case of a gift of FRESH Capital Securities and/or Fortis Shares by an individual who, at the date of the gift, was neither resident nor deemed to be resident in The Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in The Netherlands.

Capital Tax

No Netherlands capital tax will be payable in respect of, or in connection with, the execution, delivery and/or enforcement by legal proceedings (including the enforcement of any foreign judgment in the Courts of The Netherlands) of the documents relating to the issue of the FRESH Capital Securities by Luxco or the performance by the Co-obligors of their obligations thereunder or under the FRESH Capital Securities, with the exception of capital tax that will be payable by Fortis N.V. at the rate of 0.55%:

- at an issuance of Fortis N.V. shares pursuant to the Alternative Coupon Satisfaction Method on any contribution made in respect of such shares; and
- at any Exchange, on the nominal value of the exchanged FRESH Capital Securities.

Turnover Tax

No Netherlands turnover tax will arise in respect of any payment in consideration for the issue of the FRESH Capital Securities or with respect to any payment by the Co-obligors of principal, interest or premium (if any) on the FRESH Capital Securities.

No Netherlands turnover tax will arise in respect of or in connection with the subscription, issue, placement, allotment or delivery of the Fortis Shares.

Distribution Tax

Fortis N.V. will be subject to a temporary special distribution tax on the distribution of profits at a rate of 20% if and to the extent that any 'excessive' distributions (such as dividends) are made on the Fortis N.V. shares in the period from January 1, 2001 up to and including December 31, 2005.

For purposes of this distribution tax, distributions are generally considered to be 'excessive' if during a particular calendar year, the total proceeds distributed exceed the higher of the following amounts:

- 4% of market capitalization of the Company at the beginning of the relevant calendar year;
- two times the average annual dividends during 1998, 1999 and 2000; or
- the consolidated commercial result of the Fortis N.V. for the preceding fiscal year, less realized hidden reserves attributable to the period before January 1, 2001.

The temporary special distribution tax is not levied to the extent that profit distributions in aggregate during the period January 1, 2001 up to and including December, 31 2005 are in excess of the balance of the assets, liabilities and provisions, calculated on the basis of the fair market value, reduced by the paid-up capital at the end of the book year that ended prior to January 1, 2001.

Generally, the temporary special distribution tax due is reduced pro rata to the extent that Fortis N.V. Shares were held, at the time of the distribution of the "excessive distributions", for an uninterrupted period of three years, by individuals or entities (other than a qualifying investment fund) holding at least 5% of the nominal paid-up capital of Fortis N.V., provided that these individuals or entities are resident in The Netherlands, The Netherlands Antilles or Aruba, a member state of the European Union, or a country with which The Netherlands has concluded a treaty for

the avoidance of double taxation. For determining the aforementioned three-year holding period, the holding period of a qualifying shareholder can be transferred to an otherwise qualifying new shareholder.

No Netherlands dividend withholding tax has to be levied on the part of the dividend distributions that result in the temporary special distribution tax insofar as the shareholders are resident in The Netherlands, The Netherlands Antilles, Aruba, a member state of the European Union or a country with which The Netherlands has concluded a treaty for the avoidance of double taxation.

Other Taxes And Duties

No Netherlands registration tax, custom duty, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, will be payable in The Netherlands in respect of or in connection with:

- the execution, delivery and/or enforcement by legal proceedings (including the enforcement of any foreign judgment in the Courts of The Netherlands) of the documents relating to the issue of the FRESH Capital Securities by Luxco or the performance by the Co-obligors of their obligations thereunder or under the FRESH Capital Securities; or
- the subscription, issue, placement, allotment or delivery of the Fortis Shares.

U.S. Federal Income Tax Considerations

The following is a discussion of the material U.S. federal income tax consequences of purchasing, owning and disposing of the FRESH Capital Securities and the Fortis Shares, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular person's decision to acquire such FRESH Capital Securities. The discussion applies to you only if you hold the FRESH Capital Securities as capital assets for tax purposes and does not address special classes of holders, such as:

- certain financial institutions;
- insurance companies;
- dealers and traders in securities or foreign currencies;
- persons holding FRESH Capital Securities as part of a hedge, straddle or conversion transaction;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes;
- persons liable for the alternative minimum tax;
- tax-exempt organizations; or
- persons holding FRESH Capital Securities that own or are deemed to own ten percent or more of any class of Fortis stock;

This discussion is based on the Internal Revenue Code of 1986, as amended, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

This discussion applies to you only if you are a beneficial owner of FRESH Capital Securities and are, for United States federal income tax purposes:

- a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States or any political subdivision thereof; or

- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

The Parent Companies believe that neither company will be considered a passive foreign investment company ("PFIC") for United States federal income tax purposes for the current taxable year or in the foreseeable future.

The following discussion assumes that neither Parent Company is, or will be considered, a PFIC for United States federal income tax purposes.

Taxation of the FRESH Capital Securities

In General

The FRESH Capital Securities should be considered to be an equity investment in the Parent Companies for United States federal income tax purposes. The remainder of this discussion assumes such a characterization.

Taxation of Coupon Payments

Payments of the Coupon on the FRESH Capital Securities, whether payable in cash or Fortis Shares will generally be treated as foreign source ordinary income for United States federal income tax purposes, and will not be eligible for the dividends received deduction generally allowable to U.S. corporations. Such ordinary income will generally constitute "passive income" or "financial services income", depending on your individual circumstances, for foreign tax credit purposes.

Coupon payments made in euro will be includible in your income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of your actual or constructive receipt of the payment, regardless of whether the payment is in fact converted into U.S. dollars. If any euro is converted into U.S. dollars on the date of receipt, you generally should not be required to recognize foreign currency gain or loss. You may have U.S. source ordinary income or loss if you do not convert the amount of a euro Coupon payment into U.S. dollars on the date of receipt.

Coupon payments made in Fortis Shares under the Alternative Coupon Satisfaction Method will generally be included in income in an amount equal to the fair market value of such shares received, determined in U.S. dollars, on the date of your actual or constructive receipt, and your tax basis in such Fortis Shares will be equal to this amount. Your holding period in the Fortis Shares received will begin the day after your actual or constructive receipt. In the event of a sale of Fortis Shares, including by the Trustee on your behalf, you will generally be required to recognize capital gain or loss in an amount equal to the difference between the amount realized on the sale and your tax basis in the Fortis Shares. See "— Taxation of Fortis Shares — Sale or Exchange of Fortis Shares" below. A sale of Fortis Shares by the Trustee on your behalf will generally give rise to short-term capital gain or loss.

Sale or Other Disposition of the FRESH Capital Securities

For U.S. federal income tax purposes, gain or loss you realize on the sale or other disposition of FRESH Capital Securities (other than a disposition pursuant to the exercise of an Exchange Right or the occurrence of an Automatic Exchange) will be capital gain or loss, and will be long-term capital gain or loss if you held the FRESH Capital Securities for more than one year. The amount of your gain or loss will be equal to the difference between your tax basis in the FRESH Capital Securities disposed of and the amount realized on the disposition. Such gain or loss will generally be U.S. source gain or loss for foreign tax credit purposes. You may have U.S. source ordinary income or loss if you do not convert any foreign currency received on such sale or exchange into U.S. dollars on the date of the sale or exchange.

Exchange of FRESH Capital Securities for Fortis Shares

Your exchange of a FRESH Capital Security into Fortis Shares, whether pursuant to exercise of an Exchange Right or an Automatic Exchange, will not be a taxable event for United States federal income tax purposes, except that the receipt of cash in lieu of a fractional Fortis Share will result in capital gain or loss (measured by the difference between the cash received in lieu of the fractional share and your tax basis in the fractional share).

Your tax basis in the Fortis Shares received upon an exchange of a FRESH Capital Security will be the same as your tax basis in the FRESH Capital Security at the time of exchange, reduced by any basis allocated to a fractional share, and your holding period for the Fortis Shares received will include your holding period for the FRESH Capital Security exchanged. In the event of a sale of Fortis Shares by the Trustee on your behalf, you will be required to recognize gain or loss in the same manner as if you sold such Fortis Shares directly. See “—Taxation of Fortis Shares—Sale or Exchange of Fortis Shares” below.

Constructive Dividends and Receipt of Certain Parent Company Distributions

Any decrease to the exchange price of the FRESH Capital Securities may, depending on the circumstances, be deemed to be a distribution to you. Any deemed distribution will be taxed in the same manner as an actual distribution. See “—Taxation of Fortis Shares—Taxation of Dividends” below. In certain circumstances, the failure to make an adjustment to the exchange price under the indenture may result in a taxable distribution to holders of Fortis Shares.

Your receipt of certain Parent Company Distributions (other than warrants to purchase Fortis Shares) as described in “Terms and Conditions of the FRESH Capital Securities—Exchange and Protection Mechanisms for Holders of FRESH Capital Securities—Entitlement of Holders of FRESH Capital Securities to Certain Parent Company Distributions” will generally be taxable as foreign source ordinary income to you in an amount equal to the fair market value of such distribution on the date of your actual or constructive receipt. You should consult your own tax advisors concerning the tax consequences to you of any such Parent Company Distribution.

Taxation of Fortis Shares

Taxation of Dividends

Distributions paid on Fortis Shares, before reductions for any Belgian or Dutch income tax withheld, will generally be taxable to you as foreign source income, and they will not be eligible for the dividends received deduction generally allowable to corporations.

Dividends paid in euros will be includible as income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date the dividends are actually or constructively received. Gain or loss realized on a sale or other disposition of the euros will be ordinary income or loss and will be U.S. source income. If dividends received in euros are converted into U.S. dollars on the day they are received, you generally will not be required to recognize any foreign currency gain or loss in respect thereof.

Payments of dividends on the Fortis Shares will be subject to Belgian or Dutch withholding taxes, depending on whether you receive the dividends from Fortis SA/NV or Fortis NV. The rate of withholding will be determined under the United States-Belgium or United States-Netherlands double taxation convention, as the case may be, if you qualify for benefits thereunder. For United States federal income tax purposes, you will be treated as having received the gross amount of any dividend paid, including Belgian or Dutch taxes withheld, and as having paid the withheld taxes to the taxing authority. As a result, the amount included in the gross income by you in connection with a payment of dividends will generally be greater than the amount of cash actually received or receivable by you.

Subject to generally applicable limitations and restrictions, you may be entitled to a credit against your United States federal income tax liability, or a deduction in computing your United States

federal taxable income, for the Belgian or Dutch income taxes withheld. You should consult your own tax advisors as to whether dividends paid solely by Fortis SA/NV or Fortis N.V., as the case may be, pursuant to an election made or pursuant to the default rules will be treated, for United States federal income tax purposes, as a dividend paid solely by the paying entity and the possible implications of alternative characterizations. Dividends treated as paid solely by Fortis SA/NV or Fortis N.V. will generally constitute "passive income" or "financial services income", depending on your individual circumstances, for foreign tax credit purposes. You are urged to consult your own tax advisors concerning the foreign tax credit implications of the payment of Belgian or Dutch withholding taxes.

Sale or Exchange of Fortis Shares

For U.S. federal income tax purposes, gain or loss you realize on the sale or other disposition of Fortis Shares will be capital gain or loss, and will be long-term capital gain or loss if your holding period in the Fortis Shares disposed of is more than one year. The amount of your gain or loss will be equal to the difference between your tax basis in the Fortis Shares disposed of and the amount realized on the disposition. Such gain or loss will generally be U.S. source gain or loss for foreign tax credit purposes. You may have U.S. source ordinary income or loss if you do not convert any foreign currency received on such sale or exchange into U.S. dollars on the date of the sale or exchange.

Passive Foreign Investment Company Rules

The Parent Companies believe that neither company will be considered a PFIC for U.S. federal income tax purposes for the current taxable year or in the foreseeable future. However, since PFIC status depends upon the composition of the Parent Companies' income and assets and the market value of their assets (including, among others, equity investments in non-controlled entities) from time to time, there can be no assurance that the Parent Companies will not be considered a PFIC for any taxable year. If either Parent Company were treated as a PFIC for any taxable year during which you held FRESH Capital Securities or Fortis Shares, certain adverse consequences could apply to you.

Information Reporting and Backup Withholding

Coupon payments and payment of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting and to backup withholding unless (i) you are a corporation or other exempt recipient or (ii) you provide a correct taxpayer identification number and certify that no loss of exemption from backup withholding has occurred.

The amount of any backup withholding from a payment to you will be allowed as a credit against your United States federal income tax liability and may entitle you to a refund, provided that the required information is furnished to the Internal Revenue Service.

Subscription and Sale

Pursuant to an underwriting agreement dated April 29, 2002 (the “Underwriting Agreement”), between the Co-obligors, and J.P. Morgan Securities Ltd. and Fortis Bank⁽¹⁾ (together, the “Joint Lead Managers”), Luxco has agreed to sell €1,250,000,000 in aggregate principal amount of FRESH Capital Securities to the Joint Lead Managers and each Joint Lead Manager has agreed, severally and not jointly, to purchase the aggregate principal amount of FRESH Capital Securities set forth opposite its name below.

Joint Lead Managers	Principal Amount
J.P. Morgan Securities Ltd.	€1,100,000,000
Fortis Bank ⁽¹⁾	€150,000,000

(1) Fortis Bank through Fortis Bank SA/NV and Fortis Bank (Nederland) N.V.

In consideration of the agreement by the Joint Lead Managers to subscribe and pay for the FRESH Capital Securities as provided in the Underwriting Agreement, Luxco shall pay the Joint Lead Managers a commission of 2% of the gross proceeds of the Offering. Fortis may, in its sole discretion, also pay an incentive fee which shall be allocated between the Joint Lead Managers. In addition Fortis has agreed to pay J.P. Morgan Securities Ltd. additional fees for providing financial advice and assistance in the structuring of the Offering.

The Co-obligors have agreed to indemnify the Joint Lead Managers in respect of certain matters pursuant to the Underwriting Agreement. The Underwriting Agreement contains provisions entitling J.P. Morgan Securities Ltd., on behalf of the Joint Lead Managers, to terminate the Underwriting Agreement under certain circumstances prior to payment to Luxco.

