

PROSPECTUS DATED 27 MARCH 2015



AG Insurance SA/NV
(incorporated in Belgium with limited liability)

EUR 400,000,000 3.50 per cent. Fixed Rate Reset Dated Subordinated Notes due 2047

Issue Price: 99.384 per cent.

The EUR 400,000,000 3.50 per cent. Fixed Rate Reset Dated Subordinated Notes due 2047 (the “Notes”) will be issued by AG Insurance SA/NV (“AG Insurance” or the “Issuer”). The Notes will bear interest from (and including) 31 March 2015 (the “Closing Date”) to (but excluding) the First Call Date (as defined below) at a rate of 3.50 per cent. per annum, scheduled to be paid annually in arrear on 30 June in each year commencing on 30 June 2016 (subject to deferral as described below), and thereafter at a reset fixed rate of interest, which will be reset on the First Call Date and on each fifth anniversary of the First Call Date.

The terms and conditions of the Notes (the “Conditions”, and references herein to a numbered Condition shall be construed accordingly) provide that the Issuer must pay interest in certain specified circumstances, must defer payment of interest in certain other specified circumstances and, if none of the foregoing circumstances apply, may elect to defer any interest payment at its sole discretion, all as described in Condition 5. Any deferred interest payments, together with interest thereon, shall, for so long as the same remain unpaid, constitute “Arrears of Interest”. Subject to certain exceptions, the Issuer may pay Arrears of Interest at any time and must pay such Arrears of Interest in certain circumstances described in Condition 5.

The Notes are scheduled to be redeemed on the Interest Payment Date falling in June 2047 (the “Scheduled Maturity Date”) or the earliest possible date thereafter on which certain conditions to redemption set out in the Conditions are met. The holders of the Notes have no right to require the Issuer to redeem the Notes before the Scheduled Maturity Date. The Notes may be redeemed at the option of the Issuer in whole but not in part on 30 June 2027 (the “First Call Date”) or on any Interest Payment Date thereafter at their principal amount, together with any Arrears of Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date. If a Deductibility Event, Gross-up Event, Regulatory Event or Rating Methodology Event occurs at any time, the Issuer may also elect to redeem the Notes in whole but not in part at their principal amount, in each case together with any Arrears of Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date, all as more fully described in and subject to the conditions to redemption set out in Condition 6. The Issuer shall be required to defer redemption of the Notes in certain circumstances as set out in Condition 6.

The Notes constitute direct, unsecured and subordinated obligations of the Issuer and, in the event of a Winding-up, claims in respect thereof will rank (i) behind claims in respect of any unsubordinated indebtedness and payment obligations of the Issuer (including, without limitation, the claims of policyholders of the Issuer), (ii) *pari passu* and without any preference among themselves, (iii) at least equally and rateably with claims in respect of any other existing (including, without limitation, the Fixed-to-Floating Rate Callable Subordinated Notes due 2044 issued by the Issuer) or future direct, unsecured and dated subordinated indebtedness and payment obligations of the Issuer (for the avoidance of doubt, other than obligations in respect of Junior Securities) and (iv) in priority to the claims of Junior Creditors (as such terms are defined in the Conditions). In the event of a Winding-up, no payments will be made under the Notes until the claims of holders of unsubordinated indebtedness and payment obligations shall first have been satisfied in full.

Application has been made to the *Commission de Surveillance du Secteur Financier* (the “CSSF”) in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities (the “Luxembourg Prospectus Law”), for the approval of this prospectus (the “Prospectus”) for the purposes of Directive 2003/71/EC, as amended (the “Prospectus Directive”). This approval cannot be considered as a judgment on, or as any comment on, the merits of the transaction, nor on the situation of the Issuer and the CSSF gives no undertaking as to the economic and financial soundness of the transaction and the quality or solvency of the Issuer, in line with the provisions of Article 7 (7) of the Luxembourg Prospectus Law. Application has also been made to the Luxembourg Stock Exchange for the Notes to be admitted to listing on the official list of the Luxembourg Stock Exchange (the “Official List”) and to be admitted to trading on the Luxembourg Stock Exchange’s regulated market. References in this Prospectus to the Notes being “listed” (and all related references) shall mean that the Notes have been admitted to listing on the Official List and admitted to trading on the Luxembourg Stock Exchange’s regulated market. The Luxembourg Stock Exchange’s regulated market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

The Notes will be issued in denominations of EUR 100,000 in dematerialised form under the Belgian Code of Companies (*Code des Sociétés/Wetboek van Vennootschappen*) (the “Belgian Code of Companies”) and cannot be physically delivered. The Notes will be represented exclusively by book entries in the records of the X/N securities and cash clearing system operated by the National Bank of Belgium (the “NBB”) or any successor thereto (the “Securities Settlement System” or “NBB System”). Access to the Securities Settlement System is available through those of its participants whose membership extends to securities such as the Notes. Securities Settlement System participants include certain banks, stockbrokers (*sociétés de bourse/beursvennootschappen*), Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, *société anonyme*, Luxembourg (“Clearstream, Luxembourg”). Accordingly, the Notes will be eligible to clear through, and therefore accepted by, Euroclear and Clearstream, Luxembourg and investors can hold their Notes within securities accounts in Euroclear and Clearstream, Luxembourg.

Notes may be held only by, and transferred only to, eligible investors referred to in Article 4 of the Belgian Royal Decree of 26 May 1994 on the deduction of withholding tax (“Eligible Investors”) holding their securities in an exempt securities account that has been opened with a financial institution that is a direct or indirect participant in the Securities Settlement System operated by the NBB.

The Notes are expected to be rated BBB by Standard & Poor’s Credit Market Services France SAS (“S&P”) and BBB+ by Fitch France SAS (“Fitch”). S&P and Fitch are established in the European Economic Area (the “EEA”) and registered under the Regulation (EC) No 1060/2009 on credit rating agencies, as amended (the “CRA Regulation”) and are included in the list of registered credit rating agencies published by European Securities and Markets Authority (“ESMA”) on its website in accordance with CRA Regulation (the information contained on that website does not form part of this Prospectus). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Prospective investors should have regard to the factors described under the section headed “Risk Factors” in this Prospectus.

STRUCTURING AGENT TO THE ISSUER AND JOINT BOOKRUNNER

BNP PARIBAS

JOINT BOOKRUNNERS

J.P. Morgan

HSBC

IMPORTANT INFORMATION

This Prospectus comprises a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC, as amended (the “**Prospectus Directive**”) and for the purpose of giving information with regard to the Issuer and its subsidiaries taken as a whole (the “**Group**”) and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

The Issuer (the “**Responsible Person**”) accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Joint Bookrunners (as defined in “Subscription and Sale” below) to subscribe or purchase, any of the Notes. The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Bookrunners to inform themselves about and to observe any such restrictions. For a description of further restrictions on offers and sales of Notes and distribution of this Prospectus, see “Subscription and Sale” below.

No person is or has been authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Joint Bookrunners.

Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Joint Bookrunners expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

The Joint Bookrunners have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability (whether fiduciary, in tort or otherwise) is accepted by the Joint Bookrunners as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the Notes. The Joint Bookrunners accept no liability in relation to the information contained in this Prospectus or any other information provided by the Issuer in connection with the Notes.

Neither this Prospectus nor any other information supplied in connection with the Notes is intended to provide the basis of any credit or other evaluation or should be considered as a recommendation by the Issuer or the Joint Bookrunners that any recipient of this Prospectus or any other information supplied in connection with the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the Notes constitutes an offer or invitation by or on behalf of the Issuer or the Joint Bookrunners to any person to subscribe for, or to purchase, any Notes.

References in this Section “Important Information” to a “Joint Bookrunner” shall, in the case of Joint Bookrunners who are also Structuring Agents to the Issuer, include such entities in their capacities as both Joint Bookrunners and Structuring Agents to the Issuer.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

This Prospectus contains various amounts and percentages which have been rounded and, as a result, when those amounts and percentages are added up, they may not total.

Unless otherwise specified or the context otherwise requires, references to (i) “euro”, “EUR” and “€” are to the currency introduced at the start of the third stage of the economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended and (ii) “U.S.\$” and “U.S. dollars” are to the lawful currency of the United States of America.

In connection with the issue of the Notes, BNP Paribas (the “Stabilising Manager”) (or any person acting on behalf of any Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any person acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Closing Date and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager (or any person acting on behalf of any Stabilising Manager) in accordance with all applicable laws and rules.

TABLE OF CONTENTS

	Page
TABLE OF CONTENTS.....	iii
SECTION 1 - OVERVIEW OF THE NOTES.....	1
SECTION 2 - RISK FACTORS.....	9
SECTION 3 - HISTORICAL FINANCIAL INFORMATION.....	36
SECTION 4 - TERMS AND CONDITIONS OF THE NOTES.....	37
SECTION 5 - CLEARING.....	62
SECTION 6 - DESCRIPTION OF THE ISSUER.....	63
SECTION 7 - USE OF PROCEEDS.....	79
SECTION 8 - TAXATION.....	80
SECTION 9 - SUBSCRIPTION AND SALE.....	86
SECTION 10 - GENERAL INFORMATION.....	88
DEFINITIONS.....	90
Audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2013.....	F-2
Audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2014.....	F-128

SECTION 1 - OVERVIEW OF THE NOTES

This overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of this Prospectus as a whole, including the audited consolidated financial statements for the financial years ended 31 December 2013 and 31 December 2014 as set out on pages F-1 and following. Words and expressions defined in “Terms and Conditions of the Notes” (the “Conditions”) shall have the same meanings in this section and references in this overview to a numbered Condition shall be construed accordingly.

Issuer:	AG Insurance SA/NV
Description of the Notes:	EUR 400,000,000 3.50 per cent. Fixed Rate Reset Dated Subordinated Notes due 2047 (the “Notes”) to be issued by the Issuer on 31 March 2015 (the “Closing Date”).
Joint Bookrunners:	BNP Paribas J.P. Morgan Securities plc HSBC Bank plc
Structuring Agent:	BNP Paribas
Trustee:	BNY Mellon Corporate Trustee Services Limited
Principal Paying Agent, Domiciliary Agent and Agent Bank:	BNP Paribas Securities Services, Belgium Branch
Status of the Notes:	The Notes constitute direct, unsecured and subordinated obligations of the Issuer (subordinated in the manner set out below) which will at all times rank <i>pari passu</i> without any preference among themselves.
Subordination of the Notes:	<p>The payment obligations of the Issuer under or arising from the Notes and the Trust Deed in respect of principal, interest and other amounts (including, without limitation, Arrears of Interest) in respect of the Notes, constitute direct, unsecured and subordinated obligations of the Issuer subordinated in the manner set out below and claims in respect thereof shall at all times rank in the event of a Winding-up:</p> <ul style="list-style-type: none">(i) behind claims in respect of any unsubordinated indebtedness and payment obligations of the Issuer (including, without limitation, the claims of policyholders of the Issuer);(ii) <i>pari passu</i> and without any preference among themselves;(iii) at least equally and rateably with claims in respect of any other existing (including, without limitation the Fixed-to-Floating Rate Callable Subordinated Notes due 2044 issued by the Issuer) or future direct, unsecured and dated subordinated indebtedness and payment obligations of the Issuer (for the avoidance of doubt, other than obligations

in respect of Junior Securities); and

(iv) in priority to the claims of Junior Creditors.

Solvency Condition

Except in a Winding-up of the Issuer, all payments in respect of the Notes are conditional upon the Issuer being solvent at the time for payment by the Issuer and no amount shall be payable in respect of the Notes unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter (the “**Solvency Condition**”).

The Issuer will be considered to be solvent if (i) it is able to pay its debts owed to its creditors (other than Junior Creditors) as they fall due, (ii) its credit has not been imperilled within the meaning of Article 2 of the Belgian Law of 8 August 1997 on bankruptcy and (iii) its Assets exceed its Liabilities.

Redemption:

The scheduled maturity date of the Notes is the Interest Payment Date falling in June 2047 (the “**Scheduled Maturity Date**”) or the earliest possible date thereafter in accordance with the Conditions. The holders of the Notes have no right to require the Issuer to redeem the Notes before the Scheduled Maturity Date. The Issuer may, however, elect to redeem the Notes in the circumstances described below.

Issuer’s Call Option

Subject as provided under “Deferral of Redemption” below and to the provisions of Condition 6, the Notes will be redeemable, at the option of the Issuer, in whole but not in part on 30 June 2027 (the “**First Call Date**”) or on any Interest Payment Date thereafter at their principal amount, together with Arrears of Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date.

Redemption for Deductibility Event, Gross-up Event, Regulatory Event or Rating Methodology Event

Subject to as provided under “Deferral of Redemption” below and to the provisions of Condition 6, the Issuer may elect to redeem, in whole but not in part, the Notes upon the occurrence of a Deductibility Event, Gross-up Event, Regulatory Event or Rating Methodology Event at any time at their principal amount, in each case together with any Arrears of Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date, provided that if any such redemption occurs prior to 30 June 2020, the Issuer shall fund such redemption out of the proceeds of a new issuance of own-funds capital of at least the same quality as the Notes.

The consent of the Relevant Supervisory Authority to any redemption of the Notes may be required pursuant to the Applicable Regulations.

Deferral of Redemption:

Deferral of Redemption following a Regulatory Deficiency Event

If:

- (i) a Regulatory Deficiency Event has occurred and is continuing on the Scheduled Maturity Date or on the date specified in the notice of redemption pursuant to the Conditions, as the case may be; or
- (ii) a redemption on such date would itself cause a Regulatory Deficiency Event to occur, the redemption of the Notes shall be deferred.

Notwithstanding the above sub-paragraph (ii), but always subject to the satisfaction of the Solvency Condition, the Issuer may redeem or repay the Notes upon the occurrence of a Regulatory Deficiency Event if:

- (i) the Relevant Supervisory Authority has exceptionally waived the suspension of the redemption or repayment,
- (ii) the Notes have been exchanged for or converted into another basic own-fund item of at least the same quality; and
- (iii) the Minimum Capital Requirement is complied with after the repayment or redemption.

In such event, subject (except in the case of (iii) below) to the Solvency Condition, such Notes shall instead become due for redemption at their principal amount, together with Arrears of Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date, upon the earliest of:

- (i) the date falling 10 Business Days after the date the Regulatory Deficiency Event has ceased (provided that if on such 10th Business Day a further Regulatory Deficiency Event has occurred and is continuing or a redemption would itself cause a Regulatory Deficiency Event to occur, the provisions of this paragraph shall apply *mutatis mutandis* to determine the subsequent date for redemption of the Notes); or
- (ii) the date falling 10 Business Days after the Relevant Supervisory Authority has agreed to the repayment or redemption of the Notes; or
- (iii) the Winding-up of the Issuer.

Deferral of Redemption relating only to the Solvency Condition

If a Regulatory Deficiency Event has not occurred but the Issuer is required to defer redemption of the Notes on the Scheduled Maturity Date or the date specified in the notice of redemption by the Issuer, as the case may be, only as a result of the Solvency Condition not being

satisfied at such time or following such payment, such Notes shall instead become due for redemption, at their principal amount together with Arrears of Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date, on the date falling 10 Business Days immediately following the day that the Solvency Condition is met provided that it continues to be met and a Regulatory Deficiency Event has not occurred at such deferred date for payment. See Condition 6.

The deferral of the redemption of the Notes in accordance with the Conditions will not constitute a default by the Issuer and will not give Holders or the Trustee any right to accelerate the Notes such that amounts of principal, interest or Arrears of Interest would become due and payable on the Notes earlier than otherwise scheduled pursuant to the Conditions or the Trust Deed.

Any redemption of the Notes prior to the Scheduled Maturity Date shall be subject to the prior approval, consent or non-objection of the Relevant Supervisory Authority, if required pursuant to the then Applicable Regulations in order for the Notes to qualify as regulatory capital.

Interest:

The Notes will bear interest from (and including) the Closing Date to (but excluding) the First Call Date at a rate of 3.50 per cent. per annum. In respect of each successive five year period thereafter, the Notes will bear interest at a rate (which will reset on the First Call Date and on each fifth anniversary thereof) equal to the sum of the Five Year Euro Mid Swap Rate, the Margin, and the Step-Up.

Interest is scheduled to be paid annually in arrear on 30 June in each year, commencing on 30 June 2016.

Payment of interest is subject to optional or mandatory deferral as described below. See Condition 4.

Interest Payment Dates:

30 June each year, commencing on (and including) 30 June 2016.

Compulsory Payment of Interest:

The Issuer shall be required to pay accrued interest (and any Arrears of Interest then outstanding) on each Compulsory Interest Payment Date.

Subject to a Mandatory Interest Deferral Event not having occurred and being continuing following such Compulsory Interest Payment Date, as more particularly described below, an Interest Payment Date will be a Compulsory Interest Payment Date if, in the six month period prior to such Interest Payment Date, a Compulsory Interest Payment Event has occurred.

A “**Compulsory Interest Payment Event**” means:

- (i) any dividend or distribution is declared payable or a payment is made on any Junior Securities, save where such dividend, distribution or payment is mandatory in accordance with the terms and conditions of such Junior

Securities; or

- (ii) any repurchase, redemption, repayment or acquisition by the Issuer or any of its Subsidiaries of any Junior Securities, save where the Issuer or, as the case may be, the relevant Subsidiary is not able to defer, pass or eliminate the payment or other obligation in respect of such repurchase, redemption or acquisition.

Interest Deferral:

Optional Deferral of Interest

The Issuer may elect to defer all (but not some only) of any payment of interest on the Notes which is otherwise scheduled to be paid on any Optional Interest Payment Date.

Mandatory Deferral of Interest

An Interest Payment scheduled to be paid on an Interest Payment Date shall be deferred mandatorily on such Interest Payment Date (a “**Mandatory Interest Deferral Date**”) if:

- (i) a Regulatory Deficiency Event has occurred and is continuing at the relevant Interest Payment Date;
- (ii) the Solvency Condition is not met as at such Interest Payment Date;
- (iii) payment of such Interest Payment would cause a Regulatory Deficiency Event; or
- (iv) payment of such Interest Payment would cause the Solvency Condition not to be met,

(each a “**Mandatory Interest Deferral Event**”),

provided, however, that in the case of (i) and (iii) above, the relevant Interest Payment Date will not be a Mandatory Interest Deferral Date in relation to such interest (or such part thereof) if:

- (i) the Relevant Supervisory Authority has exceptionally waived the deferral of such Interest Payment (to the extent the Relevant Supervisory Authority can give such waiver in accordance with the Applicable Regulations);
- (ii) paying the Interest Payment does not further weaken the solvency position of the Issuer and/or the Group; and
- (iii) the Minimum Capital Requirement will be complied with immediately after the Interest Payment is made.

Arrears of Interest:

If the Issuer elects or is required (whether pursuant to the Solvency Condition or due to a Mandatory Interest Deferral Event) to defer any payment of interest, such deferred payment shall itself bear interest at the prevailing interest rate applicable to the Notes, and such deferred interest payment and interest thereon shall, for so long as the same

remains unpaid, constitute “Arrears of Interest”. See also “Risk Factors — Factors which are material for the purpose of assessing the market risks associated with the Notes — The Issuer may (except in certain limited circumstances) elect to, and in certain circumstances must, defer interest payments on the Notes” for a discussion of the uncertainties regarding compounding of interest under Belgian law.

Subject to a Mandatory Interest Deferral Event not having occurred and being continuing, Arrears of Interest may be settled at the option of the Issuer in whole (or in part) at any time upon notice to the Holders and the Trustee and, in the case of interest deferred pursuant to a Regulatory Deficiency Event, subject to regulatory approval, and all Arrears of Interest will in any event become due for payment on the first to occur of the following dates:

- (i) the next succeeding Compulsory Interest Payment Date; or
- (ii) the date on which the Notes are redeemed or repaid in accordance with the Conditions; or
- (iii) upon a Winding-up of the Issuer.

Non-payment of Arrears of Interest shall not constitute a default by the Issuer under the Notes or for any other purpose, unless such payment is required in accordance with Condition 5(f).

Enforcement Events:

If the Issuer defaults (i) for a period of 7 days or more in the payment of any interest due in respect of the Notes or any of them or (ii) for a period of 14 days or more in payment of the principal due in respect of the Notes or any of them, the Trustee may sue for payment when due and prove or claim in the Winding-up of the Issuer for such payment but may take no further or other action to enforce, prove or claim for any such payment. See Condition 12.

The Trustee and the Holders shall have no right to petition for or institute proceedings for the bankruptcy of the Issuer in Belgium or to institute equivalent insolvency proceedings (including those equivalent to a Winding-up) pursuant to any laws in any country in respect of any default of the Issuer under the Notes or the Trust Deed.

Variation:

If a Deductibility Event, Gross-up Event, Regulatory Event or Rating Methodology Event has occurred and is continuing, the Issuer (subject to the prior approval of the Relevant Supervisory Authority (if required pursuant to the then Applicable Regulations in order for the Notes to qualify as regulatory capital)) may with the prior agreement of the Trustee modify the terms and conditions of the Notes (without the consent of the Holders) so that such Deductibility Event, Gross-up Event, Regulatory Event or Rating Methodology Event no longer exists after such modification. Any such modification to the Notes is conditional on certain matters set out in the Conditions being satisfied. See Condition 7.

Additional Amounts:	<p>All payments in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, any Taxes of the Kingdom of Belgium, unless such withholding or deduction is required by law.</p> <p>If any such withholding or deduction is made, additional amounts will be payable by the Issuer subject to certain exceptions as are more fully described in Condition 11.</p>
Form:	The Notes will be issued in dematerialised form under the Belgian Code of Companies (<i>Code des Sociétés/Wetboek van Vennootschappen</i>) (the “ Belgian Code of Companies ”) and cannot be physically delivered.
Denomination:	The Notes will be issued in denominations of EUR 100,000.
Governing Law:	The Trust Deed and the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, save that the provisions contained in Condition 2 in relation to subordination and waiver of set-off, Conditions 14(a) and (c) and any matter relating to the dematerialised form of the Notes and any non-contractual obligations arising out of the same shall be governed by, and construed in accordance with, Belgian law.
Rating:	The Notes have been rated BBB by S&P and BBB+ by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing and Admission to Trading:	Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to listing on the Official List and to be admitted to trading on the Luxembourg Stock Exchange’s regulated market.
Selling and Transfer Restrictions:	<p>The United States and the European Economic Area (See “Subscription and Sale”).</p> <p>Notes may be held only by, and transferred only to, Eligible Investors holding their securities in an exempt securities account that has been opened with a financial institution that is a direct or indirect participant in the Securities Settlement System operated by the NBB.</p>
Use of Proceeds:	The net proceeds of the issue of the Notes will be used in priority by the Issuer to partially or fully redeem an outstanding subordinated loan to Ageas Hybrid Financing S.A. The remaining net proceeds will be used for general corporate purposes.
Risk Factors:	Prospective investors should carefully consider the information set out in “Risk Factors” in conjunction with the other information contained in this Prospectus.
Clearing Systems:	The Notes will be represented exclusively by book entries in the records of the Securities Settlement System operated by the NBB or any successor thereto. Access to the Securities Settlement System is

available through those of its participants whose membership extends to securities such as the Notes. Securities Settlement System participants include certain banks, stockbrokers (*sociétés de bourse/beursvennootschappen*), Euroclear and Clearstream, Luxembourg. Accordingly, the Notes will be eligible to clear through, and therefore accepted by, Euroclear and Clearstream, Luxembourg and investors can hold their Notes within securities accounts in Euroclear and Clearstream, Luxembourg.

ISIN:

BE6277215545.

Common Code:

121158132.

SECTION 2 - RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons which may not be considered significant risks by the Issuer based on the information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

1 Factors that may affect the Issuer's ability to fulfil its obligations under or in connection with the Notes

Financial risks

The level of and volatility in interest rates may adversely affect the Issuer's business

To be able to meet their future liabilities, insurers invest in a variety of assets that typically include a large portfolio of fixed income securities. Interest rate volatility can adversely affect insurance businesses by reducing the returns earned and by reducing the market value of such portfolios. Interest rates are highly sensitive to many factors, including governmental, monetary and tax policies, domestic and internal economic and political considerations, inflation, governmental debt, regulatory environment and any other factors that are beyond AG Insurance's control.

In particular, the insurance sector can be adversely impacted by sustained low interest rates. In times of low interest rates - as experienced since 2005 - bond yields typically decrease. Consequently, when the bonds mature the sums realised are reinvested in bonds with lower yields, which in turn decreases the investment income of the insurer. A protracted period of low interest rates has a negative impact, especially on life insurers with substantial interest rate guarantees on a traditional book of business where the portfolio yield approximates the guaranteed interest rate on the policies written. Persistently low interest rates not only render delivering the necessary return for clients or offering competitive profit sharing more difficult, but also hamper efforts to maintain the required profitability to remunerate shareholders. Low interest rates also make it difficult to continue to offer to clients attractive life investment and savings insurance products, which may lead to a reduction in new business and hence have a negative impact on AG Insurance's results of operations.

AG Insurance's non-life insurance business is equally impacted by interest rate volatility, as its long tail business (such as disability insurance and workmen's compensation) is heavily dependent on investment returns, thereby displaying direct sensitivity to interest rate movements.

As cash flows can be (re-)invested at higher rates, the earnings of an insurer will typically be positively impacted by an increase in interest rates, though only over a protracted period of time. The largest beneficiaries will be life insurers with large traditional books of participating business. Surrenders or lapses could, however, increase as higher investment returns may be available elsewhere and

policyholders would have an incentive to switch. This is particularly the case if surrender penalties are relatively low.

To reduce the interest rate sensitivity of its life insurance business AG Insurance attempts to match its liabilities with assets whose sensitivity to interest rates is the same as, or similar to, that of the liabilities, thereby compensating the interest rate risk. However, to the extent that such asset liability matching (“ALM”, which includes hedging strategies) or other risk mitigating actions (such as profit sharing policies) (See “Description of the Issuer — Risk management”) are not practicable or fully achieved, there still may be fluctuations in the value of assets and liabilities as interest rates change, which may have a negative effect on AG Insurance’s financial condition or results of operations.

AG Insurance also uses derivative instruments such as interest rate swaps and swaptions to mitigate its exposure to interest rate volatility. Any mismatch between the interest rate used for discounting the liabilities and the hedged interest rate could render the hedge unsuccessful and expose AG Insurance to unexpected losses and volatility and have an adverse effect on its financial condition or results of operations.

Stock market volatility or downturns can adversely affect the activities of the Issuer

Stock market volatility and overall declines in stock market indices can negatively affect AG Insurance’s activities. Volatility and declines in market indices can reduce unrealised capital gains in its investment portfolio and hence impact AG Insurance’s excess solvency margin. Volatility can also negatively affect the demand for certain insurance products such as unit linked products. Stock market downturns and high volatility can occur not only as a result of the economic cycle, but also as a result of war, acts of terrorism, natural disasters or other similar events outside AG Insurance’s control.

While AG Insurance has the necessary tools and risk management strategies in place to closely monitor and manage its share portfolio, residual risks persist and a durable decline in the market values of its share portfolio could have a material adverse effect on AG Insurance’s results and financial condition.

AG Insurance is vulnerable to spread risk with respect to its fixed income portfolio

Like most insurance companies, the Issuer has a significant fixed income portfolio in which assets are matched against its life insurance liabilities. The exposure to (credit) spreads primarily relates to market price and cash flow variability associated with changes in credit spreads. A spread widening will reduce the value of fixed income securities held and increase the investment income associated with the purchase of new fixed income securities in the investment portfolio. Conversely, spread tightening will generally increase the value of fixed income securities in the portfolio and will reduce the investment income associated with new purchases of fixed income securities. A number of factors can cause an individual asset or a whole class of assets to decrease in market value, including a perception or fear in the market that there is an increase in the likelihood of defaults.

Although AG Insurance has developed the necessary tools and risk metrics to closely monitor and manage its spread risk, a residual risk may still exist and spread widening could have a material adverse effect on its results and financial condition.

The Issuer is subject to the risk of potential sovereign debt credit deterioration owing to the amounts of sovereign debt obligations in its investment portfolio

Given the large proportion of sovereign bonds in its investment portfolio, AG Insurance is subject to the risk of potential sovereign debt credit deterioration and default. Investing in such instruments creates exposure to the direct or indirect consequences of political, social or economic changes (included changes in governments) and to the creditworthiness of the sovereign. The risk exists that the debt issuer

may be unable or unwilling to repay principal or pay interest when due in accordance with the terms of such debt, and AG Insurance may have limited recourse to compel payment in the event of a default. A sovereign debtor's willingness or ability to repay principal and to pay interest in a timely manner may be affected by different factors (such as the relative size of the debt service burden to the economy as a whole) that are beyond AG Insurance's control. Periods of economic uncertainty may affect the volatility of market prices of sovereign debt to a greater extent than the volatility inherent in debt obligations of other types of issues. If a sovereign were to default on its obligations, this could have a material adverse impact on the Issuer's financial condition and results.

Concerns about the quality of certain European sovereign debts and the sustainability of some sovereign credit ratings were pronounced following the European Stability Fund and International Monetary Fund "bailouts" of Greece, Ireland and Portugal. This also raised questions about the continued viability of the Euro as a common currency and whether certain Euro zone countries may withdraw from the currency union. Euro zone leaders took a number of steps following the 21 July 2011 summit to provide further financing for Greece, improve debt sustainability and stem contagion. Although the package marked a significant step in containing the sovereign debt crisis, solving the structural and governance problems with respect to sovereign debt will take years. As a result of this turbulence within the Euro zone, the government bond market for certain jurisdictions has experienced increased spreads and price volatility, credit downgrade events and increased probability of default. While AG Insurance reduced a major part of its exposure to the Euro zone periphery in 2011 and 2012 (See "Description of the Issuer — Key financial figures" and "Description of the Issuer — Market trends and environment — Financial markets turmoil"), a default or debt restructuring by a sovereign issuer, with possible "knock-on" effects on other sovereign issuers and on the financial markets in general, could still have a potentially material adverse effect on AG Insurance's results or financial condition.