During a period of 90 days after the date of the Underwriting Agreement, the Co-obligors will not, without the prior written consent of J.P. Morgan Securities Ltd.: (i) offer, allot, issue, pledge, sell, contract to sell, sell any option or contract to purchase, allot, issue, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any FRESH Capital Securities, Fortis Shares, or any ordinary or preference shares of Fortis N.V., Fortis SA/NV or any other members of the Fortis Group (collectively, with Fortis Shares, “Fortis Group Shares”) or any securities convertible into or exercisable or exchangeable for or evidence a right to acquire FRESH Capital Securities or Fortis Group Shares, (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of FRESH Capital Securities or Fortis Group Shares (including derivative transactions), or (iii) initiate, announce or permit any transactions within the meaning of subclauses (i) or (ii) above, whether or not any such transaction is to be settled by delivery of FRESH Capital Securities, Fortis Group Shares or such other securities, in cash or otherwise. This prohibition will not apply to (A) the sale of FRESH Capital Securities pursuant to the Underwriting Agreement, (B) the issuance or sale by Fortis N.V. or Fortis SA/NV of any Fortis Group Shares (i) pursuant to the Underwriting Agreement, the Subscription Agreement, the Deed of Issue or the Sale and Purchase Agreement, (ii) upon the exercise of an option or warrant or the conversion or exchange of a security outstanding on the date hereof, or (iii) pursuant to the terms of the FRESH Capital Securities and the Indenture, (C) the granting by the Parent Companies of any shares or options to directors or employees of Fortis under employee stock plans and the issuance by the Parent Companies of any Fortis Group Shares upon the exercise of such options, or (D) the issuance by the Parent Companies of any Fortis Group Shares (i) as all or part of the purchase consideration in connection with an acquisition by the Parent Companies (or any of their respective subsidiaries) or (ii) in connection with the merger of any third party with or into the Parent Companies (or any of their respective subsidiaries). This prohibition shall also not apply to the issuance of the authorized cumulative preference shares A in the capital of Fortis N.V. and the authorized cumulative preference shares B in the capital of Fortis N.V.

Selling Restrictions

General

Some jurisdictions may have restrictions on the distribution of this offering memorandum and the offer of the FRESH Capital Securities in such jurisdictions. Because no action has been taken to permit a public offer of the FRESH Capital Securities or the possession or distribution of this offering memorandum in any jurisdiction, the FRESH Capital Securities may not be offered or sold, and this offering memorandum may not be distributed except in accordance with the legal requirement applicable in such jurisdiction.

The Co-obligors and the Joint Lead Managers require persons possessing this offering memorandum to inform themselves of and observe these restrictions. Neither the Co-obligors nor the Joint Lead Managers accept any legal responsibilities for any violation by any person, whether or not a prospective purchaser of the FRESH Capital Securities.

This offering memorandum is not an offer to sell or a solicitation of an offer to buy, any security other than the FRESH Capital Securities. It does not constitute an offer to sell, or a solicitation of an offer to buy, any of the FRESH Capital Securities with respect to any person in any jurisdiction in which it is unlawful to make such an offer or solicitation to such person.

Luxembourg

Each Joint Lead Manager has represented and agreed that it has not and will not make any public offering or sale of the FRESH Capital Securities and has not distributed and will not distribute any offering material relating to the FRESH Capital Securities in or from the Grand-Duchy of Luxembourg, except for those FRESH Capital Securities in respect of which the requirements of Luxembourg law concerning public offerings of securities in the Grand-Duchy of Luxembourg have been fulfilled. A listing on the Luxembourg Stock Exchange of the FRESH Capital Securities does not necessarily imply that a public offering in Luxembourg has been authorized.

United Kingdom

Each of the Joint Lead Managers severally, and not jointly or jointly and severally, has represented, warranted and covenanted to, and agreed with, each of the Co-obligors that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the U.K. Financial Services and Markets Act 2000, "FSMA") in connection with the issue or sale of any FRESH Capital Securities or Underlying Shares in circumstances where section 21(1) of FSMA does not apply;
- (ii) it has complied and will comply with all provisions of FSMA applicable to anything done by it in relation to the FRESH Capital Securities and the Underlying Shares in, from or otherwise involving the United Kingdom;
- (iii) it shall only procure purchasers of the FRESH Capital Securities and the Underlying Shares who fall within paragraph (a) of Schedule 11 to FSMA, being persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business, and within Article 19 and/or 49 of the U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2001, as amended; and
- (iv) it has not offered or sold, and prior to the date six months after the Closing Date, will not offer or sell any FRESH Capital Securities or Underlying Shares to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and will not result in an

offer to the public in the United Kingdom within the meaning of the U.K. Public Offers of Securities Regulations 1995.

United States

Neither the FRESH Capital Securities nor the Underlying Shares have been or will be registered under the Securities Act or any state securities laws, and they may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S) except in accordance with Regulation S under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements thereof.

Accordingly, each Joint Lead Manager has severally represented and agreed that it will not offer or sell the FRESH Capital Securities (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, other than outside the United States in accordance with Rule 903 of Regulation S or to qualified institutional buyers (as defined in Rule 144A under the Securities Act) ("QIBs") in the United States through its U.S. broker-dealer affiliates in accordance with Rule 144A under the Securities Act. Neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the FRESH Capital Securities or the Underlying Shares or in any form of general solicitation or general advertising (as those terms are used in Rule 502(c) under the Securities Act) and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Resales of FRESH Capital Securities are restricted as described under "Transfer Restrictions".

In addition, until 40 days after the later of the commencement of the offering and the closing date, any offer or sale of the FRESH Capital Securities within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act or pursuant to another exemption from registration under the Securities Act.

General

The FRESH Capital Securities are a new issue of securities with no established trading market. The Joint Lead Managers have advised the Co-obligors that they intend to make a market in the FRESH Capital Securities but are not obligated to do so. They may discontinue market making at any time without notice. Accordingly, the Co-obligors cannot ensure the liquidity of the trading market for the FRESH Capital Securities.

Purchasers of FRESH Capital Securities that purchase FRESH Capital Securities from the Joint Lead Managers may be required to pay stamp taxes and other charges in accordance with the laws and practises in the country of purchase in addition to the issue price set forth on the cover page of this offering memorandum.

In connection with the offering of the FRESH Capital Securities, J.P. Morgan Securities Ltd., on behalf of the Joint Lead Managers, may, in accordance with applicable law, engage in certain transactions that stabilise the price of the FRESH Capital Securities and the price of the Fortis Shares at levels that might not otherwise prevail in the open market. These transactions may consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the FRESH Capital Securities or the price of the Fortis Shares.

In addition, if J.P. Morgan Securities Ltd. over-allots by selling more FRESH Capital Securities than are set forth on the cover page of this offering memorandum, and thereby creates a short position in the FRESH Capital Securities in connection with the offering, J.P. Morgan Securities Ltd. may reduce such short position by purchasing FRESH Capital Securities in the open market. In general, purchases of a security for purposes of stabilising or reducing a short position could cause the price of the security to be higher than it might otherwise be in the absence of such purchases.

None of Luxco, the Parent Companies and the Joint Lead Managers makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above might have on the price of the FRESH Capital Securities or the price of the Fortis Shares. In addition, none of Luxco, the Parent Companies and the Joint Lead Managers makes any representation that J.P. Morgan Securities Ltd. will engage, on behalf of the Joint Lead Managers, in such transactions or that, if commenced, any such transactions will not be discontinued without notice.

From time to time, J.P. Morgan Securities Ltd. and its affiliates, and Fortis Bank and its affiliates, have or may have provided, and may continue to provide, investment banking services to members of the Fortis Group for which they have been or will be paid customary fees.

Save for submitting the offering memorandum for approval by the Luxembourg Stock Exchange and applying for the admission of the FRESH Capital Securities to trading on the Luxembourg Stock Exchange, no action has been taken in any jurisdiction (including the United States) by any Co-obligor or the Joint Lead Managers that would permit a public offering of the FRESH Capital Securities or the Underlying Shares in any jurisdiction where action for that purpose is required. Neither the FRESH Capital Securities nor the Underlying Shares may be offered or sold, directly or indirectly, nor may this offering memorandum or any other offering material or advertisement in connection with the offer and sale of the FRESH Capital Securities be distributed or published in any jurisdiction except under circumstances that will result in compliance with all applicable laws and regulations of such jurisdictions. Persons into whose possession this offering memorandum comes are advised to inform themselves about, and to observe any restrictions relating to, the offer, sale, purchase and delivery of the FRESH Capital Securities or the possession or distribution of this offering memorandum or any other offering material relating to the FRESH Capital Securities, in all cases at their own expense. This offering memorandum does not constitute an offer to sell, or a solicitation of an offer to purchase, any FRESH Capital Securities or the Underlying Shares in any jurisdiction where such an offer or solicitation is unlawful.

Description of Escrow Arrangements

Under the Escrow Agreement between the Co-obligors and Freshfields Bruckhaus Deringer as Escrow Agent, the Global Certificates will be held in escrow by the Escrow Agent upon creation of the FRESH Capital Securities.

The Global Certificates will be held in escrow under the Escrow Agreement until the Escrow Agent receives written notice from the Co-obligors and J.P. Morgan Securities Ltd. confirming that all of the conditions precedent set forth in the Underwriting Agreement have been satisfied or waived. Upon receipt of this notice, the Escrow Agent will release the Global Certificates to J.P. Morgan Securities Ltd. on behalf of the Joint Lead Managers for onward delivery to purchasers through the facilities of Euroclear and Clearstream Luxembourg.

The Escrow Agreement contains customary indemnification and limitation of liability provisions in favor of the Escrow Agent. The Escrow Agreement will terminate upon the earlier of (a) the delivery of the Global Certificates by the Escrow Agent to J.P. Morgan Securities Ltd., or (b) the termination of the Underwriting Agreement. The Escrow Agreement is governed by Belgian law, with exclusive jurisdiction given to the Courts of Brussels to settle any dispute arising thereunder.

Transfer Restrictions

Because of the following restrictions, purchasers of the FRESH Capital Securities are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the FRESH Capital Securities offered hereby or the Fortis Shares acquired on exchange of the FRESH Capital Securities or the Alternative Coupon Satisfaction Method.

United States

The FRESH Capital Securities and the Fortis Shares deliverable on exchange of the FRESH Capital Securities or under the Alternative Coupon Satisfaction Method have not been registered under the Securities Act, and the FRESH Capital Securities and the Fortis Shares deliverable on exchange of the FRESH Capital Securities or under the Alternative Coupon Satisfaction Method may not be offered or sold within the United States to, or for the account or benefit of, U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

In addition, until 40 days after the later of the commencement of the offering and the Closing Date, any offer or sale of the FRESH Capital Securities that is made within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if made otherwise than in accordance with Rule 144A under the Securities Act or pursuant to another exemption under the Securities Act.

Unless the Co-obligors determine otherwise in compliance with applicable law, the Restricted Global Certificate, any Definitive Securities issued in exchange for an interest in the Restricted Global Certificate, any Underlying Shares delivered upon exchange of FRESH Capital Securities evidenced by the Restricted Global Certificate or any such Definitive Securities, and any Fortis Shares delivered under the Alternative Coupon Satisfaction Method to holders of Restricted Securities, will bear a restrictive legend and the FRESH Capital Securities evidenced by the Restricted Global Certificate or any such Definitive Securities, and any Fortis Shares delivered upon exchange of such FRESH Capital Securities or under the Alternative Coupon Satisfaction Method or any interest therein may not be transferred otherwise than in accordance with the transfer restrictions set forth in such legend.

The restrictive legend shall be to the following effect:

“None of the FRESH Capital Securities in respect of which this certificate is issued, nor the Fortis Shares deliverable upon exchange thereof or pursuant to the Alternative Coupon Satisfaction Method have been registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or any state securities laws in the United States. The holder hereof, by purchasing the FRESH Capital Securities in respect of which this certificate is issued, agrees for the benefit of the Parent Companies and Luxco that such FRESH Capital Securities may be resold, offered for sale, pledged or otherwise transferred only (1) to J.P. Morgan Securities Ltd. or any of its affiliates, (2) in compliance with Rule 144A under the Securities Act (“Rule 144A”) to a person that the holder reasonably believes is a qualified institutional buyer within the meaning of Rule 144A purchasing for its own account or for the account of a qualified institutional buyer, whom the seller has informed, in each case, that the resale or other transfer is being made in reliance on Rule 144A, (3) in an off-shore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act, (4) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if available), (5) pursuant to any other exemption from the registration requirements of the Securities Act, or (6) pursuant to an effective registration statement under the Securities Act, in each of cases (1) through (6) in accordance with any applicable securities laws of any state of the United States or any other jurisdiction, and subject in the case of clauses (4) and (5) to the receipt by Fortis of an opinion of counsel or such other evidence which they may reasonably require that such resale is in compliance with the Securities Act.

Exchange of this FRESH Capital Security is subject to certification and other requirements, and any Fortis Shares delivered upon such exchange or under the Alternative Coupon Satisfaction Method may be subject to the transfer restrictions referred to above.

Any person who acquires an interest in the Fortis Shares delivered by way of exchange or pursuant to the Alternative Coupon Satisfaction Method may not deposit or cause to be deposited such shares into any unrestricted depositary receipt facility established or maintained by a depositary bank, unless or until such time as such shares are no longer “Restricted Securities” within the meaning of Rule 144(a)(3) under the Securities Act that are not eligible for sale pursuant to Rule 144(k) under the Securities Act. A new holding period commences under Rule 144 under the Securities Act for the shares issued pursuant to the Alternative Coupon Satisfaction Method.”

For 40 days after the later of the commencement of the offering and the Closing Date (the “Restricted Period”), a person who owns an interest in Unrestricted Securities may not transfer an interest in such Unrestricted Securities to a person who would only be allowed to take Restricted Securities, unless the person to receive the FRESH Capital Securities supplies the Trustee with a written certificate (in the form provided in the Indenture) to the effect that it is purchasing such interest for its own account and that it is a QIB, or that it is purchasing such interest for an account or accounts over which it exercises sole investment discretion and that each such account is a QIB. Such written certificate must also certify that the transaction complies in all respects with the requirements of Rule 144A and any applicable securities laws of any State of the United States or any other jurisdiction. After the expiration of the Restricted Period, such restrictions and certification requirements will no longer apply to such transfers of Unrestricted Securities.

An investor who owns an interest in Restricted Securities may not transfer an interest in such Restricted Securities at any time to a person who would be allowed to take Unrestricted Securities unless the person to receive the FRESH Capital Securities supplies the Trustee with a written certificate (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S. Such written certification must also certify that, if such transfer occurs on or prior to 40 days after the later of the commencement of the offering and the closing date, such interest in the Unrestricted Security will be held immediately thereafter through Euroclear or Clearstream Luxembourg.

Each purchaser of a beneficial interest in the Restricted Global Security pursuant to Rule 144A will be deemed to have represented and agreed that it has received a copy of the offering memorandum and that (terms used herein that are defined in Rule 144A, Regulation D under the Securities Act or Regulation S are used herein as defined therein):

- the purchaser is a QIB and it is acquiring such Restricted Security for its own account or for the account of a QIB; it is aware, and each beneficial owner of such Restricted Security has been advised, that the sale of such Restricted Security to it is being made in reliance on Rule 144A in a transaction not involving any public offering in the United States within the meaning of the Securities Act;
- the purchaser understands that the FRESH Capital Securities, and the Fortis Shares deliverable upon exchange of the FRESH Capital Securities or pursuant to the Alternative Coupon Satisfaction Method, have not been and will not be registered under the Securities Act or with any securities regulatory authority of the United States and may be subject to significant restrictions on transfer;
- the purchaser agrees that if in the future it decides to offer, resell, pledge or otherwise transfer such FRESH Capital Securities, it will do so only in compliance with the Securities Act and other applicable laws, and only (1) to J.P. Morgan Securities Ltd. or any of its affiliates, (2) in compliance with Rule 144A to a person that the holder reasonably believes is a QIB within the meaning of Rule 144A purchasing for its own account or for the account of a qualified institutional buyer, whom the seller has informed, in each case, that the resale or other transfer is being made in reliance on Rule 144A, (3) in an off-shore transaction in accordance with Rule 903 or 904 of Regulation S, (4) pursuant to an exemption from

registration under the Securities Act provided by Rule 144 thereof (if available), (5) pursuant to any other exemption from the registration requirements of the Securities Act, or (6) pursuant to an effective registration statement under the Securities Act, in each of cases (1) through (6) in accordance with any applicable securities laws of any state of the United States or any other jurisdiction, and subject in the case of clauses (4) and (5) to the receipt by the Co-obligors of an opinion of counsel or such other evidence which they may reasonably require that such resale is in compliance with the Securities Act;

- the purchaser understands and agrees that upon exercise of its rights to optionally exchange such FRESH Capital Securities for Underlying Shares, upon an Automatic Exchange (as defined in the Terms and Conditions of the FRESH Capital Securities) of the FRESH Capital Securities for Underlying Shares, and upon the occurrence of an event requiring payment of any Coupon with Fortis Shares in accordance with the Alternative Coupon Satisfaction Method, it will be required to represent that it is a QIB, that it understands that the exchange of FRESH Capital Securities for Underlying Shares or the delivery of Fortis Shares pursuant to the Alternative Coupon Satisfaction Method is being made in the United States only through a private placement that is exempt from registration under the Securities Act to FRESH Capital Security Holders that are QIBs acquiring the Fortis Shares for their own account or for the account of another QIB and not with a view to distribution of the Fortis Shares and that it agrees to comply with the restrictions set forth in the paragraph immediately hereunder;
- the purchaser agrees that the Fortis Shares deliverable by way of exchange for such FRESH Capital Securities (whether optional or mandatory) or pursuant to the Alternative Coupon Satisfaction Method may not be offered, sold, pledged or otherwise transferred except in compliance with the Securities Act and other applicable laws, and only (1) to J.P. Morgan Securities Ltd. or any of its affiliates, (2) in compliance with Rule 144A, if available, to a person that the holder reasonably believes is a QIB within the meaning of Rule 144A purchasing for its own account or for the account of a QIB, whom the seller has informed, in each case, that the resale or other transfer is being made in reliance on Rule 144A, (3) in an off-shore transaction in accordance with Rule 903 or 904 of Regulation S, (4) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if available), (5) pursuant to any other exemption from the registration requirements of the Securities Act, or (6) pursuant to an effective registration statement under the Securities Act, in each of cases (1) through (6) in accordance with any applicable securities laws of any state of the United States or any other jurisdiction, and subject in the case of clauses (4) and (5) to the receipt by the Co-obligors of an opinion of counsel or such other evidence which they may reasonably require that such resale is in compliance with the Securities Act;
- the purchaser understands that, unless the Co-obligors determine otherwise in accordance with applicable law, certificates in respect of the Restricted Securities and Fortis Shares issued upon exchange thereof or under the Alternative Coupon Satisfaction Method will bear a legend to the effect set forth above; and
- the purchaser understands and agrees that it shall not deposit or cause to be deposited the Fortis Shares deliverable upon exchange for such FRESH Capital Securities or pursuant to the Alternative Coupon Satisfaction Method into any unrestricted depository receipt facility established or maintained by a depository bank, unless or until such time as such shares are no longer "Restricted Securities" within the meaning of Rule 144(a)(3) under the Securities Act that are not eligible for sale pursuant to Rule 144(k) under the Securities Act.

Each purchaser of a beneficial interest in an Unrestricted Security will be deemed to have represented and agreed that it has received a copy of the offering memorandum and that (terms

used herein that are defined in Rule 144A, Regulation D under the Securities Act or Regulation S are used herein as defined therein):

- the purchaser is, and the person, if any, for whose account or benefit the purchaser is acquiring the FRESH Capital Securities is outside the United States at the time the buy order for the FRESH Capital Securities is originated and continues to be located outside the United States, and the person, if any, for whose account or benefit the purchaser is acquiring the FRESH Capital Securities, reasonably believes that the purchaser is outside the United States, and neither the purchaser nor any person acting on its behalf knows that the transaction has been pre-arranged with a buyer in the United States;
- the purchaser acknowledges that the FRESH Capital Securities, and the Fortis Shares deliverable upon exchange for the FRESH Capital Securities or pursuant to the Alternative Coupon Satisfaction Method, have not been and will not be registered under the Securities Act or with any securities regulatory authority of the United States and may be subject to significant restrictions on transfer;
- the purchaser agrees that if, prior to the expiration of the Restricted Period, it decides to offer, sell, pledge or otherwise transfer such FRESH Capital Securities, such FRESH Capital Securities may be offered, sold, pledged or otherwise transferred only (a)(i) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (ii) in compliance with Rule 144A to an institutional buyer that the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB, in each case, that the resale or the transfer is being made in reliance on Rule 144A, and (b) in accordance with all applicable securities laws of any state of the United States or any other jurisdiction; and
- the purchaser understands and agrees that upon the occurrence of an event requiring payment of any Coupon with Fortis Shares in accordance with the Alternative Coupon Satisfaction Method, it will be required to represent that it is not a U.S. person nor acting for the account or benefit of a U.S. person and is located outside the United States within the meaning of Regulation S under the Securities Act, is acquiring the Fortis Shares pursuant to the Alternative Coupon Satisfaction Method in an offshore transaction (as defined in Regulation S) in accordance with Rule 903 or 904 of Regulation S and understands that such Fortis Shares may not be delivered within the United States nor may they be resold in the United States except pursuant to an exemption from the registration requirements of the Securities Act.

Each purchaser will also be deemed to have agreed to give any subsequent purchaser of such FRESH Capital Securities notice of any restrictions of the transfer thereof.

Any resale or other transfer, or attempted resale or other transfer, made other than in compliance with the above-stated restrictions shall not be recognized by the Parent Companies or Luxco.

Each purchaser of FRESH Capital Securities acknowledges that the Parent Companies, Luxco, the Joint Lead Managers, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agrees that if any of the acknowledgements, representations and agreements, deemed to have been made by it by its purchase of FRESH Capital Securities or exchange for Underlying Shares of such FRESH Capital Securities or upon delivery of Fortis Shares pursuant to the Alternative Coupon Satisfaction Method are no longer accurate, it shall promptly notify the Parent Companies, Luxco and the Joint Lead Managers; if they are acquiring the FRESH Capital Securities as a fiduciary or agent for one or more investor accounts, they represent that they have sole investment discretion with respect to each such account and they have full power to make the foregoing acknowledgements, representations and agreements on behalf of such account. Each purchaser of FRESH Capital Securities also consents to the Co-obligors giving instructions to any transfer agent of the FRESH Capital Securities or Fortis Shares in order to implement the restrictions on transfer described herein.

NOTICE TO NEW HAMPSHIRE RESIDENTS:

Neither the fact that a registration statement or an application for a license has been filed under Chapter 421-B of the New Hampshire Revised Statutes ("RSA 421-B") with the State of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the State of New Hampshire constitutes a finding by the Secretary of State of New Hampshire that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.

Available Information

Each of the Parent Companies furnishes to the U.S. Securities and Exchange Commission certain information in accordance with Rule 12g3-2(b) under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). If, at any time, either of the Parent Companies or Luxco is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b), it will furnish, upon request, to any holder of a FRESH Capital Security or a Fortis Share (a "Holder"), any owner of any beneficial interest in any such security or any prospective purchaser designated by a Holder or such an owner, the information required to be delivered pursuant to Rule 144(d)(4) under the Securities Act.

Legal Matters

Certain matters under United States law relating to the FRESH Capital Securities will be passed upon on behalf of Fortis by Davis Polk & Wardwell, U.S. counsel for Fortis. Certain matters of Dutch and Belgian law will be passed upon by Mr. Jean-Marie Moreels, General Manager — Legal and Tax of Fortis. Freshfields Bruckhaus Deringer, U.S., Belgian and Dutch counsel for the Joint Lead Managers will pass upon certain legal matters under United States, Belgian and Dutch law relating to the FRESH Capital Securities. Linklaters Loesch, Luxembourg counsel for the Joint Lead Managers will pass upon certain matters under Luxembourg law relating to the FRESH Capital Securities.

Independent Auditors

The consolidated financial statements of Fortis at December 31, 2001, 2000 and 1999 and for each of the three years in the period ended December 31, 2001 appearing in this offering memorandum have been jointly audited by KPMG Accountants N.V. and PricewaterhouseCoopers Reviseurs d'Enterprises S.C.C.R.L., independent public accountants for Fortis N.V. and Fortis SA/NV, respectively, as set forth in their report thereon appearing elsewhere herein. The financial statements referred to in this paragraph are included in reliance upon such reports given upon the authority of such firms as independent auditors.

General Information

No Representations

No one is authorized in connection with the offering to give any information or to make any statement not contained in this offering memorandum. Investors should not rely on any such representation as having been authorized by Fortis or any of the Joint Lead Managers.

Service of Process and Enforcement of Judgments

Fortis SA/NV is incorporated in Belgium and most of its assets are located outside the United States. Its directors and officers and certain experts are not residents of the United States and all or a substantial portion of their assets are located outside the United States. Consequently, investors may not be able to effect service of process within the United States upon Fortis SA/NV or these persons. In addition, investors may also not be able to enforce against them any judgments obtained in U.S. courts.

Belgium and the United States do not have a bilateral procedural treaty. Because a judgment of a U.S. court will be enforced in Belgium only after examination by a Belgian court of the merits of the case and other issues, investors may have difficulty enforcing in Belgium any judgments obtained in U.S. courts.

Fortis N.V. is incorporated in The Netherlands and most of its assets are located outside the United States. Its directors and officers and certain experts are not residents of the United States and all or a substantial portion of their assets are located outside the United States. Consequently, investors may not be able to effect service of process within the United States upon Fortis N.V. or these persons. In addition, investors may also not be able to enforce against them any judgments obtained in U.S. courts.

The Netherlands and the United States do not have a treaty providing for the reciprocal recognition and enforcement of judgments in civil law matters. Because a judgment of a U.S. court will be enforced in The Netherlands only after examination by a Dutch court of the merits of the case and other issues, investors may have difficulty enforcing in The Netherlands any judgments obtained in U.S. courts.

Fortfinlux S.A. is incorporated in Luxembourg and most of its assets are located outside the United States. Its directors and officers and certain experts are not residents of the United States and all or a substantial portion of their assets are located outside the United States. Consequently, investors may not be able to effect service of process within the United States upon Fortfinlux S.A. or these persons. In addition, investors may also not be able to enforce against them any judgments obtained in U.S. courts.

Luxembourg and the United States do not have a bilateral procedural treaty. Because a judgment of a U.S. court will be enforced in Luxembourg only after an exequatur proceeding, investors may have difficulty enforcing in Luxembourg any judgments obtained in U.S. courts.

General Listing Information

Listing

Application has been made to list the FRESH Capital Securities on the Luxembourg Stock Exchange. If approved for listing on the Luxembourg Stock Exchange, the FRESH Capital Securities will be considered debt securities for the purposes of the Luxembourg Stock Exchange rules and regulations. The Indenture and the legal notice relating to the issue of the FRESH Capital Securities will be deposited prior to the listing with the Registrar of the District Court in Luxembourg (*Greffier en Chef du Tribunal d'Arrondissement de et à Luxembourg*), where such documents are available for inspection and where copies can be obtained upon request. As long as the FRESH Capital Securities are listed on the Luxembourg Stock Exchange, an agent for making payments on, and transfers of FRESH Capital Securities will be maintained in Luxembourg.

Consents

The Co-obligors have each obtained all necessary consents, approvals and authorizations in connection with the issue of the FRESH Capital Securities. The issuance of the FRESH Capital Securities was authorized by the boards of directors of the Parent Companies on April 24, 2002, and by the board of directors of Luxco on April 24, 2002. The issuance of the underlying Fortis Shares and acceptance of the obligations in respect of the Exchange Rights was authorized pursuant to resolutions of boards of directors of the Parent Companies on April 24, 2002.

Notices

All notices to the Holders of FRESH Capital Securities shall be valid if sent by mail, postage prepaid to the person in whose name a FRESH Capital Security is registered, or, for so long as the FRESH Capital Securities are represented by Global Certificates and trade in book-entry form through Euroclear and Clearstream Luxembourg there may be substituted for notice sent by mail, notice in accordance with the then applicable procedures of Euroclear and Clearstream Luxembourg for communication to their participants and, if the Co-obligors so request, such other method as the Co-obligors and the Trustee agree. In case by reason of suspension of regular mail service or for any other reason it shall be impracticable to give notice as provided above, such notices as shall be given with the approval of the Trustee shall constitute sufficient notice for all purposes under the FRESH Capital Securities.

All notices to Holders, for so long as the FRESH Capital Securities are listed on the Luxembourg Stock Exchange, shall be published in a leading Luxembourg newspaper (which is expected to be the *Luxemburger Wort*) or otherwise in compliance with the listing rules of the Luxembourg Stock Exchange.

In addition, the form of Exchange Notice, if any, in connection with the Exchange at the option of Holders will be made available in Luxembourg at the offices of Banque Générale du Luxembourg the Luxembourg exchange agent.

No Material Change

Except as disclosed in this offering memorandum, there has been no material adverse change in the financial position of the Fortis Group since December 31, 2001.

Litigation

Management believes that there are currently no legal or governmental proceedings pending or threatened to which Fortis N.V., Fortis SA/NV or any of the Fortis operating companies is a party or to which any of its properties or the properties of any of the Fortis operating companies is subject, other than proceedings that would not have a material adverse effect on the financial position of Fortis N.V., Fortis SA/NV or of Fortis taken as a whole.