The reduction of AG Insurance's exposure to the Euro zone periphery led to an increase of the Belgian government bonds portfolio, which now constitutes a substantial part of AG Insurance's investment portfolio. Hence, AG Insurance is largely exposed to the risks associated with the Belgian political and economic situation, which could have a significant impact on the value of AG Insurance's investment portfolio. The European sovereign debt crisis persists to this day and credit spreads have not yet fully returned to pre-global economic and financial crisis levels. A sovereign debt default or restructuring by a government (or government-backed) issuer in the Euro zone or elsewhere could have potentially significant negative consequences both for the holders of such debt and for the stability of the broader financial markets and the insurance sector. Although AG Insurance monitors its sovereign debt exposure closely, any of these events, depending on their specific nature and magnitude, could have a material adverse effect on the results and financial condition of AG Insurance.

The European sovereign debt crisis persists to this day and credit spreads have not yet fully returned to pre-global economic and financial crisis levels. A sovereign debt default or restructuring by a Euro zone or other government (or government-backed) issuer could have potentially significant negative consequences both for the holders of such debt and for the stability of the broader financial markets and sector. Although AG Insurance monitors its sovereign debt exposure closely, any of these events, depending on their precise nature and magnitude, could have a material adverse effect on the results and financial condition of AG Insurance.

Fluctuations in currency exchange rates may affect AG Insurance's results of operations and solvency

AG Insurance is exposed to foreign currency, in particular U.S. dollars, through its investments. While AG Insurance seeks to manage its exposure to foreign currency fluctuations through hedging, fluctuations in exchange rates may have a significant impact on AG Insurance's results of operations and cash flows. For example, a strengthening or weakening of the euro against the U.S. dollar may adversely

affect AG Insurance's results of operations. While AG Insurance uses a range of instruments and strategies to hedge against currency risk, these instruments and strategies may prove ineffective or only partially effective and as a result AG Insurance may suffer losses.

AG Insurance's exposure to fluctuations in the property markets could adversely affect its returns on invested assets, the value of its investment portfolio or its solvency position

AG Insurance has a significant exposure to property risk. Its real estate portfolio is well-diversified and includes investments in office, retail, logistics and in nursing homes, and through Interparking, in the car parks business in Europe. The investments are also geographically diversified in Belgium, France, Germany and Luxembourg, and for Interparking also in Spain, Germany, Italy, the Netherlands and other European countries.

The value of the property portfolio of AG Real Estate, the Issuer's real estate subsidiary, is subject to risks related to, amongst others, rent levels, property prices, occupancy levels, consumer spending and interest rates. Due to the financial crisis and the related economic downturn, the property market, especially the office market, faces deteriorating occupancy levels and non-core retail properties are adversely affected by the related low consumer spending, which, in turn, reduces returns on those property investments. Occupancy levels, mainly in the office market, suffer from this gloomy economic environment. For instance, short term contracts or provisions entitling customers to terminate contracts early could reduce occupancy. The economic downturn has an impact on the real estate market and clearly split it into core and non-core properties. The liquidity of non-core properties is under pressure, while the desirability of core properties increases their values.

Although AG Insurance has the necessary tools in place to closely monitor the real estate risk to which it is exposed by way of its subsidiary AG Real Estate, residual risks exist and a durable decline in the market values of its property investments could have a material adverse effect on its business, revenues, results and financial condition.

Asset illiquidity can adversely affect the Issuer's business

Liquidity risk in AG Insurance's business stems from the liquidity characteristics of the assets purchased and the liabilities sold. Some liabilities arising from life insurance products can be surrendered while others, such as liabilities arising from pension insurance, term insurance and annuities, are highly illiquid. The illiquidity of some life insurance products is strengthened by tax regulation and built-in penalties in case of surrender. Non-life liabilities are also considered to be illiquid by nature. Assets are characterised by a different degree of liquidity, going from a highly liquid (cash) to a low degree of liquidity (real estate). Additionally, protracted market declines can reduce the liquidity of markets that are typically liquid. While liquidity risk has not traditionally been significant (even in the stressed and illiquid market conditions of 2008) and has been closely monitored, AG Insurance could face liquidity problems if, in the course of its activities, it requires exceptional amounts of cash at short notice in excess of currently anticipated cash requirements, and there are insufficient liquid assets and/or if assets prove to be difficult to sell at attractive prices in a timely manner.

A sustained increase in inflation rates may negatively affect AG Insurance's business, solvency position and results of operations

Inflation, as measured by consumer price indices or other means, is a continuing risk. A sustained increase in the inflation rate in the markets where AG Insurance or its subsidiaries operate would have multiple impacts on AG Insurance and may negatively affect its business, solvency position and results of operations. For example, a sustained increase in the inflation rate may result in an increase in market interest rates which may in turn (i) decrease the estimated fair value of certain fixed income securities

AG Insurance holds in its investment portfolio, resulting in reduced levels of unrealised capital gains available to AG Insurance and which could negatively impact its solvency margin position and net income, and (ii) result in increased surrenders of certain life and savings products, particularly those with fixed rates below market rates. This may also require AG Insurance to pay higher interest rates on debt securities that it might issue in the financial markets from time to time.

A significant and sustained increase in inflation has historically also been associated with sluggish performance of equity markets generally. A sustained decline in equity markets may (i) result in impairment charges to equity securities that AG Insurance holds in its investment portfolio and reduce levels of unrealised capital gains available to AG Insurance, which would in turn reduce net income and negatively impact AG Insurance's solvency position, (ii) negatively impact performance, future sales and surrenders of unit linked products where the underlying investments are often allocated to equity funds, (iii) negatively impact the ability of AG Insurance's asset management to retain and attract assets under management, as well as the value of assets that are managed, all of which may negatively impact AG Insurance's results of operations. In addition, in the context of certain property & casualty risks underwritten by AG Insurance (particularly "long-tail" risks), a sustained increase in inflation may result in (i) claims inflation (*i.e.* an increase in the amount ultimately paid to settle claims several years after the policy coverage period or event giving rise to the claim), coupled with (ii) an underestimation of corresponding claims reserves at the time of establishment due to a failure to fully anticipate increased inflation and its effect on the amounts ultimately payable to policyholders, and, consequently, (iii) actual claims payments significantly exceeding associated insurance reserves. In addition, a failure to accurately anticipate higher inflation and factor it into the product pricing assumptions may result in a systemic mispricing of products, resulting in underwriting losses which would negatively impact AG Insurance's results of operations.

A sustained deflationary environment may affect in AG Insurance's business in different ways.

In a deflation period, consumption delays (resulting from consumption postponement due to price decrease) will cause a drop in the level of aggregate demand which may lead to a drop in the level of inflows, a slack in capacity if the economy is in recession and a higher profits pressure as selling prices would drop below costs. Those risks can be considered as the biggest danger. As far as Non-Life insurance business is concerned, a protracted period of deflation can have a positive impact through lower claim severity and margins are expected to be higher. Claims reserves may develop beneficially and may show higher prudence. The life insurance industry may be more (negatively) affected by sustained deflationary pressures. Since many products provide for a minimum rate of return guarantee, any scenario that leads to deflation or sustained periods of very low inflation, may pose challenges to life insurers to earn at least promised rate guarantees.

The Issuer is exposed to counterparty default risk, which could have a material adverse effect on its results and financial condition

The Issuer is exposed to default risk, which is the risk that the third parties owing money, securities or other assets to the Issuer do not pay or fulfil their obligations when due. These parties include trading counterparties, counterparties under swaps and credit and other derivative contracts, clearing agents, exchanges, clearing houses, reinsurers, bond issuers and financial intermediaries. Third parties may default on their obligations to the Issuer due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure, fraud or other reasons.

Although AG Insurance has the necessary tools in place to closely monitor default risk (including by way of periodic reviews of the financial statements and reputation of counterparties), a residual risk exists and could negatively impact AG Insurance's results and financial condition.

Insurance liability risks

Experience in the Issuer's life and non-life businesses could be inconsistent with the assumptions the Issuer uses to price its products, which could adversely affect its results

The results of AG Insurance's life and non-life businesses depend significantly upon the extent to which its actual claim experience remains consistent with the assumptions used in the pricing of its products. Life insurance premiums are calculated using assumptions as to mortality, interest rates and expenses used to project future liabilities. In non-life insurance, claim frequency, claim severity and expense assumptions are used to set prices. Although experience (*i.e.* the claims and expenses as actually experienced) is closely monitored, there is no guarantee that actual experience will match the assumptions that were used in initially establishing the future policyholder benefits and related premium levels. To the extent that actual experience differs significantly from the assumptions used, AG Insurance may be faced with unforeseen losses that negatively impact its results.

The Issuer is subject to risks concerning the adequacy of its technical provisions, which could have a negative impact on the Issuer's results in case these provisions prove to be insufficient

The technical provisions of AG Insurance serve to cover the current and future liabilities towards its policyholders. Technical provisions are established with respect to both AG Insurance's life and non-life businesses and include, *inter alia*, mathematical provisions, claims provisions (for reported and unreported claims), unearned premium provisions and ageing provisions. These technical provisions and the assets backing them represent the major part of AG Insurance's balance sheet. Depending on the actual realisation of the future liabilities (*i.e.* the claims as actually experienced), the current technical provisions may prove to be inadequate. For example, AG Insurance's life and health insurance reserves are derived from actuarial practices and assumptions, including an assessment of mortality, morbidity rates, expenses and interest rates. If the actual future mortality and morbidity rates deviate from those used in the projections, this may lead to inadequate reserving. Reserving inadequacy can also occur due to other factors that are beyond the control of insurers, such as unexpected legal developments, advances in medicine and changes in social attitudes. Although AG Insurance has the necessary actuarial tools (such as liability adequacy testing) in place to closely monitor and manage reserve risk, a residual risk still exists and to the extent that technical provisions are insufficient to cover AG Insurance's actual insurance losses, expenses or future policy benefits, AG Insurance would have to add to these technical provisions and incur a charge to its earnings, which could adversely impact its results and financial condition.

The Issuer's operating results may be materially adversely affected by the occurrence of natural or man-made disasters or pandemics and by the consequences of emerging risks that are unpredictable by nature

Pandemics, natural catastrophic events (such as hurricanes, windstorms, hailstorms and earthquakes) and man-made disasters such as acts of terrorism each have the potential to affect the operating results of AG Insurance adversely. In particular, assessing weather-related risk in a rapidly changing environment has become increasingly difficult, with knowledge of past weather events becoming an unreliable guide for future weather events. While AG Insurance generally seeks to manage its exposure to any of these risks through reinsurance and through limiting total risk accumulation, it has experienced in the past and could experience in the future material losses from these types of risks and losses caused by the occurrence of such risks could have a material adverse effect on its results or financial position.

Reinsurance may not be adequate to protect the Issuer against losses and it may incur losses due to the inability of its reinsurers to meet their obligations

In the normal course of business, AG Insurance transfers exposure to certain risks in its non-life and life insurance businesses to others through reinsurance arrangements. Under these arrangements, reinsurers assume a portion of AG Insurance's losses and expenses associated with reported and unreported claims in exchange for a portion of the premiums. The availability, amount and cost of reinsurance depend on general market conditions and may vary significantly. If reinsurance is not available at commercially attractive rates and if the resulting additional costs are not compensated by premiums paid to AG Insurance, this could adversely affect AG Insurance's results. Also, increasing concentration in the reinsurance market reduces the number of major reinsurance providers and therefore could hamper AG Insurance's efforts to diversify in its reinsurance risk.

Any decrease in the amount of AG Insurance's reinsurance cover relative to its primary insurance liability could increase its risk of loss. Reinsurance arrangements do not eliminate AG Insurance's obligation to pay claims and introduce credit risk with respect to AG Insurance's ability to recover amounts due from the reinsurers. While AG Insurance monitors the solvency of its reinsurers through a periodic review of their financial statements, the risk of default by a reinsurer cannot be excluded. Any inability of its reinsurers to meet their financial obligations could materially adversely affect AG Insurance's results.

Operational risks

While the Issuer manages its operational risks, these risks remain an inherent part of its business

AG Insurance's business is dependent on the processing of a large number of complex transactions across numerous and diverse products, and is subject to a complex and changing legal and regulatory regime. Additionally, because of the long term nature of much of the business, accurate records have to be maintained for significant periods. This inherently generates operational risks which relate to the possibility of inadequate or failed internal or external processes or systems, human error, regulatory breaches, employee misconduct or external events such as fraud. These events can potentially result in the irrecoverable loss of essential data, financial loss and harm to AG Insurance's reputation. While AG Insurance attempts to keep operational risks at appropriate levels by maintaining a sound and well controlled environment in light of the characteristics of its business, the markets and the regulatory environment in which it operates, these control measures may not mitigate operational risks sufficiently and cannot eliminate them.

The Issuer is dependent on the existence and due performance of two major outsourcing contracts, the termination or non-performance of which could have a negative impact on operating its business and hence on profitability

AG Insurance relies in part on the IT infrastructure of BNP Paribas Fortis under an outsourcing agreement with BNP Paribas Fortis (See "Description of the Issuer — Material contracts — Servicing agreement"). Pursuant to this agreement, BNP Paribas Fortis hosts and manages a number of IT applications of AG Insurance on its mainframe computers. All technical specifications and responsibilities are, amongst others, fully documented in the agreement. The agreement allows BNP Paribas Fortis to outsource its IT services to a third party if it so desires. Each party can terminate the agreement at its convenience as of 1 January 2012, subject to giving 30 days' prior notice. AG Insurance and BNP Paribas Fortis are examining alternative arrangements to allow AG Insurance to migrate to another service provider, while keeping the necessary integration between bank and insurance applications to support AG Insurance's bancassurance activities.

BNP Paribas Fortis is currently engaged in the process of outsourcing the IT infrastructure services provided to AG Insurance to a separate IT company linked to the BNP Paribas group, located in Belgium. BNP Paribas Fortis will nevertheless bear responsibility towards AG Insurance for the performance of all obligations under the initial outsourcing agreement.

Notwithstanding the efforts in examining alternative arrangements, AG Insurance retains a certain degree of dependence on this IT company linked to BNP Paribas Fortis that might represent an operational risk and that could adversely impact AG Insurance's operations and results.

In addition, an agreement with Portima (an IT service provider that manages the interconnection and standardisation of data transfer between insurance brokers and insurance companies) is essential for running AG Insurance's Broker Channel business. While AG Insurance is a 35.9 per cent. shareholder of Portima, the reliance on Portima represents a material operational risk for AG Insurance's Broker Channel business.