Available Documents

Copies of the following documents may be obtained at the specified office of the Luxembourg Paying Agent:

- the articles of association of Fortis SA/NV and Fortis N.V.;
- the articles of association of Luxco;
- the Indenture;
- the Pledge Agreement; and
- the Calculation Agency Agreement

In addition, annual and quarterly interim reports of Fortis, annual reports of Fortis N.V. and Fortis SA/NV will be available and can be obtained free of charge at the office of the Luxembourg Paying Agent in Luxembourg for as long as the FRESH Capital Securities are listed on the Luxembourg Stock Exchange. Interim reports will not be published by Fortis N.V. and Fortis SA/NV.

Clearing Systems and Settlement

Custodial and depositary links have been established among Euroclear and Clearstream Luxembourg to facilitate the initial issue of the FRESH Capital Securities and market transfers of the FRESH Capital Securities associated with secondary market trading. Certain restrictions apply to transfers of interests in the FRESH Capital Securities and certifications may be required to be given in certain circumstances. For more information, see "Transfer Restrictions" and "Terms and Conditions of the FRESH Capital Securities". The following description of the operations and procedures of Euroclear and Clearstream Luxembourg is provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to the changes by them from time to time.

The Clearing Systems

Registration and Form

Except in certain limited circumstances, the FRESH Capital Securities will not be issued in certificated form registrable in the names of individual beneficial owners of the FRESH Capital Securities. Beneficial ownership in the FRESH Capital Securities can only be held in the form of book-entry interests through financial institutions as direct or indirect participants in Euroclear or Clearstream Luxembourg.

Book-entry interests in the Unrestricted Securities will be represented by the Unrestricted Global Certificate registered in the name of (or its nominee) and held by the common depositary. Book-entry interests in the Restricted Securities will be represented by the Restricted Global Certificate also registered in the name of (or its nominee) and held by the common depositary. Beneficial ownership in FRESH Capital Securities will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream Luxembourg.

The aggregate holdings of book-entry interests in the FRESH Capital Securities in Euroclear and Clearstream Luxembourg will be reflected in the book-entry accounts of each such institution. Euroclear or Clearstream Luxembourg, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the FRESH Capital Securities, will be responsible for establishing and maintaining accounts for the participants and customers having interests in the book-entry interests in the FRESH Capital Securities. The Paying Agent and the Luxembourg Paying Agent, as the case may be, will be responsible for ensuring that payments received by them from any Co-obligor for Holders of interests in the Unrestricted Securities and the Restricted Securities are credited to Euroclear or Clearstream Luxembourg, as the case may be.

The Co-obligors will not impose any fees in respect of the FRESH Capital Securities; however, holders of beneficial interests in the FRESH Capital Securities may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream Luxembourg.

In certain limited circumstances the Global Certificates may be exchanged for Definitive Securities. See “Terms and Conditions of the FRESH Capital Securities—Form and Denomination of the FRESH Capital Securities”. Such Definitive Securities, if evidencing an interest in a Restricted Security, will be legended as set forth under “Transfer Restrictions”.

Original Issue

On or before the Closing Date, Luxco and the Parent Companies or the Trustee on their behalf, will deliver or cause to be delivered the duly executed and authenticated Global Certificates, representing the aggregate principal amount of FRESH Capital Securities sold pursuant to a common depository, who will hold the Global Certificates on behalf of Euroclear and Clearstream Luxembourg.

Euroclear and Clearstream Luxembourg

Euroclear and Clearstream Luxembourg each hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Euroclear or Clearstream Luxembourg is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream Luxembourg participant, either directly or indirectly.

Distributions of interest and other payments with respect to book-entry interests in the FRESH Capital Securities held through Euroclear and Clearstream Luxembourg will be credited, to the extent received by any paying agent, to the cash accounts of Euroclear and Clearstream Luxembourg participants in accordance with the relevant system’s rules and procedures.

Non-participants of Euroclear may hold and transfer book-entry interests in the FRESH Capital Securities through accounts with a direct participant of Euroclear and Clearstream Luxembourg or any other securities intermediary that holds a book-entry interest in the FRESH Capital Securities through one or more securities intermediaries standing between such other securities intermediary and Euroclear and Clearstream Luxembourg.

As Euroclear and Clearstream Luxembourg act on behalf of their respective accountholders only, who in turn may act on behalf of their respective clients, the ability of beneficial owners who are not accountholders with Euroclear and Clearstream Luxembourg to pledge interests in the Global Certificates to persons or entities that are not accountholders with Euroclear and Clearstream Luxembourg, or otherwise take action in respect of interests in the Global Certificates, may be limited.

Clearstream Luxembourg

Clearstream Luxembourg has advised Fortis as follows:

- Clearstream Luxembourg is incorporated under the laws of Luxembourg as a bank and is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector (*Commission de Surveillance de Secteur Financier*).
- Clearstream Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions among them through electronic book-entry

transfers between their accounts, thereby eliminating the need for physical movement of securities.

- Clearstream Luxembourg provides other services to its customers, including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing.
- Clearstream Luxembourg interfaces with domestic securities markets in over 30 countries through established depositary and custodial relationships.
- Clearstream Luxembourg's customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Clearstream's U.S. customers are limited to securities brokers and dealers and banks.
- Indirect access to Clearstream Luxembourg is also available to other institutions such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream Luxembourg customer.
- Clearstream Luxembourg has established an electronic link with Euroclear to facilitate settlement of trades between Clearstream Luxembourg and Euroclear.

Euroclear

Euroclear has advised Fortis as follows:

- Euroclear is incorporated under the laws of Belgium as a bank and is subject to regulation by the Belgian Banking and Finance Commission (*Commission Bancaire et Financière*) and the National Bank of Belgium (*Banque Nationale de Belgique*).
- Euroclear holds securities for its participants and facilitates the clearance and settlement of securities transactions among them through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash.
- Euroclear provides various other services, including credit, custody, securities lending and borrowing and triparty collateral management, and interfaces with domestic markets in several countries.
- Euroclear participants include banks, including central banks, securities brokers and dealers and other professional financial intermediaries.
- Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.
- All securities in Euroclear are held on a fungible basis. This means that specific certificates are not matched to specific securities clearance accounts.

Registration and Form

Book-entry interests in the FRESH Capital Securities held through Euroclear and Clearstream Luxembourg will be evidenced by the Global Certificates and held by a common depositary for Euroclear and Clearstream Luxembourg. Beneficial ownership in the FRESH Capital Securities will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream Luxembourg.

The aggregate holdings of book-entry interests in the FRESH Capital Securities in Euroclear and Clearstream Luxembourg will be reflected in the book-entry accounts of each such institution. Euroclear and Clearstream Luxembourg, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the FRESH Capital Securities will be responsible for establishing and maintaining accounts for their participants and customers having interests in book-entry interests in the FRESH Capital Securities. Any paying agent will be responsible

for ensuring that payments received by it from the Co-obligors for holders of interests in the FRESH Capital Securities holding through Euroclear and Clearstream Luxembourg are credited to Euroclear or Clearstream Luxembourg, as the case may be.

Holders of book-entry interests in the FRESH Capital Securities may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream Luxembourg.

Global Clearance and Settlement Procedures

The FRESH Capital Securities are expected to be accepted for clearance by Euroclear and Clearstream Luxembourg under the common code 014748407 for the FRESH Capital Securities issued pursuant to Regulation S and 014748431 for the FRESH Capital Securities issued pursuant to Rule 144A. The ISIN for the FRESH Capital Securities issued pursuant to Regulation S is XS0147484074. The ISIN for the FRESH Capital Securities issued pursuant to Rule 144A is XS0147484314.

On original issue, as described above, the FRESH Capital Securities will be represented by the Global Certificates, representing the aggregate principal amount of FRESH Capital Securities sold pursuant to the Offering. Interests in the FRESH Capital Securities will be in uncertificated book-entry form. Purchasers electing to hold book-entry interests in the FRESH Capital Securities through Euroclear and Clearstream Luxembourg accounts will follow the settlement procedures of Euroclear and Clearstream Luxembourg, subject as described above. Book-entry interests in the FRESH Capital Securities will be credited to Euroclear participant securities clearance accounts on the business day following the Closing Date against payment (for value the Closing Date).

Upon the issuance of the Global Certificates by the Co-obligors, Euroclear and Clearstream Luxembourg will credit the respective principal amounts of the individual beneficial interests in the Global Certificates to the relevant accountholder(s), as notified by or on behalf of the Joint Lead Managers. Ownership of beneficial interests in the Global Certificates will be limited to persons who maintain accounts with Euroclear and Clearstream Luxembourg or persons who hold interests through such persons and which are eligible investors holding the FRESH Capital Securities in an exempt securities account. See “Terms and Conditions of the FRESH Capital Securities—Form and Denomination of the FRESH Capital Securities”. Ownership of beneficial interests in the Global Certificate will be shown on, and the transfer of such interests will be effected only through, records maintained by Euroclear and Clearstream Luxembourg and in accordance with the applicable procedures of Euroclear and Clearstream Luxembourg.

In the event of an increase or decrease in the aggregate principal amount of FRESH Capital Securities represented by a Global Certificate, whether pursuant to redemption, the issue of registered FRESH Capital Securities, or the purchase and cancellation of FRESH Capital Securities represented by such Global Certificate or otherwise, such increase or decrease, as the case may be, of the aggregate principal amount of FRESH Capital Securities represented by such Global Certificate shall be noted on a schedule thereto.

Neither the Co-obligors, the Trustee nor any of their respective agents will have any responsibility or liability for any aspect of the records relating to beneficial ownership interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Secondary Market Trading

Secondary market sales of book-entry interests in the FRESH Capital Securities held through Euroclear or Clearstream Luxembourg or purchases of book-entry interests in the FRESH Capital Securities through Euroclear or Clearstream Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream Luxembourg and will be settled using the normal procedures applicable to conventional eurobonds. Such transfers may be subject to certain restrictions.

General

Although the foregoing sets out the procedures of Euroclear and Clearstream Luxembourg in order to facilitate the original issue and subsequent transfers of interests in the FRESH Capital Securities among participants of Euroclear and Clearstream Luxembourg, neither Euroclear nor Clearstream Luxembourg is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of Luxco and the Parent Companies nor any of its respective agents will have responsibility or liability for the performance by Euroclear or Clearstream Luxembourg or their respective participants or accountholders of their respective obligations under the rules and procedures governing their operations.

Summary of Material Differences Between GAAP in Accordance with Belgian Law and U.S. GAAP

The financial statements of Fortis presented in this offering memorandum are based on GAAP in accordance with Belgian law. Such GAAP in accordance with Belgian law varies from accounting principles generally accepted in the United States. Certain of these differences are described below. The financial statements of Fortis presented in this offering memorandum are not comparable to those that would have been presented had Fortis prepared their financial statements in conformity with accounting principles and practices generally accepted in the United States.

Business Combinations and Goodwill

Under GAAP in accordance with Belgian law, business combinations are accounted for as uniting of interests or purchases based on specific criteria. Under U.S. GAAP, similar categories are used but the criteria are more stringent and the resulting amount of goodwill or negative goodwill may be different. Further, under GAAP in accordance with Belgian law goodwill is recorded in shareholders equity in full upon acquisition. Under U.S. GAAP, goodwill is capitalized and depreciated over its estimated useful life and regularly evaluated for impairment.

Real Estate

Under GAAP in accordance with Belgian law, real estate is included in investments valued at market value. No depreciation takes place. Under U.S. GAAP, real estate is valued at cost, less depreciation. Under GAAP in accordance with Belgian law, unrealized gains and losses are part of net equity and realized gains and losses are charged or credited to the profit and loss account. In certain cases unrealized gains and losses are charged to the profit and loss account. Under U.S. GAAP, realized gains and losses are similarly treated but unrealized gains and losses are not recognized, except for impairment losses.

Investments

Under GAAP in accordance with Belgian law, debt securities are valued at cost. If there are differences between the cost price and the redemption value, these differences are recognized in income evenly over the remaining term of the investment. The cost price is adjusted for these differences.

Under GAAP in accordance with Belgian law, in the insurance sector, capital gains/losses realized on sale of fixed-income investments are credited or charged to the results in a gradual manner, spread over a period equal to the average remaining term of the investment sold. The spreading takes place to the extent that the securities sold have been replaced by other instruments of the same type. In the banking sector, the spreading described above takes place in cases involving arbitrage. Capital gains and losses realized on fixed income securities in the trading portfolio are not spread. Unrealized gains and losses on shares and convertible bonds are charged to equity, realized gains and losses on these investments are charged to the profit and loss account. Under GAAP in accordance with Belgian law, holdings of securities of either parent by the other parent or any subsidiary is not deducted from equity and is included in the consolidated accounts.

Under U.S. GAAP, debt securities must be classified in one of the following categories:

- trading, which are valued at market value with changes in market value recorded through current period earnings;
- held-to-maturity, which are carried at amortized cost; or
- available-for-sale, which are carried at market value with changes in market value recorded as a separate component of equity, net of deferred taxes.

Equity securities with readily determinable market values are classified as trading or available for sale and account for as above for those categories.

Realized gains and losses are recognized in full in current period earnings as are any unrealized losses deemed to represent impairment in value other than temporary.

Deferred Acquisition Costs of Insurance Contracts

Under both GAAP in accordance with Belgian law and U.S. GAAP, costs that vary with and are directly related to the acquisition of insurance contracts are deferred and amortized. However, the definition of deferred acquisition costs and amortization methods differ and depend on the contracts involved. As a result, differences in the deferred and amortized amounts may arise.

Technical Provisions for Life Insurance

Under both GAAP in accordance with Belgian law and U.S. GAAP, these provisions are calculated based on the benefits attributable to the policyholders as set out in the insurance contract. However, the rules for calculating the provisions differ and depend on the contracts involved. As a result, differences in the liabilities and in the charges to the profit and loss account may arise. In general, GAAP in accordance with Belgian law provisions are more influenced by statutory requirements from insurance supervisors than U.S. GAAP provisions.

Fund for General Banking Risks

Within the banking sector, under GAAP in accordance with Belgian law a provision is maintained for general contingencies. This provision covers general risks associated with lending and other banking activities. No tax has been recognized in relation to this provision. The level of the provision is based on management's evaluation and supervisory requirements. This provision is used besides the specific provision related to the various assets.

Under U.S. GAAP, only specific allowances for credit losses and other asset impairments are allowed.