In addition, the agreements with both BNP Paribas Fortis and Portima carry operational risks, which may stem from service failure, service interruptions or defaults, error, breach of or attempts to renegotiate the terms of the agreement or termination of the agreement.

The risk management framework in place may leave the Issuer exposed to unidentified, unanticipated or incorrectly quantified risks, which could lead to material losses or material increases in liabilities

AG Insurance devotes significant resources to the development and implementation of an effective risk management framework consisting of policies, procedures and assessment methods appropriate to its risk profile and risk appetite. Sophisticated risk modelling (such as value-at-risk models), duration analysis, sensitivity analysis and stress testing as well as other risk assessment methods are in place. Nonetheless, these risk management techniques and strategies may not be fully effective in mitigating AG Insurance's risk exposure in all economic market environments or against all types of risk, including the risks that the risk management fails to identify or anticipate. Some of the quantitative and risk metrics for managing AG Insurance's risk are based upon use of observed historical market behaviour and data. AG Insurance applies statistical and other tools to these observations to arrive at quantifications of risk exposures. These tools and metrics may fail to predict future risk exposures adequately. AG Insurance's losses could thus be significantly greater than its measures would indicate. In addition, the quantified modelling does not take all risks into account and although it is complemented by a more qualitative approach that takes into account a broader set of risks, this could prove to be insufficient. Unanticipated or incorrectly assessed risk exposures could result in material losses in AG Insurance's business.

The hiring and retention of skilled employees is a priority for the Issuer and the non-realisation of this objective could have a negative impact on the sustainability and development of its business and on its profitability

The success of AG Insurance's business, the continuity of its operations and its ability to develop new products and services and to comply with a continually changing legal framework depend on its ability to attract and retain qualified employees, particularly those with responsibilities such as actuarial analysis, financial analysis, risk and compliance. Like many other insurers AG Insurance faces intense competition in the hiring and retention of trained and capable employees. Potential candidates often do not perceive the (Belgian) insurance sector as an attractive employer compared to banks or more internationally focused insurance groups. The retirement of employees also creates the additional challenge of bridging the age or seniority gap by timely attracting new recruits with adequate profiles.

Failure to attract and retain sufficient highly skilled and trained employees may negatively impact AG Insurance's ability to comply with its legal obligations (including the approval of certain individuals by regulatory authorities) or its ability to sustain or develop certain business and may therefore adversely impact AG Insurance's profitability.

Strategic risks

The Issuer is the principal operating company of the Ageas group

AG Insurance is the principal operating company of the Ageas insurance group, which as of 2008 consists of the Belgian and international (excluding Dutch) insurance business of the former Fortis group and subsequent acquisitions and/or disposals. AG Insurance's key position within the Ageas group, in which it contributes significantly to earnings, requires both sound governance and a solid operating model. Certain governance aspects of the relationship between AG Insurance and its two shareholders (the Ageas group through ageas Insurance International N.V. and the BNP Paribas group through BNP Paribas Fortis SA/NV) were established in the Shareholders' Agreement (See "Description of the Issuer — Shareholding structure"). No less importantly, other aspects were established in a capital management policy approved by AG Insurance's Board of Directors, detailing the principles regulating capital transfers in both directions (by AG Insurance to both shareholders (capital upstream and dividend policy) and from the Ageas group and BNP Paribas group to AG Insurance (capital funding)). Should such capital management policy fail to realise its goals or should it not be implemented as currently envisaged, the growth strategy of AG Insurance and, hence, its future capacity to generate profits may be adversely impacted.

AG Insurance may be unable to maintain a competitive distribution network of independent brokers and is dependent on an exclusive distribution agreement with BNP Paribas Fortis, both of which could adversely impact its future business and results

AG Insurance offers insurance products through a multi-channel distribution model using a Broker Channel (a network of independent brokers), a Bank Channel (through BNP Paribas Fortis and bpost banque/bpost bank) for the distribution of life and non-life products and direct distribution of group life insurance in a "business to business" context (See "Description of the Issuer — Distribution channels").

A substantial part of the distribution, (particularly in the non-life insurance business), originates from distribution through a large network of brokers that may also offer products of AG Insurance's competitors. As a result, AG Insurance's successful distribution through this channel depends on the preferences of these intermediaries for the products and services of AG Insurance. Intermediaries' preferences are determined in part by the level of compensation offered and also by product features and quality, the services offered to customers, the support services and the financial position or solvency of the insurance company. AG Insurance may not succeed in continuing to provide incentives to insurance brokers to market its products and services successfully, which failure could adversely impact its results.

In the Bank Channel, which is an important driver in AG Insurance's inflow (particularly in the life retail insurance business), AG Insurance is dependent on the network of BNP Paribas Fortis for the distribution of life and non-life insurance products. The exclusive distribution agreement between AG Insurance and BNP Paribas Fortis was extended in 2009 to run until at least 31 December 2020, but can be terminated by BNP Paribas Fortis - subject to giving at least three years' notice - no later than 1 January 2018 (See "Description of the Issuer — Material contracts — Bankassurance Distribution Agreements"). This termination right coincides with the first possible exit by BNP Paribas Fortis from the shareholders' structure of AG Insurance established by the Shareholders' Agreement.

A termination by BNP Paribas Fortis of the distribution agreement with effect as of 31 December 2020 (or later) without AG Insurance having a suitable alternative distribution network in place would have a material adverse effect on AG Insurance's financial condition and results of operations.

To avoid such a loss of distribution capacity, AG Insurance actively seeks to mitigate this risk by investing in the relationship with BNP Paribas Fortis (See "Description of the Issuer — Distribution channels — Bank Channel"). Additionally, AG Insurance is seeking to diversify its distribution channels. However, particularly in the life insurance market where AG Insurance has a market share of over 27 per cent., such possibilities are limited. There can be no assurance, therefore, that efforts to maintain distribution capacity at current levels will be successful, such that a termination of the distribution agreement by BNP Paribas Fortis and the resulting loss of a significant client base would have a material adverse effect on AG Insurance's financial position and results of operations.

The Issuer is exposed to the risk of a downgrade of any of its credit ratings

AG Insurance is rated "A-" (positive) (Financial Strength Rating and Counterparty Credit Rating) by S&P and "A+" (stable) (Insurer Financial Strength) and "A" (stable) (long term Issuer Default Rating) by Fitch (See "Description of the Issuer — Credit ratings of AG Insurance"). A downgrade of any of AG Insurance's credit ratings (for any reason whatsoever) could have a variety of negative effects, including higher funding and refinancing costs in the capital markets, a weakened competitive position, increased surrenders or termination of policies, increased costs of reinsurance and damage to AG Insurance's reputation and image, all of which could have an adverse effect on AG Insurance's financial condition and results of operations.

The Issuer's insurance business is carried out in Belgium, creating a concentration risk

AG Insurance's insurance activities and business are carried out in Belgium. AG Insurance is thus directly exposed to Belgium specific risks and does not benefit from geographical diversification to mitigate such concentration risk. Specific conditions in Belgium, including in relation to regulation, political stability, act of God or any other negative event that could affect the country, may have a direct, disproportionate and materially adverse impact on AG Insurance activities and profitability.

Business risks

AG Insurance's performance is subject to substantial competitive pressure that could adversely affect its results

There is substantial competition in Belgium for the type of insurance products that AG Insurance offers in both the life and non-life business. AG Insurance faces competition from KBC, AXA, ING and Belfius in life retail insurance, from AXA, Delta Lloyd, P&V and KBC in life group insurance and from AXA, Ethias, KBC and Belfius in non-life insurance.

The financial crisis and solvency capital requirements have strongly impacted the Belgian financial landscape as they put both life and non-life insurers under pressure to generate profitability in a mature environment. To avoid high capital requirements imposed by future Solvency II rules insurers have invested more in safe haven investments and tried to shift product offerings from high capital consuming savings products to unit linked and risk offerings. This challenge led to lowering the guaranteed interest rate in group life insurance and individual life products, tariff increases and adapted product features in non-life products.

In addition, industry consolidation continued in order to diversify risks and realise economies of scale. Mercator, which acquired niche player Avéro and Argenta's employee benefits business in 2010, and Nateus rebranded at the end of 2012 to jointly form Baloise Insurance. Due to the financial crisis, KBC

and Ethias were forced to divest part of their insurance activities, while the Dexia disentanglement continued with the creation of Belfius Bank & Insurance, a fully state owned company.

Furthermore, high capital requirements for monoline insurance companies, anticipating the implementation of Solvency II, have led to further consolidation. In 2013, DeltaLloyd Life fully integrated ZA Verzekeringen, and, in 2014, AG Insurance acquired the Fidea group portfolio. The remaining part of Fidea was acquired by Anbang - a Chinese investment group - in October 2014.

In addition to consolidations and partnerships, insurers are also exploring different approaches in distribution as an alternative response to the challenges they have encountered or they expect to encounter in the future. For example, Corona Direct generates supplemental revenues by selling insurance through a retailer, Hema, and via white labelling insurance with other affinity commercial brands (Fiat, Harley Davidson). Online aggregators, such as mefirst.be, have also introduced a new platform to consumers allowing them to compare insurance premiums.

Consumer demand and awareness also affect competition, in particular as a result of technological advances and the impact of (social) media. Consumers have become more knowledgeable, price conscious and risk averse, demanding more convenience and transparency.

AG Insurance therefore operates in a concentrated and mature market that is subject to continuing consolidation and that constantly seeks to develop new products and distribution channels. If AG Insurance is unable to offer competitive and attractive products profitably, it may lose market share and/or incur losses on some of its activities. Competitive pressure could further result in increased pricing pressure, particularly as competitors seek to win market share, which may impair the ability of AG Insurance to maintain or increase profitability.

Continuing difficult market conditions and business cycles in which AG Insurance operates may adversely affect its business and its profitability

AG Insurance's business is affected by changing general market conditions, which can cause its results to fluctuate from year to year, as well as on a more long term basis. These conditions include economic cycles such as insurance industry cycles and financial market cycles, including volatile movements in market prices for securities. In particular, cycles in the non-life insurance industry are characterised by periods of price competition, fluctuations in underwriting results and the occurrence of unpredictable weather-related and other losses. Fluctuations in interest rates, credit spreads, consumer and business spending, demographics and other factors also influence the performance of AG Insurance's business.

Market conditions continue to be volatile and there can be no assurance as to the effect of this volatility, particularly if it is prolonged, on the results of AG Insurance's activities. Although AG Insurance is well capitalised and has a well-balanced business mix of life and non-life products allowing for a partial mitigation of such volatility, it may experience the negative effects of changing market conditions on its results and financial condition.

There are continuing uncertainties regarding the final implementing measures that will be adopted under the Solvency II regime and that could have potentially adverse impacts on the insurance sector as a whole and on the Issuer in particular

The European Union is currently developing a new solvency framework for insurance and reinsurance companies operating in the European Union, referred to as "Solvency II". The adoption of European Directive 2009/138/EC on the taking-up and pursuit of the business of insurance and reinsurance of 25 November 2009, as amended by Directive 2013/58/EU of 11 December 2013 as regards the date for its transposition and the date of its application and by Directive 2014/51/EU of 16 April 2014 (the

“**Solvency II Directive**”) marked an important step in this major reform. Implementation of the Solvency II Directive by the EU Member States and its entry into force had originally been scheduled for 1 January 2014. However, on 11 December 2013, the European Parliament adopted a directive amending the Solvency II Directive and pursuant to which the deadline for transposition of Solvency II into national law is now scheduled for 31 March 2015 and the application of Solvency II for 1 January 2016. However, a number of uncertainties remain, including in relation to the implementing measures and the overall timing.

The new approach to solvency will be based on the concept of three pillars: minimum capital requirements, supervisory review of the company’s assessment of risk and enhanced disclosure requirements. A key aspect of Solvency II is that capital requirements will be risk-based assessed and that under this new regime companies will be permitted to use a (partial) self-developed internal model (as opposed to the standard approach or model) for the calculation of the required capital, provided the relevant regulatory authority approves such internal model.

The Directive 2014/51/EU of 16 April 2014 in respect of the powers of the European Supervisory Authority (European Insurance and Occupational Pensions Authority) and the European Supervisory Authority (European Securities and Markets Authority) (the “**Omnibus II Directive**”) amended the Directive 2009/138/EC to bring it in line with the EU Lisbon Treaty and to take account of the EU’s new supervisory structure introduced in EU Regulation No 1094/2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority) of 24 November 2010.

On 10 October 2014, the European Commission adopted a Delegated Act containing Level 2 implementing measures supplementing the high level principles embedded in the Level 1 Solvency II Directive. Following its approval by the European Parliament and Council, this Delegated Act was published on 17 January 2015, as Commission Delegated Regulation 2015/35, and entered into force on the following day.

In particular the artificial volatility with respect to long term products is an issue, requiring action by AG Insurance regarding the testing of the so-called “long term guarantee assessment package” as required by the Belgian supervisory authority for insurance companies, the National Bank of Belgium. Although AG Insurance endeavours to roll out Solvency II technical specifications that properly reflect the capital required with respect to its long term business, the potential future impact of the final Solvency II implementing measures on AG Insurance’s solvency position and business currently cannot yet be fully assessed nor quantified.

Within the Solvency II context, AG Insurance is currently developing an internal model for the capital calculation regarding the non-life insurance underwriting risk. For the market risk capital calculation, some orientations to develop an internal model have already been taken. In the meantime the standard approach is used for market risk and all other risks except non-life. There can be no assurance, however, that the National Bank of Belgium will approve AG Insurance’s proposed internal model, in which case AG Insurance would be required to comply with stricter capital requirements than anticipated and/or may be imposed “capital add-ons”, which in turn could have an adverse effect on its financial position and results of operations.

In addition, the effect of the new solvency rules may be to impact adversely on AG Insurance’s solvency position, which could potentially entail a significant increase in the capital that AG Insurance is required to hold to support its business or some of its business lines.

Furthermore, prospective investors should note that changes in Applicable Regulations (as defined in the Conditions) may result in the Notes not qualifying as at least Tier Two own funds regulatory capital (See “Terms and conditions of the Notes — Definitions — Regulatory Event”). In such case, AG Insurance

may elect to redeem the Notes due to the occurrence of a Regulatory Event (See “— Factors which are material for the purpose of assessing the market risks associated with the Notes — Risks related to the structure of the Notes — The Notes will be subject to optional redemption by the Issuer including upon the occurrence of certain events, and an investor may not be able to reinvest the redemption proceeds at as effective a rate of return as that in respect of the Notes”) or to modify the terms of the Notes (See “— Factors which are material for the purpose of assessing the market risks associated with the Notes — Risks related to the structure of the Notes — Variation of the terms of the Notes upon the occurrence of a Gross-up Event, Deductibility Event, Regulatory Event or Rating Methodology Event”).

The business of the Issuer is subject to extensive laws and regulations and changes in the legal and/or regulatory environment may have an adverse effect on its business, financial condition, reputation or image in the market

AG Insurance conducts its business subject to ongoing regulation and associated regulation risks, including the effects of changes in the laws, regulations, policies and interpretation thereof in those jurisdictions in which AG Insurance or its subsidiaries conduct business. The timing and form of future changes in regulation are unpredictable and beyond AG Insurance’s control. Changes made could materially and adversely affect AG Insurance’s business products, services offering, the value of its assets or the extent of its liabilities.

In particular AG Insurance is subject to the so called “Twin Peaks” supervisory structure in Belgium aimed at simpler and more transparent insurance products and at reinforcing consumer protection rights. The supervision of insurance products is entrusted to the Belgian Financial Services and Markets Authority (*Autorité des services et marchés financiers/Autoriteit voor Financiële Diensten en Markten*) (the “**FSMA**”). Heightened regulatory scrutiny could, for example, prohibit certain types of segmentation and adversely impact AG Insurance’s profitability.

As part of the so-called Twin Peaks II reform, the Belgian parliament on 30 and 31 July 2013 passed two laws. Implementing these laws, three Royal Decrees were published on 21 February 2014. This legislation aims to improve the protection of Belgian investors and to strengthen the supervisory powers of the FSMA (“**Twin Peaks II**”). A number of measures in Twin Peaks II are highly relevant for insurance companies doing business in Belgium. In particular, Twin Peaks II extends the MiFID conduct of business rules, which formerly only applied to credit institutions, investment firms and their agents, to insurance companies and insurance intermediaries. Furthermore, Twin Peaks II strengthens the FSMA’s special investigative powers, among others authorising the FSMA to engage in “mystery shopping” (*i.e.* to approach regulated entities as a client, without mentioning its capacity as a regulator) and to request permanent remote access to internet websites on which information or offers are made available to clients. Finally, Twin Peaks II extends the existing powers of the FSMA to issue injunctions, public warnings and administrative fines to insurance companies and insurance intermediaries. The level of administrative fines for insurance companies is set at a maximum of EUR 2,500,000. Fines must be published, disclosing the name of the concerned person(s), unless such disclosure would seriously jeopardise the financial markets or cause disproportionate damage to the parties concerned. It follows that, as a consequence of Twin Peaks II, AG Insurance is subject to new regulatory requirements, increased regulatory scrutiny and a reinforced administrative sanctioning regime, all of which may negatively impact its business.

On 3 July 2012 the European Commission adopted, among others, the following proposals to improve consumer protection in financial services: a proposal for a revision of the Insurance Mediation Directive (“**IMD II Proposal**”) and a proposal for a regulation on key information documents for investment products (“**PRIIPs**”). On 9 December 2014, the Regulation (EU) N° 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail

and insurance-based investment products (the “**PRIIPS Regulation**”) was published in the Official Journal of the European Union and will be directly applicable as of 31 December 2016. The IMD II Proposal and the PRIIPs Regulation are closely linked. The IMD II Proposal and the PRIIPs regulation introduce rules aimed at levelling the playing field for the sale and disclosure of insurance and retail investment products to strengthen consumer protection. The IMD II Proposal addresses sales and disclosure rules for insurance products, including additional sales rules for insurance investment products. PRIIPs addresses disclosure rules for retail investment products and introduces a new standard for product information called a “Key Information Document” or “KID”. The main issues for AG Insurance are transparency of remuneration in life as well as in non-life insurance (with a transitional regime of five years for non-life), a ban on commissions on life insurance investment products sold on the basis of independent advice, the introduction of investment profiles and suitability/appropriateness tests in life invest products and the implementation of the key information document. Most of these issues were already covered by the Belgian MIFID/Twin Peaks legislation.

On 4 July 2012 the European Market Infrastructure Regulation (“**EMIR**”) was adopted. EMIR addresses the risks involved in OTC trading by imposing new requirements on counterparties entering into OTC derivative contracts. In particular, it imposes (i) central clearing obligations (standardised derivative contracts entered into by financial counterparties such as insurance companies should be cleared through central counterparties in order to reduce the risk in the financial system), (ii) risk management obligations (counterparties entering into non-centrally cleared OTC derivative contracts must apply appropriate risk measures, including – as far as financial counterparties are concerned – the exchange of collateral), and (iii) reporting obligations (all OTC derivative contracts should be reported to trade repositories). EMIR entered into force gradually in 2013. As of 13 February 2014, following the adoption of regulatory technical standards for the Regulation on OTC derivatives, central counterparties and trade repositories, all EU derivatives market participants are required to report data relating to OTC derivatives and their counterparties to a trade repository. The introduction of EMIR has given rise to new challenges for AG Insurance such as, amongst others, an adaptation of its collateral management infrastructure and organisation, the determination of OTC derivatives valuation methodologies and their documentation and an update of existing processes and IT applications in order to correctly identify and provide required information and build a daily reporting file.

If AG Insurance fails to appropriately address, or appears to fail to address, the regulatory changes, AG Insurance’s reputation could be harmed and AG Insurance could be subject to additional legal risk, including enforcement actions, fines and penalties. Despite its best efforts to comply with applicable regulations, there are a number of risks in areas where applicable regulations may be unclear or where regulators revise their previous guidance or courts overturn previous rulings. AG Insurance also faces increasing compliance costs in view of the continuously changing regulatory landscape in which it operates, which could impact its results and financial condition.

Potential changes to International Financial Reporting Standards as adopted by the European Union may adversely affect the consolidated results of the Issuer and its financial condition

The consolidated accounts of AG Insurance are prepared in accordance with International Financial Reporting Standards (“**IFRS**”). In March 2004 the International Accounting Standards Board (“**IASB**”) introduced a framework for reporting insurance contracts (“**IFRS 4**”), described as Phase I, which, except for selected exceptions, basically allowed the continuation of existing practices for reporting insurance contracts and associated policyholder liabilities that existed before January 2005. On 20 June 2013, the IASB published a revised Exposure Draft of proposals for the accounting for Insurance Contracts building on the proposals formulated in the Exposure Draft, published in July 2010, for its IFRS 4 Phase II on insurance contracts. Phase II is expected to introduce significant changes to the way

entities that prepare accounts in accordance with IFRS would report insurance contracts. The publication of the IFRS 4 Phase II reporting rules on insurance contracts is currently scheduled for late 2015. . These changes are expected to affect significantly the way the consolidated financial position and results of AG Insurance's operations are reported upon and measured, the impact of which currently cannot be assessed.

Reputational risks

Litigation and investigations affecting the Issuer's indirect shareholders could have a negative effect on the Issuer

Through BNP Paribas Fortis SA/NV (which holds 25 per cent. plus one share of AG Insurance), AG Insurance's indirect minority shareholder is BNP Paribas S.A. (which holds 99.93 per cent. of BNP Paribas Fortis SA/NV, along with a number of minority shareholders which, together, hold 0.07 per cent. of BNP Paribas Fortis SA/NV). Until 13 November 2013, 25 per cent. of the shares in BNP Paribas Fortis SA/NV were held by the (Belgian) Federal Participation and Investment Company (*Société Fédérale de Participations et d'Investissement (SFPI)/Federale Participatie- en Investeringsmaatschappij (FPIM)*) (the "FPIC"), acting in the framework of a delegated assignment (*mission déléguée/gedelegeerde opdracht*), for the account of the Belgian State. On 13 November 2013, the FPIC sold its shareholding in BNP Paribas Fortis SA/NV to BNP Paribas S.A. BNP Paribas S.A., the Belgian State, the FPIC and BNP Paribas Fortis are involved in litigation relating to the bailout and subsequent dismantling of the former Fortis group. The outcome of such litigation, as well as any other potential litigation involving BNP Paribas S.A., the Belgian State, the FPIC or BNP Paribas Fortis, and the financial consequences thereof for these entities cannot currently be predicted. However, such litigation could have an indirect negative effect on AG Insurance, including harm to its reputation and resulting loss of business.

AG Insurance's indirect majority shareholder is ageas SA/NV, the listed parent company of the former Fortis group. Ageas SA/NV has been or is still involved in litigation and investigations relating to the bailout and the subsequent dismantling of the former Fortis group, as well as relating to certain events preceding the bailout. The outcome of such litigation and of the criminal investigation still pending in Belgium cannot currently be predicted, but could entail substantial financial consequences for ageas SA/NV.

AG Insurance's risk of direct exposure to potential financial difficulties encountered by ageas SA/NV as a result of the litigation and investigations is mitigated to some extent by the Shareholders' Agreement that grants AG Insurance's minority shareholder BNP Paribas Fortis a veto right on dividends and other capital issues (See "Description of the Issuer — Shareholding structure"), thereby preventing (excessive) outflows of cash from AG Insurance to ageas SA/NV. Despite the absence of financial guarantees provided by AG Insurance for the benefit of ageas SA/NV entities and its full operational independence from ageas SA/NV, financial difficulties encountered by ageas SA/NV, or a market perception of such difficulties, may have a material adverse effect on AG Insurance's reputation, results of operations and financial condition.

Potential effects on AG Insurance of such financial difficulties include, but are not limited to, AG Insurance's clients and other third parties associating AG Insurance with the Ageas group and ceasing to transact, or reducing their transaction of, business with AG Insurance, leading to lapses or a decrease in new business generation. Furthermore, a sale by Ageas Insurance International N.V. of all or part of its shares in AG Insurance (subject to compliance with certain transfer restrictions (See "Description of the Issuer — Shareholding structure")) to generate cash to satisfy liabilities of the Ageas group as a result of such litigation, investigations or otherwise would lead to a change of control over AG Insurance, as a

result of which AG Insurance could be faced with integration issues under a new shareholder, potential changes in its strategy, product offering or distribution network and possibly changed client behaviour. All of the foregoing could adversely affect AG Insurance's results of operations and financial condition.

Litigation or other proceedings or actions may adversely affect the Issuer's business and hence its financial condition and results of operations

AG Insurance's business is subject to the risk of litigation by customers, employees or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The outcome of litigation or similar proceedings or actions is difficult to assess or quantify. Plaintiffs in these types of actions may seek recovery of large or indeterminate amounts or other remedies that may affect AG Insurance's ability to conduct business, and the magnitude of the potential loss relating to such actions may remain unknown for substantial periods of time. The cost to defend future actions may be significant. There may also be adverse publicity associated with litigation that could decrease customer acceptance of AG Insurance's services, regardless of whether the allegations are valid or whether AG Insurance ultimately is found liable. As a result, litigation may adversely affect AG Insurance's business, financial condition and results.

Systemic risks

The Issuer is considered to be a "systemically important financial institution" and could itself be exposed to systemic risk that could adversely impact its results and financial condition

Systemic risk is generally understood to be the risk of an economic disruption that stems from the financial sector and seriously impairs the economy. Concerns about, or a default by, one financial institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely related. This interdependence means that the failure of a sufficiently large and influential financial institution could materially disrupt the financial market, which could cause severe market declines or volatility. Such a failure could also cause a chain of defaults of counterparties. This systemic risk could adversely impact future product sales of AG Insurance as a result of reduced confidence in the financial sector. This could also reduce its results because of market decline and write-downs of assets and claims on third parties.

The prudential control on insurance companies and on "systemically important financial institutions" (SIFIs) is the responsibility of the NBB. AG Insurance is monitored by the NBB both in its capacity as a SIFI and as an insurance company. Under the Royal Decree of 3 March 2011 on the evolution of the supervision architecture for the financial sector the notion of SIFI is no longer defined, but AG Insurance was designated as a SIFI by the predecessor entity to the NBB in relation to SIFIs. In addition, Ageas is also monitored by the NBB both in its capacity as a SIFI and as an insurance holding, as a result of which AG Insurance is indirectly subject to additional consolidated prudential control.

As a SIFI, AG Insurance falls under the specific supervision of the NBB for all its "strategic decisions". The NBB has the right to oppose intended strategic decisions by AG Insurance if they are deemed to be in breach of the sound and prudent management of the SIFI or if they create a material risk for the stability of the financial sector. The NBB can also impose additional specific measures upon AG Insurance, including in relation to liquidity, solvency, risk concentration and risk positions, if the NBB determines that as a SIFI AG Insurance has an inadequate risk profile or if its policy can have a negative impact on the stability of the financial system.

As an insurance company, AG Insurance is also supervised by the NBB in relation to its capital, liquidity and solvency requirements, internal governance and organisation and fit and proper assessment of management and shareholders (See “Description of the Issuer — Insurance supervision and regulation”).

Finally, the Belgian Law of 2 June 2010 on the expansion of rescue measures for undertakings in the banking and financial sector, as amended by the above mentioned Belgian Royal Decree of 3 March 2011, introduced the possibility of an expropriation by Royal Decree (upon the initiative or advice of the NBB) if the NBB is of the opinion that an insurance company is in breach of the provisions of the Belgian Law of 9 July 1975 on the control of insurance companies and its implementing measures, that the insurance company’s policy or financial position do not provide sufficient guarantees for the due performance of its obligations or that the administrative or accounting organisation or internal control show significant shortcomings. Expropriation measures can only be taken if the insurance company is systemically important in accordance with the meaning of the Law of 2 June 2010, *i.e.* if the above mentioned shortcomings are likely to affect the stability of the Belgian or international financial system in view of the extent of the insurance company’s obligations or its role in the financial system. Expropriation can consist of a transfer, sale or contribution of the insurance company’s assets or liabilities or of the shares in such insurance company. The beneficiary of the expropriation can be the Belgian State or any Belgian or foreign public or private entity. These specific expropriation rules set aside more general Belgian law principles: the traditional bankruptcy rules allowing the avoidance of transactions entered into during the so called “suspect period” (*i.e.* claw back) do not apply, nor do limitations on the transferability of shares contained in legal or contractual provisions (such as approval rights or rights of first refusal).

The foregoing is in addition to the powers the NBB has, *vis-à-vis* any insurance company, to suspend or prohibit the exercise of all or part of the activities or to wholly or partially suspend the performance of ongoing agreements.

This regulatory regime, its implementation and further interpretation by the regulatory bodies and the courts may have a material and adverse impact on AG Insurance’s functioning and operations and hence could materially and adversely impact its results and financial position.

2 Factors which are material for the purpose of assessing the market risks associated with the Notes

The Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should: (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus or any applicable supplement; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor’s currency; (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks. The Notes are complex financial instruments. Sophisticated institutional investors generally purchase complex financial instruments as part of a wider portfolio strategy rather than as stand-alone investments. They purchase complex financial instruments as a way

to reduce risk or enhance yield with a measured and appropriate addition of risk to their overall portfolios, and only after performing an intensive analysis of all involved risks. A potential investor should not invest in the Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact the investment will have on the potential investor's overall investment portfolio.