Derivatives and Hedging

Under GAAP in accordance with Belgian law, derivatives are either considered as hedging, trading or other transactions. Hedging derivatives are used for hedging interest rate, currency or equity risk and have to comply with certain criteria. These derivatives are treated off-balance sheet, and the results are recognized in a similar way as the hedged transaction, mainly accrual accounting. Trading derivatives are carried at fair value with realized and unrealized gains and losses recognized in the income statement. The third category consists of interest rate derivatives used in treasury, ALM or global management. These derivatives are treated off-balance sheet and the results are all accrued.

Under U.S. GAAP, the criteria for hedge accounting are more prescriptive. Most of the hedging and other transactions under Belgian law would not comply with U.S. GAAP hedging conditions and thus would be recorded at fair value with gains and losses recognized in the income statement.

Other Banking-Related Differences

U.S. GAAP includes rules for accounting for loan fees and costs, impairment of loans, suspension of interest recognition on loans, accounting for foreclosed property and accounting for transfers of loans and other financial assets. These rules can result in differences from GAAP in accordance with Belgian law.

Other Provisions

GAAP in accordance with Belgian law permits provisions for certain expected costs including restructuring provisions, Year 2000 costs and costs for euro conversion. In general, U.S. GAAP prohibits all provisions and reserves except those related to events which have already occurred and losses which are probable and can be reasonably estimated. General provisions are prohibited.

Disclosure

In general, the disclosure requirements for Fortis are much less than those required by U.S. GAAP. Areas where U.S. GAAP requires specific additional disclosures include investments, loans, leases, stock compensation, concentrations of risk, use of estimates, income taxes, pensions and other post-employment benefits, business segment reporting, financial instruments, including derivatives and fair values, related-party disclosures, deposits, borrowings, commitments and contingencies, reinsurance, per share information and comprehensive income.

Fortis N.V.

Under Dutch GAAP, Fortis N.V. carries its investment in Fortis at its percentage ownership in Fortis's basis book value under GAAP in accordance with Belgian law. Given the limited activities of Fortis N.V., there are no material differences between Dutch GAAP and U.S. GAAP for Fortis N.V. beyond those previously described for Fortis.

Fortis SA/NV

The statutory accounts of Fortis SA/NV are prepared in accordance with Belgian GAAP under which assets and liabilities, including shares, are valued at cost.

Given the limited activities of Fortis SA/NV, there are no material differences between Belgian GAAP and U.S. GAAP for Fortis SA/NV beyond those described above with respect to investment in Fortis.

Equalization and other Non-Life Insurance Provisions

Under GAAP in accordance with Belgian law, non-life insurance reserves include equalization provisions and other provisions for future catastrophe and other accidental losses. Under U.S. GAAP, these provisions are recorded in the period in which they are incurred.

Other

Under GAAP in accordance with Belgian law, the effect of certain share issuances is included in the stockholders' equity prior to the subscription of shares. Under U.S. GAAP, share issuances cannot be recognized until they have been subscribed.

Glossary

Annuities	Fortis uses this term only in connection with insurance companies in the United States, where it refers to premiums for contracts on which the insurance company does not bear any mortality or disability risk. In accordance with U.S. GAAP (Generally Accepted Accounting Principles) these premiums are not accounted for under total revenues.
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.
Combined ratio	The sum of the claims ratio and the expense ratio.
Credit-linked premiums	This refers only to premium income of Assurant in the United States. Premiums for policies sold by or on behalf of financial institutions to insure risks to these institutions themselves or to their customers arising out of the provision of loans.
Embedded value	An alternative method for determining the value and profitability of a life insurance company. Embedded value is an actuarially determined estimate of the economic value of a life company, excluding any value attributed to future new business. The changes in a company's embedded value from year to year, after adjustment for any dividends paid or capital injected, provide a measure of the profitability of a company's life insurance business.
Endowment	Life insurance under which an insured receives the face value of a policy if the individual survives the endowment period. If the insured does not survive, a beneficiary receives the face value of the policy.
GAAP in accordance with Belgian law	Fortis uses this term in connection with its consolidated financial statements to indicate that they are prepared in accordance with the applicable legal and regulatory requirements in Belgium. Fortis has, as described in the footnotes and description of the accounting principles included in its consolidated financial statements, both in terms of presentation and content, utilized a number of options applicable in the law for consortium by taking into account art. 117§2 of the Belgian Code of Companies, in order to reflect in a most reliable manner in its financial statements the bank and insurance activities.
Insurance bonds	Insurance policy with a savings character in Belgium.
Investment-linked premiums	Premiums for policies offering benefits that depend to a major extent on the results of investments that are contractually linked to these policies.
Long-term care	An insurance that covers the cost of care at home or in a specified nursing home.
Managed care	A health insurance that involves the negotiation of special terms and prices by the insurer with a select group of hospitals, doctors and paramedics.
Technical provisions	The extent of current commitments to policyholders and other parties arising out of insurance contracts written.
Term life insurance	A life insurance product which only stays in effect for a limited period. If an insured dies within that period, the beneficiary receives the death

payments, and if the insured survives, the policy ends and the beneficiary receives nothing.

Universal life

A life insurance product under which (1) premiums are generally flexible, (2) the level of death benefits may be adjusted and (3) expenses and other charges are specifically disclosed to a purchaser.

Whole life insurance

A permanent life insurance product offering guaranteed death benefits and guaranteed cash values.

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

Annual accounts 2001 Fortis

Fortis' Annual accounts include the financial data of its parent companies Fortis SA/NV and Fortis N.V., both of which are listed companies. For detailed information on these entities, please refer to the separate annual accounts included in this document.

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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
Assets				
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
Total assets		482,969.9	438,082.7	406,109.3
Liabilities				
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
		464,776.0	418,684.0	388,256.7
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	13,844.5	15,196.8	13,507.9
Group equity		15,977.2	17,355.8	15,991.4
Total liabilities		482,969.9	438,082.7	406,109.3

Consolidated profit and loss account

	Note	2001	2000	1999
Revenues:				
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
Total revenues		45,258.4	47,067.5	40,578.5
Interest expenses		(16,914.3)	(19,402.9)	(14,705.9)
Total revenues, net of interest expense		28,344.1	27,664.6	25,872.6
Technical charges insurance		(13,440.2)	(13,463.3)	(13,797.4)
Value adjustments		(625.8)	(619.5)	(546.9)
Net revenues		14,278.1	13,581.8	11,528.3
Operating expenses		(10,784.7)	(9,964.5)	(8,489.2)
Operating result before taxation		3,493.4	3,617.3	3,039.1
Taxation	14	(1,048.9)	(1,044.4)	(892.9)
Operating group profit		2,444.5	2,572.9	2,146.2
Minority interests		177.1	217.7	183.0
Net operating profit		2,267.4	2,355.2	1,963.2
Non-operating items:				
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)	
Non-operating items after taxation	16	330.8	412.4	353.0
Net profit		2,598.2	2,767.6	2,316.2
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

	2001	2000	1999
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	214.8	65.3	(118.7)
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	94.7	109.0	227.5
Other comprehensive income	(2,955.1)	(3,755.4)	(1,048.4)
Total comprehensive income	(356.9)	(987.8)	1,267.8

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
Cash flows from operating activities:			
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
Net cash provided by operating activities	(10,554.9)	7,198.1	2,543.3
Cash flows from investing activities:			
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)
Net cash used in investing activities	(34,180.1)	5,611.3	(52,030.2)
Cash flows from financing activities:			
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)
Net cash provided/used by financing activities	43,867.1	(9,971.1)	49,347.8
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
Cash at 31 December	5,094.2	6,110.3	3,660.4
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

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

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 and medium term bonds 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:

	31-12-2001				
	Insurance operations	Banking operations	General operations	Eliminations	Total
Assets					
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
Total assets	109,936.8	377,994.1	10,068.1	(15,029.1)	482,969.9
Liabilities					
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
Total liabilities	109,936.8	377,994.1	10,068.1	(15,029.1)	482,969.9

	Insurance operations	Banking operations	General operations	Eliminations	Total
Assets					
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
Total assets	105,018.2	337,071.6	8,553.7	(12,560.8)	438,082.7
Liabilities:					
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
Total liabilities	105,018.2	337,071.6	8,553.7	(12,560.8)	438,082.7

31-12-1999

	Insurance operations	Banking operations	General operations	Eliminations	Total
Assets					
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
Total assets	78,487.2	329,119.0	5,050.3	(6,547.2)	406,109.3
Liabilities					
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
Total liabilities	78,487.2	329,119.0	5,050.3	(6,547.2)	406,109.3

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

					2001
	Insurance operations	Banking operations	General operations	Eliminations	Total
Revenues:					
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
Total revenues.....	20,757.2	24,696.8	497.8	(693.4)	45,258.4
Interest expense.....	(688.2)	(16,414.6)	(504.9)	693.4	(16,914.3)
Total revenues, net of interest expense.....	20,069.0	8,282.2	(7.1)	0.0	28,344.1
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)
Operating result before taxation ...	1,667.1	1,998.5	(172.2)		3,493.4
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
Net operating profit.....	1,209.4	1,238.4	(180.4)		2,267.4
Non-operating items:					
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
Non-operating items after taxation	368.0	(34.2)	(3.0)		330.8
Net profit.....	1,577.4	1,204.2	(183.4)		2,598.2

	2000				
	Insurance operations	Banking operations	General operations	Eliminations	Total
Revenues:					
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
Total revenues	20,009.4	27,167.1	316.7	(425.7)	47,067.5
Interest expense	(314.2)	(19,144.9)	(369.5)	425.7	(19,402.9)
Total revenues, net of interest expense	19,695.2	8,022.2	(52.8)	0.0	27,664.6
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)
Operating result before taxation	1,768.3	2,074.7	(225.7)		3,617.3
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
Net operating profit	1,265.3	1,312.5	(222.6)		2,355.2
Non-operating items:					
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)
Non-operating items after taxation	218.9	193.5			412.4
Net profit	1,484.2	1,506.0	(222.6)		2,767.6

	1999				
	Insurance operations	Banking operations	General operations	Eliminations	Total
Revenues:					
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
Total revenues	18,757.1	21,808.6	238.5	(225.7)	40,578.5
Interest expense	(200.6)	(14,419.3)	(305.5)	219.5	(14,705.9)
Total revenues, net of interest expense	18,556.5	7,389.3	(67.0)	(6.2)	25,872.6
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)
Operating result before taxation	1,270.9	1,942.4	(174.2)	0.0	3,039.1
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
Net operating profit	936.0	1,184.6	(157.4)		1,963.2
Non-operating items:					
Results from financial transactions	353.0				353.0
Non-operating items after taxation	353.0				353.0
Net profit	1,289.0	1,184.6	(157.4)		2,316.2

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.

								2001
	Belgium	The Netherlands	Luxembourg	Benelux	United States	Rest of the world	Eliminations	Total
Total assets								
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
Loans and advances ..	117,368.3	67,336.7	22,621.1	207,326.1	17,630.9	27,639.6	(12,000.8)	240,595.8
Technical provisions, net ¹⁾	19,630.9	17,796.9	377.4	37,805.2	8,516.3	6,429.0		52,750.5
Total revenues, net of interest expenses								
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
Insurance premiums (gross)								
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
Net interest income ²⁾								
Banking	2,230.6	1,136.7	325.0	3,692.3	147.7	564.0		4,404.0
Operating result before taxation								
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
Effective average number of employees ³⁾								
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
	Belgium	The Netherlands	Luxembourg	Benelux	United States	Rest of the world	Eliminations	Total
Total assets								
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)
								438,082.7
Loans and advances ..	125,260.4	61,504.8	20,032.0	206,797.2	14,742.8	14,613.7	(11,677.5)	224,476.2
Technical provisions net ¹⁾	18,526.6	17,254.1	362.8	36,143.5	9,398.9	5,768.4		51,310.8
Total revenues, net of interest expenses								
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								
								27,664.6
Insurance premiums (gross)								
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
								19,426.5
Net interest income²⁾								
Banking	2,364.4	914.9	292.4	3,571.7	143.6	440.7		4,156.0
Operating result before taxation								
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)
								3,617.3
Effective average number of employees³⁾								
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
								62,881

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
	Belgium	The Netherlands	Luxembourg	Benelux	United States	Rest of the world	Eliminations	Total
Total assets								
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)
								406,109.3
Loans and advances ..	143,951.0	42,900.9	19,187.6	206,039.5	6,763.4	16,138.4	(7,549.0)	221,392.3
Technical provisions, net ¹⁾	17,672.0	9,043.6	415.4	27,131.0	8,059.8	5,294.2		40,485.0
Total revenues, net of interest expenses								
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)
								25,872.6
Insurance premiums (gross)								
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
								14,533.9
Net interest income ²⁾								
Banking	2,253.0	925.8	499.9	3,678.7	128.9	362.0		4,169.6
Operating result before taxation								
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)
								3,039.1
Effective average number of employees ³⁾								
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
								61,109

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.

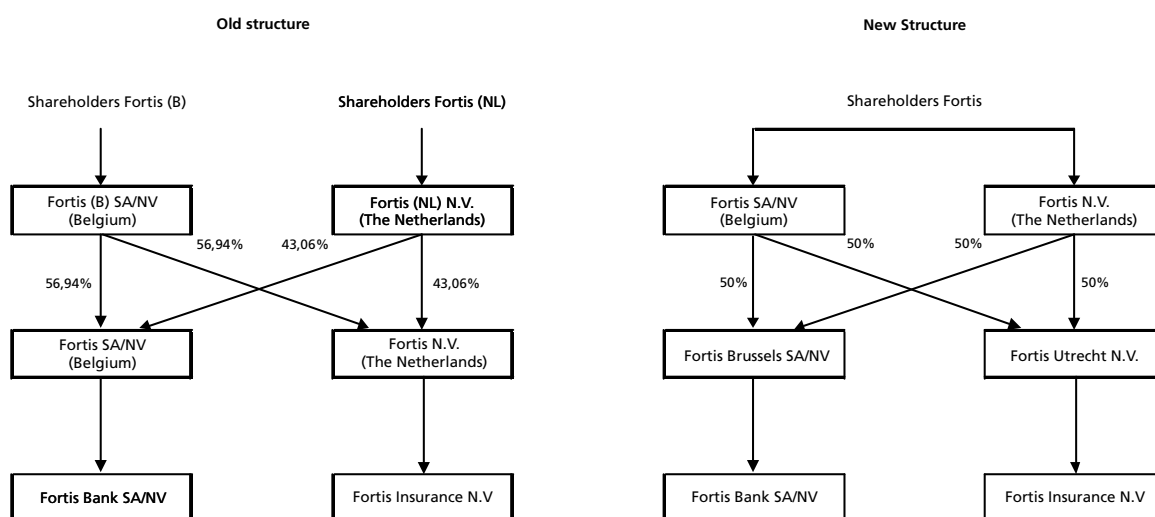
Through the Fortis share, Fortis has a primary listing on both the Primary Market of Euronext Brussels and the Official Segment of the stock market of Euronext Amsterdam. Fortis also has a listing in Luxembourg and a sponsored ADR programme in the United States.