Risks related to the structure of the Notes

The Issuer's obligations under the Notes are subordinated, and on a Winding-up of the Issuer investors may lose some or all of their investment in the Notes

The Issuer's obligations under the Notes will be direct, unsecured and subordinated and will rank *pari passu* and without preference among themselves. In the event of a Winding-up (as defined in the Conditions) of the Issuer under Belgian law, the claims of the Holders in respect of the Notes will rank (i) behind claims in respect of any unsubordinated indebtedness and payment obligations of the Issuer (including, without limitation, the claims of policyholders of the Issuer); (ii) *pari passu* and without any preference among themselves; (iii) at least equally and rateably with claims in respect of any other existing (including, without limitation the Fixed-to-Floating Rate Callable Subordinated Notes due 2044 issued by the Issuer) or future direct, unsecured and dated subordinated indebtedness and payment obligations of the Issuer (other than obligations in respect of Junior Securities (as defined in the Conditions); and (iv) in priority to the claims of Junior Creditors (as defined in the Conditions).

By virtue of such subordination, in a Winding-up of the Issuer, the assets of the Issuer would be applied first in satisfying all senior-ranking claims in full, and payments would be made to Holders of the Notes, *pro rata* and proportionately with payments made to holders of any other *pari passu* instruments (if any), only if and to the extent that there are any assets remaining after satisfaction in full of all such senior-ranking claims. A Holder may therefore recover a lesser proportion of its claim than the holders of unsubordinated liabilities of the Issuer, and may not recover any part of its investment in the Notes.

Furthermore, the Conditions will not limit the amount of the liabilities ranking senior to, or *pari passu* with, the Notes which may be incurred or assumed by the Issuer from time to time, whether before or after the Closing Date. The incurrence of any such liabilities may reduce the amount (if any) recoverable by Holders on a Winding-up of the Issuer. Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with, the Notes and each Holder shall, by virtue of its holding, be deemed to have waived all such rights of set-off, compensation or retention.

In addition, notwithstanding the stated ranking, the Belgian Bankruptcy Law of 8 August 1997 does not prevent distributions being made while a Winding-up decision is not final and pending an appeal. Therefore it is possible that distributions may be made to more deeply subordinated creditors before distributions are made to the Holders of the Notes. Condition 2 of the Conditions on the status of the Notes should be read taking into account this risk. However, given the current practice of bankruptcy trustees and their potential liability this risk seems to be very remote.

Although subordinated debt securities may pay a higher rate of interest than comparable debt securities which are not subordinated, there is a real risk that an investor in the Notes will lose some or all of its investment should the Issuer become insolvent.

Furthermore, if the Issuer's financial condition deteriorates such that there is an increased risk that the Issuer may be wound up, such circumstances can be expected to have a material adverse effect on the market price of the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price which may be significantly lower than

the price at which they purchased their Notes. In such event, investors may lose some or substantially all of their investment in the Notes, whether or not the Issuer is wound up.

Payments of interest and principal relating to the Notes are subject to a Solvency Condition except in a Winding-up of the Issuer

Except where the Issuer is in Winding-up, all payments in respect of the Notes (including any damages awarded for breach of any obligations under the Notes) are conditional upon the Issuer being solvent (as defined in the Conditions) at the time for payment by the Issuer and no amount shall be payable in respect of the Notes unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter. See Condition 2 of the Conditions. If the Issuer is unable to make payments on the Notes due to the operation of the Solvency Condition (as defined in the Conditions) and such circumstances continue to exist, the Issuer may be required to defer payments of interest and/or principal on the Notes for an extended or indefinite period of time whilst continuing to make payments on certain of its other obligations, and there is a risk that the amounts so deferred may only become payable in a Winding-up of the Issuer (in which case the risks described under “The Issuer’s obligations under the Notes are subordinated, and on a Winding-up of the Issuer investors may lose some or all of their investment in the Notes” above shall apply).

If the Issuer is unable, or the market anticipates that the Issuer may be unable, to pay any interest or principal as a result of the operation of the Solvency Condition, such circumstances can be expected to have a material adverse effect on the market price of the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price which may be significantly lower than the price at which they purchased their Notes. In such event, investors may lose some or substantially all of their investment in the Notes.

The Issuer has no obligation to redeem the Notes before the Scheduled Maturity Date and the Holders of the Notes have no right to require the Issuer to redeem the Notes before the Scheduled Maturity Date. There is also the potential for the indefinite postponement of redemption

The Issuer has no obligation to redeem the Notes before the Scheduled Maturity Date and the Holders of the Notes have no right to require the Issuer to redeem the Notes before the Scheduled Maturity Date or the earliest possible date thereafter in accordance with the Conditions.

Furthermore, if (a) on or prior to the Scheduled Maturity Date or (by virtue of the Issuer exercising its right to redeem the Notes) the date scheduled for redemption, as the case may be, a Regulatory Deficiency Event has occurred and is continuing (or would occur as a result of the redemption of the Notes) or (b) as at such date the Solvency Condition is not met (or would not be met as a result of the redemption of the Notes), the Notes will only become due for redemption (i) on a Winding-up of the Issuer, (ii) with the consent of the Relevant Supervisory Authority and then only if the Solvency Condition is met and such redemption would not cause the Solvency Condition not to be met or (iii) at a time when no Regulatory Deficiency Event is occurring, the Solvency Condition is met and such redemption would not cause a Regulatory Deficiency Event to occur or the Solvency Condition not to be met. Therefore, the Holders may receive their investment back at a later point in time than initially expected or not at all.

If the Notes are not redeemed for the reasons set out above, interest or Arrears of Interest will accrue on the Notes in the circumstances set out in the Conditions but Holders will not receive any additional compensation for the postponement of the redemption over and above such accrual or payment of interest or Arrears if Interest (if any).

If the Issuer is unable, or the market anticipates that the Issuer may become unable, to redeem the Notes on the Scheduled Maturity Date or a scheduled redemption date, as the case may be, such circumstances can be expected to have a material adverse effect on the market price of the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price which may be significantly lower than the price at which they purchased their Notes. In such event, investors may lose some or substantially all of their investment in the Notes.

The Notes provide Holders with limited rights and remedies

The only enforcement events in the Conditions relate to non-payment of an amount which is due. Any amounts of principal, interest and/or other amounts in respect of the Notes which are deferred on a scheduled payment date in accordance with the Conditions which permit or require deferral shall not fall due on such scheduled payment date, and accordingly non-payment on such date of the amounts so deferred shall not entitle the Holders or the Trustee to take enforcement action against the Issuer.

Non-payment of an amount which is due shall be deemed to be a default under the Notes and the Trustee may sue for payment when due and prove or claim in the Winding-up of the Issuer for such payments. The Conditions do not provide for cross default allowing acceleration of the Notes.

In addition, upon such a default, the sole remedies available to the Trustee are to sue for payment of principal or interest when the same are due and to prove or claim in the Winding-up of the Issuer. **Investors in the Notes should note that the Trustee and the Holders have no right to petition for the Winding-up of the Issuer.**

In a Winding-up, the risks described under “The Issuer’s obligations under the Notes are subordinated, and on a Winding-up of the Issuer investors may lose some or all of their investment in the Notes” above shall apply, and the Trustee and Holders will have only limited ability to influence the conduct of such Winding-up.

The Holders have no rights to proceed directly against the Issuer or prove or claim in a Winding-up of the Issuer, save in the very limited circumstances set out in the Conditions.

Set-off risk

Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Notes and each Holder shall, by virtue of being a Holder, be deemed to have waived all such rights of set-off.

The Notes will be subject to optional redemption by the Issuer including upon the occurrence of certain events, and an investor may not be able to reinvest the redemption proceeds at as effective a rate of return as that in respect of the Notes

Unless previously redeemed in full, the Notes will be redeemable, at the option of the Issuer, in whole but not in part on the First Call Date or on any Interest Payment Date thereafter at their principal amount, together with Arrears of Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date, subject to and in accordance with Condition 6 of the Conditions.

In addition, subject to certain conditions to redemption set out in the Conditions, the Issuer may elect to redeem, in whole but not in part, the Notes upon the occurrence of a Deductibility Event, Gross-up Event, Regulatory Event or Rating Methodology Event at their principal amount, in each case together with any Arrears of Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date.

During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The cash paid to investors upon such a redemption may be less than the then current market value of the Notes or the price at which investors purchased the Notes. Subject to the contractual and regulatory restrictions on doing so set out in the Conditions, the Issuer might be expected to redeem the Notes when its cost of borrowing is lower than the interest payable on them. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest payable on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in the light of other investments available at that time.

The Issuer may (except in certain limited circumstances) elect to, and in certain circumstances must, defer interest payments on the Notes

The Issuer may, at its sole discretion and for any reason, elect to defer all (but not some only) of any payment of interest on the Notes, subject to limited exceptions. See Condition 5 of the Conditions. Further, subject to certain exceptions, if a Regulatory Deficiency Event has occurred and is continuing on any Interest Payment Date, if the Solvency Condition is not met on any Interest Payment Date or if the relevant interest payment would cause a Regulatory Deficiency Event or would cause the Solvency Condition not to be met, the Issuer must defer all (or part of the) interest which would otherwise be due and payable on such Interest Payment Date.

Any deferral of interest in accordance with the Conditions will not constitute a default for any purpose. Any actual or anticipated deferral of interest will be likely to have an adverse effect on the market price of the Notes. In addition, as a result of the interest deferral provisions of the Notes, the market price of the Notes may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such deferral and may be more sensitive generally to adverse changes in the financial condition of the Issuer. Investors should be aware that any announcement relating to the future deferral of interest payments or any actual deferral of interest payments may have an adverse effect on the market price of the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price which may be significantly lower than the price at which they purchased their Notes. In such event, investors may lose some or substantially all of their investment in the Notes.

The Notes do not contain a “dividend stopper” provision. Therefore, while the deferral of interest payments continues, the Issuer is not prohibited by the Conditions from making payments on other securities ranking senior, equally with or more junior to the Notes.

Condition 5(d) provides that, in the case of deferral of any Interest Payment, such deferred payment shall bear interest from the date of deferral. As a matter of English law, which governs the Conditions insofar as is relevant to this matter, interest will be compounded from the date of deferral and will become due in accordance with the Conditions without the need for any action by or on behalf of the Trustee or the Holders.

By contrast, Article 1154 of the Belgian Civil Code provides that interest can only be compounded if it has remained outstanding for at least one year and on demand. If such Article were considered to be a matter of Belgian international public policy, it is possible that it would be recognised by the English courts as overriding the contractual provisions of the Conditions regarding compounding of interest on Deferred Interest Payments or that any judgment in relation to such compounding of interest would not be recognised and enforced in Belgium. In such case, Deferred Interest Payments would only bear

interest if they have remained outstanding for at least one year (and such compounding interest would only start to accrue from the first anniversary of deferral). Furthermore, such interest would only compound and become due if a demand were to be made of the Issuer by or on behalf of the Holders.

Variation of the terms of the Notes upon the occurrence of a Gross-up Event, Deductibility Event, Regulatory Event or Rating Methodology Event

If a Gross-up Event, Deductibility Event, Regulatory Event or Rating Methodology Event has occurred and is continuing, then the Issuer may, subject to Condition 7 of the Conditions (without any requirement for the consent or approval of the Holders) at any time vary the terms of the Notes so that the relevant event no longer exists after such modification. Whilst the modified Notes must have terms not materially less favourable to Holders than the terms of the Notes, there can be no assurance that, due to the particular circumstances of each Holder, such modified Notes will be as favourable to each Holder in all respects.

Interest rate risks

The Notes bear a fixed interest rate which will be reset as from the First Call Date for each successive five-year period thereafter (as described in Condition 4(a) of the Conditions). This may affect the market value of the Notes.

This reset rate could be less than the initial interest rate and/or the interest rate that applies immediately prior to such reset, which could affect the amount of any interest payments under the Notes and so the market value of an investment in the Notes. Holders will not be able to determine a definite yield on the Notes at the time they purchase them and the return on their investment cannot be compared to that of an investment with the same scheduled maturity date but without an interest reset provision.

In addition, notwithstanding that the rate of interest applicable to the Notes will be reset on the First Call Date and on each fifth anniversary thereafter, an investment in the Notes involves the risk that the price of the Notes falls as a result of changes in the current interest rate on the capital market (the “**Market Interest Rate**”). While the interest rate of a security with a fixed interest rate is fixed, the Market Interest Rate typically changes on a daily basis. As the Market Interest Rate changes, the market price of the Notes is likely to change in the opposite direction. If the Market Interest Rate increases, the market price of the Notes may fall, until the yield on the Notes is approximately equal to the Market Interest Rate. If the Market Interest Rate falls, the market price of the Notes may increase, until the yield of on the Notes is approximately equal to the Market Interest Rate. Investors should be aware that movements of the Market Interest Rate can adversely affect the price of the Notes and can lead to losses for the Holders if they sell the Notes.

Risks related to the Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Majority decisions bind all Holders

The Conditions contain provisions for calling meetings of Holders to consider certain matters affecting their interests generally. These provisions will permit defined majorities to bind all Holders including Holders who did not attend and vote at the relevant meetings and Holders who voted in a manner contrary to the majority.

Change to the law

The Conditions of the Notes are governed by and to be construed in accordance with English law and, in respect of Condition 2, Conditions 14(a) and (c) of the Conditions and any matter relating to the

dematerialised form of the Notes, governed by and to be construed in accordance with Belgian law, in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or, as the case may be, the laws of the Kingdom of Belgium, the official application, interpretation or the administrative practice after the date of this Prospectus.

Change of tax law and practice

The statements in relation to taxation set out in this Prospectus are based on current law and the practice of the relevant authorities in force or applied at the date of this Prospectus. Potential investors should be aware that any relevant tax law or practice applicable as at the date of this Prospectus and/or the date of purchase or subscription of the Notes may change at any time (including during any subscription period or the term of the Notes). Any such change may have an adverse effect on a Holder, including that the liquidity of the Notes may decrease and/or the amounts payable to or receivable by an affected Holder may be less than otherwise expected by such Noteholder.

Potential investors who are in any doubt as to their tax position should consult their own independent tax advisers.

EU Savings Directive

Under the EC Council Directive 2003/48/EC on the taxation of savings income (the “**EU Savings Directive**”), member states of the European Economic Union (the “**EU Member States**” and each an “**EU Member State**”) are required to provide to the tax authorities of another EU Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to (or secured by such a person for the benefit of) an individual resident, or to (or secured for) certain other types of entity established, in that other EU Member State, except that Austria will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period it elects otherwise.

A number of non-EU countries and territories, including Switzerland, have adopted similar measures (a withholding system in the case of Switzerland).

The Council of the European Union has adopted a Directive (the “**EU Amending Directive**”) which will, when implemented, amend and broaden the scope of the requirements of the EU Savings Directive described above. The EU Amending Directive will expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or secured for) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the EU Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the EU Savings Directive, as amended. The EU Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

If a payment were to be made or collected through a EU Member State which at that time applies a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, pursuant to the EU Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive, neither the Issuer nor the relevant Paying Agent nor any other person would be obliged to pay additional amounts to the

Holders or to otherwise compensate Holders for the reductions in the amounts that they will receive as a result of the imposition of such withholding tax. Furthermore, once the EU Amending Directive is implemented and takes effect in EU Member States, such withholding may occur in a wider range of circumstances than at present, as explained above.

Belgian withholding tax

If the Issuer, the NBB, the Paying Agents or any other person is required to make any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatever nature in respect of any payment in respect of the Notes, the Issuer, the NBB, the relevant Paying Agent or that other person shall make such payment after such withholding or deduction has been made and will account to the relevant authorities for the amount so required to be withheld or deducted. The Issuer will pay such additional amounts as may be necessary in order that the net payment received by each Holder in respect of the Notes, after withholding for any taxes imposed by tax authorities in the Kingdom of Belgium upon payments made by or on behalf of the Issuer in respect of the Notes, will equal the amount which would have been received in the absence of any such withholding taxes, except that no such additional amounts shall be payable in respect of any Note in the limited circumstances set out in Condition 11 of the Conditions.

U.S. Foreign Account Tax Compliance Withholding (“FATCA”)

Whilst the Notes are in global form and held within the Securities Settlement System, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the Securities Settlement System (See “Taxation — FATCA Withholding”). However, FATCA may affect payments made to custodians or intermediaries in the payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payments to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives a payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA, including any IGA legislation, if applicable) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them.

Taxation

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. Potential investors are advised not to rely upon the tax summary contained in this Prospectus but to ask for their own tax adviser’s advice on their individual taxation with respect to the acquisition, sale and redemption of the Notes. Only these advisers are in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the taxation sections of this Prospectus.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk and credit risk:

No prior market for the Notes

Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to listing and trading on its regulated market and to the NBB for the Notes to be issued into the Securities Settlement System. However, there can be no assurance that a liquid secondary market for the Notes will develop or, if it develops, that it will continue. In an illiquid market, an investor might not be able to sell its Notes easily or at prices that will provide it with a yield comparable to similar investments that have a developed secondary market. The possibility to sell the Notes might additionally be restricted by country specific reasons. Illiquidity may have a severely adverse effect on the market value of the Notes.

Credit ratings may not reflect all risks

Credit ratings may not reflect all risks and the methodologies of determining credit ratings may be changed from time to time leading to potential downgrades. S&P and Fitch have each assigned a credit rating to the Notes. The rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. There is no assurance that the rating will remain for any given period of time or that the rating will not be lowered or withdrawn if, in the judgement of the relevant credit rating agency, circumstances in the future so warrant. Such change may, among other factors, be due to a change in the methodology applied by the relevant rating agency to rating securities with similar structures to the Notes, as well as, or as opposed to, any revaluation of the Issuer's financial strength or other factors such as conditions affecting the financial services industry generally.

In the event a rating assigned to the Notes or the Issuer is subsequently lowered for any reason, the market value of the Notes is likely to be adversely affected, but no person or entity will be obliged to provide any additional support or credit enhancement with respect to the Notes. See also "The Notes will be subject to optional redemption by the Issuer including upon the occurrence of certain events, and an investor may not be able to reinvest the redemption proceeds at as effective a rate of return as that in respect of the Notes" above.

Credit ratings do not imply that interest will be paid

A credit rating is not a statement as to the likelihood of non-deferral of interest on the Notes. Holders have a greater risk of deferral of interest payments than persons holding other securities with similar credit ratings but no, or more limited, interest deferral provisions.

Relationship with the Issuer

All notices and payments to be delivered to the Holders will be distributed by the Issuer to such Holders in accordance with the Conditions. In the event that a Holder does not receive such notices or payments, its rights may be prejudiced but it may not have a direct claim against the Issuer therefor.

Reliance on the procedures of the Securities Settlement System and its participants

The Notes will be issued in dematerialised form under the Belgian Code of Companies and cannot be physically delivered. The Notes will be represented exclusively by book entries in the records of the Securities Settlement System.

Access to the Securities Settlement System is available through its participants whose membership extends to securities such as the Notes. Securities Settlement System participants include certain banks, stockbrokers (*sociétés de bourse/beursvennootschappen*), and Euroclear and Clearstream, Luxembourg. Transfers of interests in the Notes will be effected between the Securities Settlement System participants in accordance with the rules and operating procedures of the Securities Settlement System. Transfers between investors will be effected in accordance with the respective rules and operating procedures of the Securities Settlement System participants through which they hold their Notes.

The Issuer, the Trustee and the Paying Agents will have no responsibility for the proper performance by the Securities Settlement System or its participants of their obligations under their respective rules and operating procedures.

A Holder must rely on the procedures of the Securities Settlement System, Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer will have no responsibility or liability for the records relating to the Notes within the Securities Settlement System.

Further, for so long as the Notes are held in the Securities Settlement System, payments in respect of the Notes shall be made to each Holder who is a direct participant in the Securities Settlement System. Any payment so made will be a good discharge for the Issuer. Each of the persons shown in records of a direct participant, sub-participant or the operator of the Securities Settlement System as the beneficial holder of a particular nominal amount of Notes must look solely to the relevant direct participant or sub-participant, as the case may be, for its share of each payment so made by the Issuer on the Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in Euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than Euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Euro would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. The investors should consult their legal advisers to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Potential conflicts of interest

The Issuer may from time to time be engaged in transactions involving an index or related derivatives which may affect the market price, liquidity or value of the Notes and which could be deemed to be adverse to the interests of the Holders.

The Paying Agents and the Joint Bookrunners might have conflicts of interests which could have an adverse effect to the interests of the Holders. Potential investors should be aware that the Issuer is involved in a general business relation or/and in specific transactions with the Paying Agents and the Joint Bookrunners and that they might have conflicts of interests which could have an adverse effect to the interests of the Holders. Potential investors should also be aware that the Paying Agents and the Joint Bookrunners may hold from time to time debt securities, shares or/and other financial instruments of the Issuer or its parent companies or subsidiaries.

The Principal Paying Agent and the Agent Bank do not assume any fiduciary duties or other obligations to Holders and, in particular, are not obliged to make determinations which protect or further their interests

BNP Paribas Securities Services, Belgium Branch will act as the Issuer's Principal Paying Agent, Domiciliary Agent and Agent Bank (the "**Agent**"). In its respective capacities as Agent, it will act in accordance with the Conditions in good faith and endeavour at all times to make determinations in a commercially reasonable manner. However, Holders should be aware that the Agent does not assume any fiduciary or other obligations to the Holders and, in particular, is not obliged to make determinations which protect or further the interests of the Holders.

The Agent may rely on any information to which it should properly have regard that is reasonably believed by it to be genuine and to have been originated by the proper parties. The Agent shall not be liable for the consequences to any person (including Holders) of any errors or omissions in (i) any determination made by the Agent in relation to the Notes or interests in the Notes, in each case in the absence of fraud or wilful default. Without prejudice to the generality of the foregoing, the Agent shall not be liable for the consequences to any person (including Holders) of any such errors or omissions arising as a result of (i) any information provided to the Agent proving to have been incorrect or incomplete or (ii) any relevant information not being provided to the Agent on a timely basis.

Notes may be held only by Eligible Investors

Notes may be held only by, and transferred only to, Eligible Investors referred to in Article 4 of the Belgian Royal Decree of 26 May 1994 on the deduction of withholding tax holding their Notes in an exempt account that has been opened with a financial institution that is a direct or indirect participant in the Securities Settlement System operated by the NBB.

**SECTION 3 -
HISTORICAL FINANCIAL INFORMATION**

This Prospectus should be read and construed in conjunction with the audited consolidated financial statements of the Issuer prepared in accordance with IFRS for the financial years ended 31 December 2013 and 31 December 2014 and the audit reports thereon as set out on pages F-1 and following.

SECTION 4 - TERMS AND CONDITIONS OF THE NOTES

The following, subject to completion and amendment, and save for the paragraphs in italics, is the text of the Terms and Conditions of the Notes.

The issue of the €400,000,000 Fixed Rate Reset Dated Subordinated Notes due 2047 (the “**Notes**”, which expression shall, unless otherwise indicated, include any Further Notes) was (save in respect of any Further Notes) authorised by a resolution of the board of directors of AG Insurance SA/NV (the “**Issuer**”) passed on 18 March 2015. The Notes are constituted by a trust deed (the “**Trust Deed**”) dated 27 March 2015 between the Issuer and BNY Mellon Corporate Trustee Services Limited (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Holders of the Notes (as defined below).

The statements in these terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of (i) the Trust Deed and (ii) the paying agency agreement (the “**Paying Agency Agreement**”) dated 27 March 2015 relating to the Notes between the Issuer, BNP Paribas Securities Services, Belgium Branch as the initial principal paying agent, domiciliary agent and agent bank (the “**Principal Paying Agent**”, the “**Domiciliary Agent**” and the “**Agent Bank**”, which expressions shall include any successors thereto), the other paying agents appointed from time to time (together with the Principal Paying Agent, the “**Paying Agents**”, which expression shall include the Paying Agents for the time being) and the Trustee, are available for inspection during usual business hours at the principal office of the Trustee (presently at One Canada Square, Canary Wharf, London, United Kingdom E14 5AL) and at the specified offices of each of the Paying Agents. The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, and are deemed to have notice of those provisions applicable to them of the Trust Deed and the Paying Agency Agreement. In particular, under the Trust Deed the Trustee is entitled to rely on information provided to it by the NBB System (as defined below) and its participants as to the identity of the Holders and the holding of Notes and to rely on information contained in Block Voting Instructions and Voting Certificates (each as defined below) issued by the NBB System or its participants for meetings of Holders, and any such information relied on by the Trustee shall be conclusive and binding on the Trustee and Holders.

1 **Form, Denomination and Title**

The Notes are in dematerialised form in accordance with Article 468 *et seq.* of the Belgian Code of Companies (as defined below). The Notes will be represented by book entry in the records of the clearing system operated by the National Bank of Belgium (the “**NBB**”) or any successor thereto (the “**NBB System**”). The Notes can be held through participants in the NBB System, including Euroclear and Clearstream, Luxembourg and through other financial intermediaries which in turn hold the Notes through Euroclear and Clearstream, Luxembourg, or other participants in the NBB System. The Notes are accepted for clearance through the NBB System, and are accordingly subject to the applicable Belgian clearing regulations, including the Belgian Law of 6 August 1993 on transactions in certain securities, its implementing Belgian Royal Decrees of 26 May 1994 and 14 June 1994 and the rules of the NBB System and its annexes, as issued or modified by the NBB from time to time (the laws, decrees and rules mentioned in this Condition 1 being referred to herein as the “**NBB System Regulations**”). Title to the Notes will pass by account transfer in accordance with the NBB System Regulations. The Notes shall neither be physically delivered nor converted into bearer securities (*titres au porteur/effecten aan toonder*). The Holders will not be entitled to exchange the Notes for securities in bearer form.

Notes may be held only by, and transferred only to, eligible investors referred to in Article 4 of the Belgian Royal Decree of 26 May 1994 on the deduction of withholding tax, holding their securities in an exempt securities account that has been opened with a financial institution that is a direct or indirect participant in the NBB System operated by the NBB.

For so long as the Notes are held by or on behalf of the NBB System, each person (each an “**Accountholder**”) being shown in the records of a participant or sub-participant in the NBB System as the holder of a particular principal amount of the Notes (in which regard any certificates or other documents issued by the NBB System or a participant or sub-participant therein as to the principal amount of such Notes standing to the account of any Accountholder (together with any notification from the NBB System or the operator thereof as to the identity of a relevant participant with whom the Accountholder holds its Notes) shall be conclusive and binding for all purposes) shall be treated by the Issuer, the Trustee and the Paying Agents as the holder of that principal amount for the purpose of any quorum, voting, the right to demand a poll or for any other associative rights (as defined in Article 474 of the Belgian Code of Companies). With respect to the payment of principal or interest on the Notes, such payment will be made to participants in the NBB System and with respect to the delivery of any notice to be given to or by a Holder in respect of the Notes pursuant to these Conditions, such notice must be given in accordance with the standard procedures of the NBB System and, in the case of notice by a Holder, may only be given by a participant in the NBB System (whether acting on its own behalf or on behalf of other subscribers holding through such participant) in respect of the relevant Notes held by or through it, and the expressions “**Holder**” and “**holder of Notes**” and related expressions shall be construed accordingly.

The Notes are in the principal amount of €100,000 each and may only be settled through the NBB System in principal amounts equal to that denomination or an integral multiple thereof.

2 **Winding-up**

(a) *General*

The Notes constitute direct, unsecured and subordinated obligations of the Issuer which will at all times rank *pari passu* without any preference among themselves. The payment obligations of the Issuer under or arising from the Notes and the Trust Deed in respect of principal, interest and other amounts (including, without limitation, Arrears of Interest) in respect of the Notes, constitute direct, unsecured and subordinated obligations of the Issuer subordinated in the manner set out below and claims in respect thereof shall at all times rank in the event of a Winding-up:

- (i) behind claims in respect of any unsubordinated indebtedness and payment obligations of the Issuer (including, without limitation, the claims of policyholders of the Issuer);
- (ii) *pari passu* and without any preference among themselves;
- (iii) at least equally and rateably with claims in respect of any other existing (including, without limitation, the Fixed-to-Floating Rate Callable Subordinated Notes due 2044 issued by the Issuer) or future direct, unsecured and dated subordinated indebtedness and payment obligations of the Issuer (for the avoidance of doubt, other than obligations in respect of Junior Securities); and
- (iv) in priority to the claims of Junior Creditors.

(b) *Condition to Payment*

Except in a Winding-up of the Issuer, all payments in respect of the Notes (including any damages awarded for breach of any obligations thereunder) are, in addition to the right of the Issuer to defer

payment of interest in accordance with Condition 5(a) and the obligation of the Issuer to do so pursuant to Condition 5(b), conditional upon the Issuer being solvent at the time for payment by the Issuer and no amount shall be payable in respect of the Notes unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter (the “**Solvency Condition**”).

In these Conditions the Issuer will be considered to be solvent if (i) it is able to pay its debts owed to its creditors (other than Junior Creditors) as they fall due, (ii) its credit has not been imperilled within the meaning of Article 2 of the Belgian Law of 8 August 1997 on bankruptcy and (iii) its Assets exceed its Liabilities.

The Trustee may at any time request the delivery of a certificate as to the satisfaction or non-satisfaction of the Solvency Condition signed by two directors of the Issuer, and such certificate shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Holders and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely conclusively on such certificate without liability to any person.

(c) *Amount due on a Winding-up*

In a Winding-up of the Issuer the amount payable in respect of the Notes shall be an amount equal to the principal amount of such Notes, together with Arrears of Interest (if any) and any other unpaid interest which has accrued up to, but excluding, the date of payment of such amounts and the claims for such amounts will be subordinated in the manner described in Condition 2(a) above.