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:

	Rates at year-end			Average rates		
	2001	2000	1999	2001	2000	1999
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.

	2001	2000	1999
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 Pierwsky 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
Financial assets						
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 ¹⁾	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
Financial liabilities						
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
	<u>13,844.5</u>

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:

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

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

	Capital	Share premium reserve	Revaluation reserve	Goodwill	Other reserves	Total net equity
Balance at 31 December 1999	397.6	13,099.8	3,932.9	(13,035.0)	9,112.6	13,507.9
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)
Balance at 31 December 2000	428.4	16,598.6	2,794.0	(15,833.8)	11,209.6	15,196.8
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
Balance at 31 December 2001	6,084.9	11,043.5	549.2	(16,606.8)	12,773.7	13,844.5

The above dividends were paid in cash.

Movements in the number of outstanding shares are shown below.

Number of shares at 31 December 1999	1,178,256,974
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	106,471,487
Number of shares at 31 December 2000	1,294,202,872
Issue of shares	2,903,176
Shares withdrawn due to unification of Fortis share	(3,540,389)
Number of shares at 31 December 2001	1,293,565,659

An overview of the potential number of outstanding shares:

Number of shares as at 31 December 2001		1,293,565,659
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)
Total potential number of shares as at 31 December 2001		1,366,297,696

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

	Number	Fortis value
Balance at 31 December 2000	26,605,457	
Purchases	24,647,330	
Sales	(23,443,653)	
Other	11,055	
Balance at 31 December 2001	27,820,189	
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	5,629,634	122.6
	27,820,189	773.7

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

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

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:

	2001	2000	1999
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:

	2001
Through 2002	68.5
Through 2003	59.4
Through 2004	45.4
Through 2005	35.6
Through 2006	28.7
Thereafter	78.0
Total	315.6

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:

	2001	2000	1999
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 ¹⁾	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:

	2001	2000	1999
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.

	31-12-2001	31-12-2000	31-12-1999
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	25,480.1	25,226.1	17,093.7
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
Total credit risk ¹⁾	52,311.1	48,637.3	36,867.0

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.

	31-12-2001	31-12-2000	31-12-1999
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	174,291.5	160,727.7	144,625.7
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 ¹⁾	319,443.0	290,717.0	294,124.4
Derivatives ²⁾	2,659.4	3,353.9	2,714.2
Credit related instruments ³⁾	84,892.0	88,612.2	88,737.3
Total off balance sheet risk	87,551.4	91,966.1	91,451.5
Total credit risk	406,994.4	382,683.1	385,575.9

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).

	31-12-2001	31-12-2000
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
Total	174,291.5	160,727.7

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.

	2001	2000	1999
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
Total	2,659.4	3,353.9	2,714.2

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.

	2001			
	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
Total	7,008.6	6,345.5	242.3	420.8

	2000			
	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
Total	7,054.0	6,367.8	307.3	378.9

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

	2001			
	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
Total	7,008.6	6,345.5	242.3	420.8

	2000			
	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
Total	7,054.0	6,367.8	307.3	378.9

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:

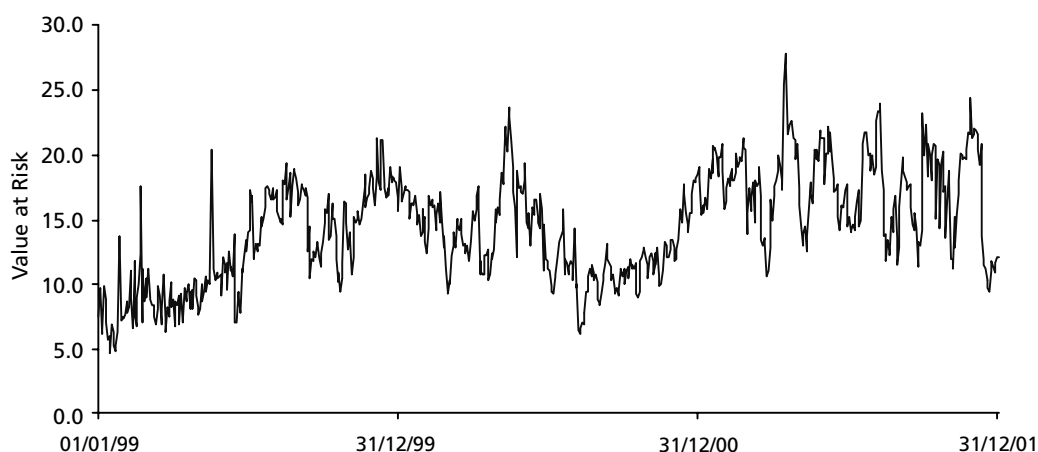
	2001	2000	1999
Base point value	16.2	16.0	16.5
VaR per 31 December	1,188	1,085	1,023
Highest VaR	1,188	1,205	n.a.
Lowest VaR	837	927	n.a.
Average VaR	995	767	726
Duration of equity (years)	8.5	9.2	10.8
Earnings at risk (as % compared to central scenario)	6.1	5.4	7.2

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.

	Book value			Fair value		
	2001	2000	1999	2001	2000	1999
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
Total	147,676.3	134,203.0	127,382.0	149,461.7	135,706.3	128,231.4

	Investment income as % of investments		
	2001	2000	1999
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
Total	4.2	5.8	7.0

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				
	Land and buildings	Shares	Debt securities	Other investments	Total
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)
Total	577.3	(1,536.5)	6,712.0	118.0	5,870.8

	2000				
	Land and buildings	Shares	Debt securities	Other investments	Total
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)
Total	556.4	111.9	6,635.2	86.3	7,389.8

	1999				
	Land and buildings	Shares	Debt securities	Other investments	Total
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
Total	423.9	1,860.7	6,223.8	138.0	8,646.4

Assets under management by origin

	2001	2000	1999
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 ¹⁾	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
Total assets under management	316,106.4	313,846.0	278,206.4

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

	2001			
	Private customers	Institutional customers	Funds	Total
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
Total	60,220.9	33,728.0	50,913.8	144,862.7

	2000			
	Private customers	Institutional customers	Funds	Total
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
Total	66,817.5	34,436.7	56,376.1	157,630.3

	1999			
	Private customers	Institutional customers	Funds	Total
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
Total	58,650.6	26,166.7	49,797.1	134,614.4

Funds under management by region of investment

	2001			
	Private customers	Institutional customers	Funds	Total
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
Total	60,220.9	33,728.0	50,913.8	144,862.7

	2000			
	Private customers	Institutional customers	Funds	Total
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
Total	66,817.5	34,436.7	56,376.1	157,630.3

	1999			
	Private customers	Institutional customers	Funds	Total
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
Total	58,650.6	26,166.7	49,797.1	134,614.4

Roll-forward funds under management

	Private customers	Institutional customers	Funds	Total
Closing balance at 31 December 1999	58,650.6	26,166.7	49,797.1	134,614.4
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
Closing balance at 31 December 2000	66,817.5	34,436.7	56,376.1	157,630.3
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)
Closing balance at 31 December 2001	60,220.9	33,728.0	50,913.8	144,862.7

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:

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

The following table provides the parameters applied:

	2001	2000
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.

	2001	2000
Benefit obligations at 1 January	5,256.2	4,642.6
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)
Benefit obligations at 31 December	5,886.5	5,256.2
Fair value of plan assets at 1 January	5,046.6	4,714.1
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)
Fair value of plan assets at 31 December	5,349.1	5,046.6

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

	2001	2000
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)
Prepaid pension costs	6.1	(135.7)
Recognized as follows:		
Prepaid pension costs (within other assets)	644.1	538.4
Accrued pension costs (within other liabilities)	(638.0)	(674.1)
	6.1	(135.7)

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 to 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	2000	1999	1998	1997
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	2000	1999
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	(917.9)	(1,149.5)	(892.9)
Taxation recorded in net equity	214.8	65.3	(118.7)
Total taxation	(703.1)	(1,084.2)	(1,011.6)
Current 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	(972.0)	(793.4)	(970.4)
Deferred			
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	54.1	(356.1)	77.5
Total taxation on result	(917.9)	(1,149.5)	(892.9)

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	3,693.2	4,134.8	3,392.1
Current period applicable statutory rate (in %) ¹⁾	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)
Total taxation on result	(917.9)	(1,149.5)	(892.9)

1) Weighted average standard tax rate.

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

	2001	2000	1999
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	3,061.4	2,682.9	2,683.2
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	3,187.4	3,344.3	2,576.1
Net deferred tax	(126.0)	(661.4)	107.1

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

	2001	2000	1999
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
	(126.0)	(661.4)	107.1

15 Earnings per share

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

	2001	2000	1999
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	2,598.2	2,767.6	2,316.2
Interest saved on convertible securities	41.7	41.9	38.0
Profit used for calculating diluted EPS	2,639.9	2,809.5	2,354.2
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
Adjusted weighted average ordinary shares outstanding			
Applicable to diluted EPS (in thousands)	1,334,374	1,259,183	1,189,318
Earnings per share:			
Net operating profit.....	1.75	1.94	1.71
Non-operating items after taxation	0.26	0.34	0.31
Net profit	2.01	2.28	2.02
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
Net profit	1.98	2.23	1.98

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:

	2001	2000	1999
Non-operating items	199.8	517.5	353.0
Taxation on non-operating items	131.0	(105.1)	
Non-operating items after taxation	330.8	412.4	353.0
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		
Non-operating items after taxation	330.8	412.4	353.0

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.

	outstanding 31-12-2000	granted in 2001	exercised in 2001	outstanding 31-12-2001	exercise price	share price at exercise date	expiry date
<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
Total	485,996	172,750	12,000	646,746			

*) 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.

	Minimum requirements	2001	2000	1999
Credit risks		146,066.5	151,485.6	139,539.3
Market risks		6,540.0	7,604.7	5,999.0
Risk-weighted assets		152,606.5	159,090.3	145,538.3
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:

	2001	2000	1999
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	19,193.9	19,398.7	17,852.6

	Floor	Cap	Floor	Cap	Floor	Cap
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
Assets				
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
Total assets		109,936.8	105,018.2	78,487.2
Liabilities				
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
		102,156.4	96,198.5	69,283.4
Minority interests in group equity	A10	694.5	729.5	740.2
Net equity		7,085.9	8,090.2	8,463.6
Group equity		7,780.4	8,819.7	9,203.8
Total liabilities		109,936.8	105,018.2	78,487.2

Profit and loss account insurance

	Note	2001	2000	1999
Revenues:				
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
Total revenues		20,757.2	20,009.4	18,757.1
Interest expense		(688.2)	(314.2)	(200.6)
Total revenues, net of interest expense		20,069.0	19,695.2	18,556.5
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)
Operating result before taxation		1,667.1	1,768.3	1,270.9
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
Net operating profit		1,209.4	1,265.3	936.0
Non-operating items after taxation		368.0	218.9	353.0
Net profit		1,577.4	1,484.2	1,289.0

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

	2001		
	Life	Non-life	Total
Revenues:			
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
Total revenues	11,865.4	8,891.8	20,757.2
Interest expense	(541.0)	(147.2)	(688.2)
Total revenues, net of interest expense	11,324.4	8,744.6	20,069.0
Technical charges insurance	(8,395.7)	(5,044.5)	(13,440.2)
Net revenues	<u>2,928.7</u>	<u>3,700.1</u>	<u>6,628.8</u>
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)
Operating expenses	<u>(1,702.2)</u>	<u>(3,259.5)</u>	<u>(4,961.7)</u>
Operating result before taxation	1,226.5	440.6	1,667.1
Taxation	<u>(282.8)</u>	<u>(113.2)</u>	<u>(396.0)</u>
Operating group profit	943.7	327.4	1,271.1
Minority interests	60.3	1.4	61.7
Net operating profit	883.4	326.0	1,209.4
Non-operating items after taxation	<u>288.1</u>	<u>79.9</u>	<u>368.0</u>
Net profit	<u>1,171.5</u>	<u>405.9</u>	<u>1,577.4</u>

	2000		
	Life	Non-life	Total
Revenues:			
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
Total revenues	12,239.1	7,770.3	20,009.4
Interest expense	(206.8)	(107.4)	(314.2)
Total revenues, net of interest expense	12,032.3	7,662.9	19,695.2
Technical charges insurance	(9,002.8)	(4,460.5)	(13,463.3)
Net revenues	3,029.5	3,202.4	6,231.9
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)
Operating expenses	(1,691.1)	(2,772.5)	(4,463.6)
Operating result before taxation	1,338.4	429.9	1,768.3
Taxation	(363.8)	(80.9)	(444.7)
Operating group profit	974.6	349.0	1,323.6
Minority interests	57.9	0.4	58.3
Net operating profit	916.7	348.6	1,265.3
Non-operating items after taxation	115.3	103.6	218.9
Net profit	1,032.0	452.2	1,484.2
			1999
	Life	Non-life	Total
Revenues:			
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
Total revenues	12,367.4	6,389.7	18,757.1
Interest expense	(126.6)	(74.0)	(200.6)
Total revenues, net of interest expense	12,240.8	6,315.7	18,556.5
Technical charges insurance	(9,909.5)	(3,887.9)	(13,797.4)
Net revenues	2,331.3	2,427.8	4,759.1
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)
Operating expenses	(1,364.6)	(2,123.6)	(3,488.2)
Operating result before taxation	966.7	304.2	1,270.9
Taxation	(235.9)	(61.8)	(297.7)
Operating group profit	730.8	242.4	973.2
Minority interests	36.3	0.9	37.2
Net operating profit	694.5	241.5	936.0
Non-operating items after taxation	335.0	18.0	353.0
Net profit	1,029.5	259.5	1,289.0

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:

	2001	2000	1999
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
Total investments	50,487.3	49,649.8	41,618.0

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.

	Debt securities and other fixed-income securities	Shares	Participations in investment pools	Land and buildings	Other investments
Balance at 31 December 1999 ..	27,377.1	10,890.2	208.3	3,027.4	115.0
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)
Balance at 31 December 2000 ..	32,167.1	13,272.6	346.0	3,648.5	215.6
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)
Balance at 31 December 2001 ..	34,218.5	11,929.6	358.3	3,781.9	199.0
2000					
Purchase price		9,726.3	346.0	2,987.3	
Fair value	32,931.8				215.9
Redemption value	28,539.0				
2001					
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:

	2001			
	Amortized cost or cost	Gross unrealized gains	Gross unrealized losses	Fair value
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
Total debt securities and other fixed-income securities	34,218.5	1,195.9	(388.1)	35,026.3
Equity securities	10,691.4	2,252.9	(1,014.7)	11,929.6
Total investment securities	44,909.9	3,448.8	(1,402.8)	46,955.9

	2000			
	Amortized cost or cost	Gross unrealized gains	Gross unrealized losses	Fair value
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
Total debt securities and other fixed-income securities	32,167.1	1,096.0	(331.3)	32,931.8
Equity securities	9,726.3	4,015.7	(469.4)	13,272.6
Total investment securities	41,893.4	5,111.7	(800.7)	46,204.4

	1999			
	Amortized cost or cost	Gross unrealized gains	Gross unrealized losses	Fair value
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
Total investment securities	33,944.1	5,287.1	(670.9)	38,560.3

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:

	Carrying value	Fair value
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
Total	34,218.5	35,026.3

Investments in land and buildings

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

	2001	2000	1999
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
	3,781.9	3,648.5	3,027.4

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

	2001	2000	1999
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:

	2001	2000	1999
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:

	2001	2000	1999
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:

	2001	2000
Balance at 1 January	3,297.7	2,081.4
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
Balance at 31 December	<u>2,963.6</u>	<u>3,297.7</u>

A5 Investments on behalf of policyholders

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

	2001	2000	1999
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	23,567.4	22,012.7	16,210.0
Add: Other assets	107.9	118.4	105.1
Less: Other liabilities	(590.4)	(441.0)	(490.8)
Liabilities related to investments on behalf of policyholders	23,084.9	21,690.1	15,824.3

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:

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

A6 Other assets

Other assets consisted of the following at 31 December:

	2001	2000	1999
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 ¹⁾	178.7	177.2	190.5
Deferred tax assets	1,963.8	2,004.0	
Other	487.9	428.3	212.0
Total	5,463.0	6,230.3	2,720.5

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:

	2001		
	Gross	Reinsurance	Net of reinsurance
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 ¹⁾	310.5	0.2	310.3
Equalization provision ²⁾	140.2		140.2
Other technical provisions ³⁾	183.8	5.7	178.1
	59,533.4	6,782.9	52,750.5
	<hr/>		
	2000		
	Gross	Reinsurance	Net of reinsurance
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 ¹⁾	377.3	0.4	376.9
Equalization provision ²⁾	136.8		136.8
Other technical provisions ³⁾	173.2	5.7	167.5
	56,130.2	4,819.4	51,310.8
	<hr/>		
	1999		
	Gross	Reinsurance	Net of reinsurance
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 ¹⁾	230.6		230.6
Equalization provision ²⁾	151.5		151.5
Other technical provisions ³⁾	259.0	11.0	248.0
	44,612.7	4,127.7	40,485.0

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.

	2001	2000
Balance at 1 January	41,830.7	32,626.0
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)
Balance at 31 December	42,484.6	41,830.7

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

	2001						Total
	Belgium	The Netherlands	Luxembourg	Benelux	United States	Rest of the world	
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
Total	27,066.1	25,932.0	1,204.0	54,202.1	13,820.3	7,705.1	75,727.5

	2000						Total
	Belgium	The Netherlands	Luxembourg	Benelux	United States	Rest of the world	
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
Total	25,118.3	24,272.4	958.5	50,349.2	15,323.4	7,204.2	72,876.8

	1999						Total
	Belgium	The Netherlands	Luxembourg	Benelux	United States	Rest of the world	
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
Total	21,745.9	14,268.1	852.5	36,866.5	13,188.5	6,150.3	56,205.3

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

	2001				
	Accident and health	Motor	Fire	Other lines	Total
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
Benelux	1,909.8	1,226.2	616.7	722.9	4,475.6
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
Total	4,162.5	2,015.7	764.7	2,957.9	9,900.8

	2000				
	Accident and health	Motor	Fire	Other lines	Total
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
Benelux	1,747.3	1,144.9	578.5	721.3	4,192.0
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
Total	3,635.5	1,886.4	711.5	2,795.9	9,029.3

	1999				
	Accident and health	Motor	Fire	Other lines	Total
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
Benelux	1,112.5	858.7	623.6	599.1	3,193.9
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
Total	3,159.0	1,552.7	748.2	2,114.9	7,574.8

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

	2001	2000
Balance at 1 January	6,021.4	5,301.5
Purchases and sales group companies		384.8
Adjusted net opening balance at 1 January	6,021.4	5,686.3
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	4,513.8	4,135.3
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	(4,055.9)	(3,976.0)
Foreign currency translation adjustments	137.3	180.7
Other charges	(102.4)	(4.9)
Balance at 31 December	6,514.2	6,021.4

A8 Other liabilities

Other liabilities consist of the following:

	2001	2000	1999
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 ¹⁾	640.9	715.4	506.8
Creditors arising from reinsurance operations ¹⁾	362.9	390.4	365.1
Other provisions	160.0	286.3	285.0
Other ²⁾	5,735.2	7,287.7	2,891.4
Total	10,584.5	12,895.0	5,349.1

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	
Total subordinated liabilities	2,475.6	1,281.3	847.9

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:

	2001	2000	1999
Life insurance:			
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
Non-life insurance:			
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
Total insurance premiums earned	18,162.3	15,783.7	12,526.6

Life insurance

The table below gives the details of life insurance premiums:

	2001	2000	1999
Individual premiums	8,387.6	7,795.4	5,899.3
Premiums under group contracts	2,294.1	1,937.9	1,557.3
Gross premiums	10,681.7	9,733.3	7,456.6
Periodic premiums	3,958.2	3,701.6	3,088.5
Single premiums	6,723.5	6,031.7	4,368.1
Gross premiums	10,681.7	9,733.3	7,456.6
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
Gross premiums	10,681.7	9,733.3	7,456.6
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
Gross premiums	10,681.7	9,733.3	7,456.6

Non-life insurance

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

	2001			
	Accident and health	Motor	Fire	Other lines
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
Benelux	839.3	736.9	528.8	360.7
United States	2,805.9			1,804.6
Rest of the world	53.7	606.2	152.8	75.7
Total	3,698.9	1,343.1	681.6	2,241.0

	2000			
	Accident and health	Motor	Fire	Other lines
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
Benelux	379.4	476.5	426.8	214.9
United States	2,795.0			1,633.3
Rest of the world	71.2	554.8	141.8	97.0
Total	3,245.6	1,031.3	568.6	1,945.2

	1999			
	Accident and health	Motor	Fire	Other lines
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
Benelux	350.2	443.6	424.1	215.9
United States	2,556.6			833.8
Rest of the world	76.6	408.9	115.9	71.0
Total	2,983.4	852.5	540.0	1,120.7

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:

	2001	2000	1999
Realized gains on sale of investments, net ¹⁾	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)
Total	(2,309.3)	(535.5)	2,025.0

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:

	2001	2000	1999
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
Total	1,745.8	2,227.9	1,930.1

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:

	2001	2000	1999
Life insurance			
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
	<u>8,395.7</u>	<u>9,002.8</u>	<u>9,909.5</u>
Non-life insurance			
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
	<u>5,044.5</u>	<u>4,460.5</u>	<u>3,887.9</u>
Total non-life insurance	5,044.5	4,460.5	3,887.9
Total technical charges insurance	13,440.2	13,463.3	13,797.4

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:

	2001	2000	1999
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
Total	4,961.7	4,463.6	3,488.2

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

	2001	2000	1999
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
	509.1	2,169.3	4,608.6
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)
	1,414.9	1,343.8	1,100.1
Other technical charges, net of reinsurance	14.7	19.6	17.0
Other charges	141.4	125.7	91.4
Result technical account life insurance before taxation	754.7	689.9	537.6

Technical result non-life

	2001	2000	1999
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
	794.0	692.3	607.6
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)
	4,673.5	4,354.6	3,650.7
Change in provision for claims, gross	584.6	502.4	290.9
Reinsurers' share	(246.4)	(408.2)	(69.7)
	5,011.7	4,448.8	3,871.9
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)
	3,194.2	2,693.9	2,075.0
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
Result technical account non-life insurance before taxation	492.3	315.4	138.4

The following table gives the technical result by region:

	2001						
	Belgium	The Netherlands	Luxembourg	Benelux	United States	Rest of the world	Total
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
Total	420.1	285.6	6.5	712.2	434.7	100.1	1,247.0

	2000						
	Belgium	The Netherlands	Luxembourg	Benelux	United States	Rest of the world	Total
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
Total	381.6	158.4	(13.8)	526.2	406.1	73.0	1,005.3

	1999						
	Belgium	The Netherlands	Luxembourg	Benelux	United States	Rest of the world	Total
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
Total	276.5	167.6	3.7	447.8	193.5	34.7	676.0

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

	2001				
	Accident and health	Motor	Fire	Other lines	Total
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
Benelux	75.2	3.1	34.5	30.6	143.4
United States	140.0			139.5	279.5
Rest of the world	3.0	54.0	2.2	10.2	69.4
Total	218.2	57.1	36.7	180.3	492.3

	2000				
	Accident and health	Motor	Fire	Other lines	Total
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
Benelux	41.4	(16.1)	16.9	11.0	53.2
United States	30.3			182.0	212.3
Rest of the world	7.6	29.2	5.9	7.2	49.9
Total	79.3	13.1	22.8	200.2	315.4

	1999				
	Accident and health	Motor	Fire	Other lines	Total
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
Benelux	39.8	(6.8)	17.9	1.6	52.5
United States	24.9			40.5	65.4
Rest of the world	5.9	9.4	(0.4)	5.6	20.5
Total	70.6	2.6	17.5	47.7	138.4

Ratios

The ratios by region are as follows:

	2001						
	Belgium	The Netherlands	Luxembourg	Benelux	United States	Rest of the world	Total
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

	2000						
	Belgium	The Netherlands	Luxembourg	Benelux	United States	Rest of the world	Total
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

	1999						
	Belgium	The Netherlands	Luxembourg	Benelux	United States	Rest of the world	Total
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

	2001	2000	1999
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
	5,096.8	4,938.6	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
	3,948.8	1,894.8	675.2
Result on investment	1,148.0	3,043.8	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
	729.5	2,271.3	4,727.4
Result on investment non-technical account	418.5	772.5	648.8
Other income	10.9	59.3	7.9
Other charges	9.6	68.8	61.8
	1.3	(9.5)	(53.9)
Result non-technical account before taxation	419.8	763.0	594.9

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:

	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance ¹⁾
2001					
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)
Total	10,932.2	10,630.7	6,394.8	4,011.0	(466.1)
2000					
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)
Total	9,693.2	9,313.1	5,829.0	3,388.8	(447.5)
1999					
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)
Total	7,077.3	6,890.4	4,558.6	2,379.1	(403.0)

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
Assets				
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
Total assets		377,994.1	337,071.6	329,119.0
Liabilities				
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
		366,071.7	325,509.5	318,113.1
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
Total liabilities		377,994.1	337,071.6	329,119.0

Profit and loss account banking

	Note	2001	2000	1999
Revenues:				
Interest income ¹⁾		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
Total revenues		24,696.8	27,167.1	21,808.6
Interest expense ¹⁾	B21	(16,414.6)	(19,144.9)	(14,419.3)
Total revenues, net of interest expense	B17	8,282.2	8,022.2	7,389.3
Value adjustments	B22	(625.8)	(619.5)	(546.9)
Net revenues		7,656.4	7,402.7	6,842.4
Operating expenses	B23	(5,657.9)	(5,328.0)	(4,900.0)
Operating result before taxation		1,998.5	2,074.7	1,942.4
Taxation		(693.0)	(640.5)	(612.0)
Operating group profit		1,305.5	1,434.2	1,330.4
Minority interests		67.1	121.7	145.8
Net operating profit		1,238.4	1,312.5	1,184.6
Non-operating items after taxation		(34.2)	193.5	
Net profit		1,204.2	1,506.0	1,184.6
¹⁾ 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:

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

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:

	2001	2000	1999
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
	94,808.6	82,068.8	83,261.6
Investments in real estate	2,058.3	2,030.0	2,164.9
Investments	96,866.9	84,098.8	85,426.5

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

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

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:

	2001	2000	1999
Listed	1,397.9	1,410.5	1,098.5
Unlisted	517.3	940.4	783.1
Total	1,915.2	2,350.9	1,881.6

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:

	2001			2000		
	Debt securities and other fixed-income securities	Equity securities	Land and buildings	Debt securities and other fixed-income securities	Equity securities	Land and buildings
Opening balance at 1 January	76,657.8	2,350.9	2,030.0	74,770.8	1,881.6	2,164.9
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)
Closing balance at 31 December	91,652.8	1,915.2	2,058.3	76,657.8	2,350.9	2,030.0
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:

	2001			
	Amortized cost or cost	Gross unrealized gains	Gross unrealized losses	Fair value
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
Total debt securities and other fixed-income securities	91,652.8	1,416.7	(482.8)	92,586.7
Equity securities	1,962.7	127.4	(174.9)	1,915.2
Total investment securities	93,615.5	1,544.1	(657.7)	94,501.9

	2000			
	Amortized cost or cost	Gross unrealized gains	Gross unrealized losses	Fair value
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
Total debt securities and other fixed-income securities	76,657.8	1,288.3	(550.0)	77,396.1
Equity securities	2,281.7	80.4	(11.2)	2,350.9
Total investment securities	78,939.5	1,368.7	(561.2)	79,747.0

	1999			
	Amortized cost or cost	Gross unrealized gains	Gross unrealized losses	Fair value
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
Total debt securities and other fixed-income securities	74,770.8	1,526.7	(1,244.7)	75,052.8
Equity securities	1,462.6	419.8	(0.8)	1,881.6
Total investment securities	76,233.4	1,946.5	(1,245.5)	76,934.4

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:

	Carrying value	Fair value
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
Total	92,893.4	93,870.3

Investments in land and buildings

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

	2001	2000	1999
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
Investments in land and buildings	2,058.3	2,030.0	2,164.9

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

	2001	2000	1999
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
	2,058.3	2,030.0	2,164.9

B4 Loans and advances to credit institutions

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

	2001			
	Belgium	The Netherlands	Other	Total
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	6,036.0	5,153.1	51,445.8	62,634.9
Allowance for credit losses	(16.5)	(2.0)	(156.5)	(175.0)
Net amount	6,019.5	5,151.1	51,289.3	62,459.9
	2000			
	Belgium	The Netherlands	Other	Total
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	5,116.3	4,602.7	51,541.5	61,260.5
Allowance for credit losses		(1.7)	(99.8)	(101.5)
Net amount	5,116.3	4,601.0	51,441.7	61,159.0

	1999			
	Belgium	The Netherlands	Other	Total
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	12,861.2	4,986.8	62,671.1	80,519.1
Allowance for credit losses	(54.3)	(0.5)	(70.6)	(125.4)
Net amount	12,806.9	4,986.3	62,600.5	80,393.7

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:

	2001			
	Belgium	The Netherlands	Other	Total
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)
Net amount	71,648.6	50,935.9	41,505.3	164,089.8
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
Net amount	71,648.6	50,935.9	41,505.3	164,089.8

	2000			
	Belgium	The Netherlands	Other	Total
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)
Net amount	80,613.3	44,356.7	24,870.1	149,840.1
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
Net amount	80,613.3	44,356.7	24,870.1	149,840.1

	1999			
	Belgium	The Netherlands	Other	Total
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)
Net amount	76,314.1	34,754.8	21,281.8	132,350.7
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
Net amount	76,314.1	34,754.8	21,281.8	132,350.7

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:

	2001	2000
Balance at 1 January	3,375.1	2,667.2
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
Balance at 31 December	3,701.7	3,375.1
Composed of:		
Loans and advances to credit institutions	175.0	101.5
Loans and advances to customers	3,526.7	3,273.6
	3,701.7	3,375.1

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:

	2001	2000	1999
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	1,046.9	769.9	781.2
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
Total	11,922.9	7,381.5	5,775.4

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:

	2001			
	Belgium	The Netherlands	Other	Total
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
Total	69,435.8	14,143.3	14,694.6	98,273.7

	2000			
	Belgium	The Netherlands	Other	Total
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
Total	70,985.2	11,459.6	11,856.8	94,301.6

	1999			
	Belgium	The Netherlands	Other	Total
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
Total	98,267.8	9,010.5	10,069.5	117,347.8

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:

	2001			Total
	Belgium	The Netherlands	Other	
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
Total	99,194.0	35,294.1	46,836.7	181,324.8

	2000			Total
	Belgium	The Netherlands	Other	
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
Total	84,063.7	27,629.9	36,674.0	148,367.6

	1999			Total
	Belgium	The Netherlands	Other	
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
Total	76,622.7	27,382.2	31,473.9	135,478.8

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

B9 Securities purchased under resale agreements 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:

	2001	2000	1999
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:

	2001	2000	1999
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:

	2001			
	Belgium	The Netherlands	Other	Total
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
Total	22,251.1	3,773.0	16,391.8	42,415.9

	2000			
	Belgium	The Netherlands	Other	Total
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
Total	25,368.6	4,698.6	10,612.9	40,680.1

	1999			
	Belgium	The Netherlands	Other	Total
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
Total	24,026.6	1,982.4	6,857.0	32,866.0

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:

	2001	2000	1999
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
Total	15,767.9	18,016.9	13,205.4

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:

	2001	2000	1999
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		
Total	9,985.6	8,476.3	7,466.1

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:

	2001	2000
Balance at 1 January	2,042.9	1,861.2
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)
Balance at 31 December	2,216.7	2,042.9

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:

	2001			
	One year or less	Five years or less and more than one year	More than five years	Total
Interest rate contracts				
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
Currency contracts				
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
Other contracts				
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
Total	512,475.4	338,681.9	246,735.7	1,097,893.0

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.

	2001		
	Notional amount	Positive fair value	Negative fair value
Interest rate contracts			
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)
Currency contracts			
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)
Other contracts 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)
Total	976,733.7	8,341.2	(5,976.5)

	2000		
	Notional amount	Positive fair value	Negative fair value
Interest rate contracts:			
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)
Currency contracts			
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)
Other contracts 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)
Total	731,409.7	8,534.7	(8,783.4)

	1999		
	Notional amount	Positive fair value	Negative fair value
Interest rate contracts:			
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)
Currency contracts			
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)
Other contracts			
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)
Total	462,304.9	7,340.7	(3,506.1)

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.

	2001		
	Notional amount	Positive fair value	Negative fair value
Interest rate contracts			
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)
Currency contracts			
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)
Other contracts			
OTC	4,904.6	178.9	(191.5)
Exchange-traded	49.8	2.2	(3.0)
Subtotal	4,954.4	181.1	(194.5)
Total	121,159.3	1,146.6	(1,041.5)

	2000		
	Notional amount	Positive fair value	Negative fair value
Interest rate contracts			
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	72,214.5	682.3	(676.6)
Currency contracts			
OTC:			
swaps	10,254.2	213.0	(398.3)
forwards	5.4		
options	518.6	11.2	(13.9)
Subtotal	10,778.2	224.2	(412.2)
Other contracts			
OTC	6,815.7	481.4	(287.9)
Exchange-traded	1,432.8	4.5	(4.5)
Subtotal	8,248.5	485.9	(292.4)
Total	91,241.2	1,392.4	(1,381.2)

	1999		
	Notional amount	Positive fair value	Negative fair value
Interest rate contracts			
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)
Currency contracts			
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)
Other contracts			
OTC	6,859.9	476.2	(293.1)
Exchange-traded	17.6	1.5	(0.1)
Subtotal	6,877.5	477.7	(293.2)
Total	205,227.9	2,218.8	(2,179.9)

B16 Maturities

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

	2001				
	Repayable on demand	< 3 months	3 months-1 year	1-5 years	> 5 years
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

	2000				
	Repayable on demand	< 3 months	3 months-1 year	1-5 years	> 5 years
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

	1999				
	Repayable on demand	< 3 months	3 months-1 year	1-5 years	> 5 years
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:

Maturity							2001	2000
	< 1 year	1-2 year	2-3 year	3-4 year	4-5 year	> 5 year	Total	Total
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
Total	2,255.9	2,339.7	1,840.0	2,489.3	1,580.8	9,585.1	20,090.8	17,862.4

B17 Revenues

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

							2001
	Belgium	The Netherlands	Luxembourg	Benelux	United States	Rest of the world	Total ¹⁾
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
Total revenues, net of interest expenses	3,750.1	2,073.2	757.8	6,581.1	207.0	1,494.1	8,282.2

							2000
	Belgium	The Netherlands	Luxembourg	Benelux	United States	Rest of the world	Total ¹⁾
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
Total revenues, net of interest expenses	3,862.4	2,060.2	879.2	6,801.8	150.3	1,070.1	8,022.2

							1999
	Belgium	The Netherlands	Luxembourg	Benelux	United States	Rest of the world	Total ¹⁾
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
Total revenues, net of interest expenses	3,688.5	1,851.0	924.5	6,464.0	123.5	801.8	7,389.3

1) Including eliminations

Movements in net interest income are as follows:

	2001		
	Average balance	Interest	Interest in %
Assets:			
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
Total interest-bearing assets	314,246.5	17,120.8	5.45
Liabilities:			
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
Total interest-bearing liabilities	314,142.7	13,531.8	4.31
Other interest on balance		815.0	
Net interest income		4,404.0	
Net interest income/interest-bearing assets			1.40
<hr/>			
	2000		
	Average balance	Interest	Interest in %
Assets:			
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
Total interest-bearing assets	303,745.7	16,995.5	5.60
Liabilities:			
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
Total interest-bearing liabilities	299,552.4	13,161.6	4.39
Other interest on balance		322.1	
Net interest income		4,156.0	
Net interest income/interest-bearing assets			1.37
<hr/>			
	1999		
	Average balance	Interest	Interest in %
Assets:			
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
Total interest-bearing assets	277,467.1	14,147.9	5.10
Liabilities:			
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
Total interest-bearing liabilities	277,506.2	10,060.5	3.63
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:

	2001	2000	1999
Commissions income			
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
Total commissions income	2,561.1	2,693.3	2,250.5
Commissions paid	582.7	529.7	412.3
Net commissions income	1,978.4	2,163.6	1,838.2

B19 Results from financial transactions

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

	2001	2000	1999
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
Total	1,002.5	1,025.1	704.1

B20 Other revenues

The following table sets forth details of other revenues:

	2001	2000	1999
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
Total	897.3	677.5	677.4

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:

	2001	2000	1999
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
Total	16,414.6	19,144.9	14,419.3

B22 Value adjustments

The following table summarizes value adjustments:

	2001	2000	1999
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
Total	625.8	619.5	546.9

B23 Operating expenses

The following table summarizes operating expenses:

	2001	2000	1999
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
Total	5,657.9	5,328.0	4,900.0

Balance sheet general

	Note	31-12-2001	31-12-2000	31-12-1999
Assets				
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
Total assets		10,068.1	8,553.7	5,050.3
Liabilities				
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
		11,577.0	9,536.8	7,407.4
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)
Total liabilities		10,068.1	8,553.7	5,050.3

Profit and loss account general

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

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:

	2001	2000	1999
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
	334.1	5,105.9	3,084.3

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

	2001	2000	1999
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
	1,255.9	1,255.9	1,255.9

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:

	2001	2000	1999
Dividends from equity securities	1.0	1.2	0.4
Other revenues	16.5	10.9	115.0
Total	17.5	12.1	115.4

C11 Operating expenses

The following table summarizes operating expenses:

	2001	2000	1999
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
Total	165.1	172.9	107.2

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.

Annual Accounts 2001

Fortis SA/NV

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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

	31-12-2001	31-12-2000
Assets		
Fixed assets	19,442,441	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
Current assets	26,852	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
Total assets	<u>19,469,293</u>	<u>20,771,208</u>
Liabilities		
Shareholders' equity	19,437,960	17,649,214
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	—
Provisions and deferred taxes	1,239	—
Provisions for risks and charges	1,239	—
Other risks and charges	1,239	—
Amounts payable	30,094	3,121,994
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
Total liabilities	<u>19,469,293</u>	<u>20,771,208</u>

Profit and loss account

	2001	2000
Charges		
Financial charges.....	53,129	92,132
Interest	50,424	91,029
Reduction in value of current assets.....	1,944	—
Other financial charges.....	761	1,103
Operating expenses	28,897	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	18,878	16,729
Extraordinary charges	1,133,621	—
Capital loss on realization of financial fixed assets	1,133,621	—
Taxes.....	10,155	—
Profit for the year	<u>6,922,554</u>	<u>523,939</u>
Total charges	8,167,234	685,379
Income		
Financial income	877,255	650,770
Income from financial fixed assets	872,843	648,054
Income from current assets	3,425	2,544
Other financial income	987	172
Operating income.....	126	—
Other operating income	126	—
Extraordinary income	7,289,853	34,609
Capital gains on realization of financial fixed assets	7,289,853	—
Other extraordinary income	—	34,609
Total income	<u>8,167,234</u>	<u>685,379</u>

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	<u>(10,521)</u>
Net book value at year-end	19,495
Of which:	
Formation expenses and capital increase expenses, loan issuance expenses and other formation expenses	<u>19,495</u>

IV Financial fixed assets

	Affiliated companies
1. Participating interests and equity securities	
a) Acquisition value at previous year-end	19,039,453
Changes during the year	
Acquisitions ¹⁾	19,422,946
Disposals and withdrawals ²⁾	<u>(19,039,453)</u>
At year-end	19,422,946
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 ²⁾	<u>(1,610,000)</u>
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	Number	Shares held by		Annual accounts as on
		the company (directly) %	subsidiaries %	
Subsidiaries				
Fortis Brussels SA/NV	500,000,000	50	—	n.a.
Koningsstraat 20 1000 Brussels				
Fortis Utrecht N.V.	500,000,000	50	—	n.a.
Archimedeslaan 6 3584 BA Utrecht				

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

VIII Specification of equity

	Amounts	Number of shares
A. Authorized capital		
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	<u>5,541,596</u>	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
C. Own shares held by		
direct and indirect subsidiaries	119,181	27,820,189
D. Commitments to issue shares		
Number of shares as at 31 December 2001		1,293,565,659
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)	<u>40,284,590</u>	
In connection with convertible notes (see notes A9 and C6 Annual accounts Fortis)		75,197,383
Shares already purchased in connection with issuance commitments		<u>(2,465,346)</u>
Total potential number of shares as at 31 December 2001		1,366,297,696
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:

	Number of shares	%
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
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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

	2001	2000
C1 Employees listed in the staff register		
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
C2 Staff costs		
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
F Other operating expenses		
Taxes and levies on business operations	—	281
G Temporary staff and persons available to the company		
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

	2001	2000
B Amounts withheld to the debit of third parties in the form of:		
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/NV 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

	2001	2000
1. Affiliated companies		
1. Financial fixed assets		
Participating interests	19,422,946	19,039,453
Other amounts receivable	—	1,610,000
2. Amounts receivable		
Within one year	10,586	—
3. Amounts payable		
After one year	564	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	27,951,935	14,654,000
7. Financial results		
Income from financial fixed assets	872,843	648,054
Income from current assets	3,425	—
Interest in respect of amounts payable	504,424	91,029
8. Disposal of fixed assets		
Capital losses realized	1,135,565	—
Capital gains realized	7,289,853	—

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.

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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.

Balance sheet

(before appropriation of profit)

	31-12-2001	31-12-2000
Assets		
Financial fixed assets		
Share in net equity of Fortis	6,922.2	4,720.6
Receivables from group companies	1,255.9	197.0
	8,178.1	4,917.6
Current assets	47.9	11.3
	8,226.0	4,928.9
Liabilities		
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	1,242.3	1,162.7
	6,922.2	4,928.5
Convertible bonds	1,255.9	—
Short-term liabilities	47.9	0.4
	8,226.0	4,928.9

Profit and loss account

	2001	2000
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	374.9	—
Profit	1,242.3	1,162.7

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)	
		(181.8)
Closing balance at 30 June 2001		5,050.6
Contribution of participating interests in Fortis Utrecht N.V.		(5,050.6)
		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)	
		(822.9)
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

	31-12-2001	31-12-2000
Receivables from Fortis companies	35.2	7.3
Prepayments and accrued income	12.4	4.0
Liquid assets	0.3	—
	47.9	11.3

Shareholders' equity

Movements in shareholders' equity were as follows:

	2001	2000
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)	867.4	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	374.9	—
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.	<u>2,530.5</u>
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	<u>5.9</u>
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	(34.8)
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

	31-12-2001	31-12-2000
Other liabilities	10.9	0.4
Accruals and deferred income	37.0	—
	47.9	0.4

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

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The Netherlands

As to Fortis:

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Reviseurs d'Entreprises S.C.C.R.L.
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TRUSTEE, REGISTRAR, PAYING AGENT, INTEREST RATE CALCULATION AGENT, COLLATERAL AGENT, TRANSFER AGENT AND EXCHANGE AGENT

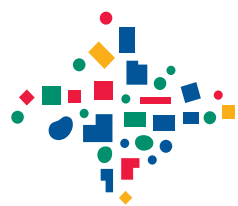
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