(d) *Set-off*

Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Notes or the Trust Deed and each Holder shall, by virtue of its holding of any Note, be deemed to have waived all such rights of set-off, compensation or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Issuer in respect of, or arising under or in connection with the Notes or the Trust Deed is discharged by set-off, such Holder shall, unless such payment is prohibited by applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its Winding-up the liquidator or, as appropriate, such relevant insolvency practitioner as is appointed to the Issuer) and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer (or the liquidator or relevant insolvency practitioner appointed to the Issuer (as the case may be)) and accordingly any such discharge shall be deemed not to have taken place.

3 Definitions

In these Conditions:

“**Accountholder**” has the meaning provided in Condition 1.

“**Additional Amounts**” has the meaning provided in Condition 11.

“**Agent Bank**” means BNP Paribas Securities Services, Belgium Branch acting as agent bank in accordance with the Paying Agency Agreement and these Conditions or its successors for the time being appointed under the Paying Agency Agreement.

“**Applicable Accounting Standards**” means the accounting standards then in effect and which are applicable to the Issuer’s published audited consolidated financial statements at the relevant dates and for the relevant periods from time to time.

“**Applicable Regulations**” means, from (and including) the Closing Date to (but excluding) the date of implementation of the Future Applicable Capital Instruments Regulations, the solvency margin, capital adequacy regulations or any other regulatory capital rules then in effect and which are applicable to the Issuer and/or the Group as applied and construed by the Relevant Supervisory Authority and, from (and including) the date of implementation of the Future Applicable Capital Instruments Regulations, such Future Applicable Capital Instruments Regulations then in effect and which are applicable to the Issuer and/or the Group as applied and construed by the Relevant Supervisory Authority.

“**Arrears of Interest**” has the meaning provided in Condition 5(d).

“**Assets**” means the unconsolidated gross assets of the Issuer, as shown in the latest published audited balance sheet of the Issuer, but adjusted for subsequent events, all in such manner as the board of directors of the Issuer may determine.

“**Belgian Code of Companies**” means the Belgian *Code des Sociétés/Wetboek van Vennootschappen*.

“**Block Voting Instruction**” has the meaning ascribed to it in Schedule 2 of the Trust Deed.

“**Business Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for general business in Brussels.

“**Calculation Amount**” has the meaning provided in Condition 4(b).

“**Clearstream, Luxembourg**” means Clearstream Banking, *société anonyme*.

“**Closing Date**” means 31 March 2015.

“**Compulsory Interest Payment Date**” has the meaning provided in Condition 5(e).

“**Compulsory Interest Payment Event**” has the meaning provided in Condition 5(e).

“**Conditions**” means these terms and conditions.

“**Deductibility Event**” means that at any time, by reason of a Tax Law Change, in making any payment of interest on the Notes, the Issuer will not be entitled to claim a deduction in respect of computing its taxation liabilities in the Kingdom of Belgium, or such entitlement is reduced or otherwise adversely affected in any material respect (so long as this cannot be avoided by the Issuer taking reasonable measures available to it at the time).

“**Deferred Interest Payment**” has the meaning provided in Condition 5(d).

“**Domiciliary Agent**” means BNP Paribas Securities Services, Belgium Branch acting as domiciliary agent pursuant to the Paying Agency Agreement and any successor thereto.

“**Euro**”, “**EUR**” or “**€**” means the currency introduced at the start of the third stage of the economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

“**Euroclear**” means Euroclear Bank SA/NV.

“**Extraordinary Resolution**” has the meaning provided in the Trust Deed.

“**First Call Date**” means 30 June 2027.

“**Five Year Euro Mid Swap Rate**” means, in respect of a Relevant Five-Year Period, the applicable mid market swap rate for Euro swap transactions with a maturity of five years displayed on Reuters page “ISDAFIX2” (or such other page as may replace that page on Thomson Reuters, or such other service as may be nominated by the person providing or sponsoring the information appearing there for the purposes of

displaying comparable rates) at or around 11.00 a.m. (Brussels time) on the relevant Interest Determination Date in respect of such Relevant Five-Year Period. If such swap rate does not appear on that page, the Five Year Euro Mid Swap Rate shall instead be determined by the Agent Bank on the basis of (i) quotations provided by the principal office of each of four major banks in the Euro swap market of the mid-swap rate in Euro quoted by such banks at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date to participants in the Euro swap market for a five-year period and (ii) the arithmetic mean expressed as a percentage and rounded, if necessary, to the nearest 0.0001 per cent. (0.00005 per cent. being rounded upwards) of such quotations. For this purpose, the mid-swap rate means in each case the arithmetic mean, rounded, if necessary, to the nearest 0.00001 per cent. (0.000005 per cent. being rounded upwards), of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating Euro interest rate swap transaction with a term equal to five years commencing on the first day of the Relevant Five-Year Period, where the floating leg, calculated on an Actual/360 day count basis is equivalent to the three month London interbank offered rate for Euro (where the terms “**30/360 day count basis**” and “**Actual/360 day count basis**” have the meanings given to the terms “30/360” and “Actual/360”, respectively, in the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc.). If less than four quotations are provided, the Five Year Euro Mid Swap Rate will be the rounded arithmetic mean of the quotations or quotation provided. If no quotations are provided, the Five Year Euro Mid Swap Rate will be (i) in the case of each Relevant Five-Year Period other than the Relevant Five-Year Period commencing on the First Call Date, the Five Year Euro Mid Swap Rate in respect of the immediately preceding Relevant Five-Year Period or (ii) in the case of the Relevant Five-Year Period commencing on the First Call Date, a rate equal to 0.625 per cent.

“**Further Notes**” means any further Notes issued pursuant to Condition 16 and consolidated and forming a single series with the then outstanding Notes.

“**Future Applicable Capital Instruments Regulations**” means the solvency margin or capital adequacy regulations or any other regulatory capital rules which may be introduced by the Relevant Supervisory Authority or enter into force on or after the Closing Date and which are applicable to the Issuer and/or the Group as applied and construed by the Relevant Supervisory Authority, which would lay down the requirements to be fulfilled by financial instruments for inclusion in ‘own funds regulatory capital’ (or whatever terminology is employed by such rules or regulations).

“**Gross-up Event**” means that at any time, by reason of a Tax Law Change, the Issuer has paid or would, on the occasion of the next payment of principal or interest due in respect of the Notes, not be able to make such payment without having to pay Additional Amounts (so long as this cannot be avoided by the Issuer taking reasonable measures available to it at the time).

“**Group**” means the Issuer and each of its Subsidiaries from time to time.

“**Holder**” means, in respect of any Note, the person entitled thereto in accordance with the NBB System Regulations, subject as provided in Condition 1.

“**Interest Amount**” has the meaning set out in Condition 4(a).

“**Interest Determination Date**” means, in respect of the first Relevant Five-Year Period, the second Business Day prior to the First Call Date and, in respect of each Relevant Five-Year Period thereafter, the second Business Day prior to the first day of each such Relevant Five-Year Period.

“**Interest Payment**” means in respect of an interest payment on an Interest Payment Date, the amount of interest payable for the relevant Interest Period in accordance with Condition 4.

“**Interest Payment Date**” means 30 June in each year, commencing on 30 June 2016.

“**Interest Period**” means the period from (and including) the Closing Date to (but excluding) the first Interest Payment Date and thereafter each successive period from (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date.

“**Interest Rate**” means the applicable rate of interest, as set out in Condition 4(a).

“**Issuer**” means AG Insurance SA/NV.

“**Junior Creditors**” means all holders of securities and other creditors (if any) of the Issuer whose claims rank, or are expressed to rank, junior to the claims of the Holders (including, without limitation, holders of Junior Securities).

“**Junior Securities**” means (a) any class of share capital of the Issuer, (b) any payment obligations of the Issuer which rank, or are expressed to rank, junior to the Notes and/or *pari passu* with any class of share capital of the Issuer, (c) any payment obligations in respect of undated subordinated indebtedness which, for the avoidance of doubt, includes the U.S.\$550,000,000 Fixed Rate Reset Perpetual Subordinated Notes, (d) any obligations which constitute, or would save for any applicable limitation on the amount of such capital constitute, Tier 1 items (including by virtue of the operation of any grandfathering provisions) or are expressed to rank *pari passu* therewith and (e) any guarantee or support agreement entered into by the Issuer in respect of any obligations of any person or entity, which guarantee or support agreement ranks, or is expressed to rank, junior to the Notes and/or *pari passu* with any class of share capital of the Issuer.

“**Liabilities**” means the unconsolidated gross liabilities of the Issuer, as shown in the latest published audited balance sheet of the Issuer, but adjusted for contingent liabilities and for subsequent events, all in such manner as the board of directors of the Issuer may determine.

“**Mandatory Interest Deferral Date**” has the meaning provided in Condition 5(b).

“**Mandatory Interest Deferral Event**” has the meaning provided in Condition 5(b).

“**Margin**” means 2.875 per cent. (being the initial credit spread of the Notes).

“**Minimum Capital Requirement**” has the meaning set out in the Applicable Regulations.

“**NBB**” means the National Bank of Belgium (*Banque Nationale de Belgique/Nationale Bank van België*) or any successor thereto.

“**NBB System**” has the meaning provided in Condition 1.

“**NBB System Regulations**” has the meaning provided in Condition 1.

“**Notes**” means the EUR 400,000,000 3.50 per cent. Fixed Rate Reset Dated Subordinated Notes due 2047.

“**Optional Interest Payment Date**” means any Interest Payment Date that is neither a Compulsory Interest Payment Date nor a Mandatory Interest Deferral Date.

“**Paying Agency Agreement**” means the paying agency agreement dated 27 March 2015 relating to the Notes and entered into between the Issuer, the Paying Agents, the Agent Bank and the Trustee.

“**Paying Agents**” means the Principal Paying Agent and the other paying agents in relation to the Notes for the time being.

a “**person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity).

“Principal Paying Agent” means BNP Paribas Securities Services, Belgium Branch acting as principal paying agent pursuant to the Paying Agency Agreement and any successor thereto.

“Proceedings” has the meaning set out in Condition 18(b).

“Rating Methodology Event” means any change by a recognised international statistical rating organisation, which has assigned “equity credit” to the Notes on a solicited basis on or around the Closing Date, to its “equity credit” methodology or criteria (or such other nomenclature as may be used by such organisation from time to time to describe the degree to which the terms of an instrument are supportive of an issuer’s senior obligations), or the interpretation or application thereof, for securities such as the Notes, as are in effect on the Closing Date or such later date on which equity credit was first given or ascribed to the Notes, which results in a lower equity credit being given or ascribed by any such rating agency to the Notes than was given or ascribed under such criteria at such date.

“Regulatory Deficiency Event” means:

- (i) before the implementation of the relevant parts of the Solvency II Directive, the consolidated solvency margin of the Issuer falls below 100 per cent. of the required consolidated solvency margin or any applicable solvency margin or capital adequacy levels as applicable under Applicable Regulations; or
- (ii) following the implementation of the relevant parts of the Solvency II Directive, the amount of ‘own fund-items’ (or whatever the terminology is employed by the Applicable Regulations from time to time) of the Issuer eligible to cover the Solvency Capital Requirement of the Issuer or the Group is not sufficient to cover the Solvency Capital Requirement or the Minimum Capital Requirement of the Issuer or the Group (as the case may be); or
- (iii) the Relevant Supervisory Authority has notified the Issuer that it has determined, in view of the financial and/or solvency condition of the Issuer and/or the Group, that in accordance with Applicable Regulations at such time the Issuer must take specified action in relation to payments of principal and/or interest under the Notes.

“Regulatory Event” means that, at any time while any of the Notes are outstanding, the Issuer (a) remains subject to consolidated regulatory supervision by the Relevant Supervisory Authority and (b) has received notice in writing from such Regulatory Supervisory Authority that under the Applicable Regulations (including, without limitation, by reason of the introduction of the Future Applicable Capital Instruments Regulations) or an official application or interpretation of those rules and regulations including, without limitation, a decision of any court or tribunal, such Notes no longer fulfil the requirements of the Applicable Regulations such that they are to be fully excluded from being counted as:

- (i) (prior to the implementation of the Future Applicable Capital Instruments Regulations) dated subordinated securities constituting part of the available solvency margin of the Issuer and/or the Group; or
- (ii) (following implementation of the Future Applicable Capital Instruments Regulations) at least tier two own funds regulatory capital (or whatever terminology is employed by the Future Applicable Capital Instruments Regulations) of the Issuer and/or the Group,

in either case, for the purposes of the determination of its regulatory capital, except, in any case, where such lack of treatment results from the application of any regulatory limits on the inclusion of such securities in (prior to the implementation of the Future Applicable Capital Instruments Regulations) the available solvency margin or (following the implementation of the Future Applicable Capital Instruments Regulations) tier two own funds regulatory capital.

“**Relevant Date**” means (i) in respect of any payment other than a sum to be paid by the Issuer upon a Winding-up, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Principal Paying Agent on or prior to such date, the Relevant Date means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders, in accordance with Condition 15, and to the Trustee and (ii) in respect of a sum to be paid by the Issuer on a Winding-up, the date which is one day prior to the date of such Winding-up.

“**Relevant Five-Year Period**” has the meaning given to it in Condition 4(a)(ii).

“**Relevant Supervisory Authority**” means the National Bank of Belgium (*Banque Nationale de Belgique/Nationale Bank van België*) or such other authority having primary supervisory authority regarding capital or solvency with respect to the Issuer and/or the Group.

“**Scheduled Maturity Date**” has the meaning provided in Condition 6(a).

“**Solvency II Directive**” means Directive 2009/138/EC of 25 November 2009 on the taking-up and pursuit of the business of insurance and re-insurance (Solvency II), as amended.

“**Solvency Capital Requirement**” has the meaning set out in the Applicable Regulations.

“**Solvency Condition**” has the meaning set out in Condition 2(b).

“**Step-Up**” means 1 per cent per annum.

“**Subsequent Fixed Rate of Interest**” has the meaning set out in Condition 4(a).

“**Subsidiary**” means, at any particular time, a company or other entity which is then directly or indirectly controlled or whose issued share capital (or equivalent) is then more than 50 per cent. beneficially owned by the Issuer. For this purpose, for a company or other entity to be “**controlled**” by the Issuer means that the Issuer (whether directly or indirectly and whether by ownership of shares or equivalent or by the possession of voting power, contract or otherwise) has the power to appoint or remove all or the majority of the board of directors or other governing body of that other company or entity or has the power to control the affairs and policies of that other company or entity.

“**TARGET Business Day**” means a day (other than a Saturday or Sunday) on which the TARGET System is operating for the settlement of payments in euro.

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) system, or any successor thereto.

“**Taxes**” has the meaning set out in Condition 11.

“**Tax Law Change**” means a change in or proposed change in, or amendment or proposed amendment to, or clarification of, the laws or regulations of the Kingdom of Belgium or any political subdivision or any authority thereof or therein having the power to tax, including any treaty to which the Kingdom of Belgium is a party, or any change in the application of official or generally published interpretation of such laws or regulations, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations or interpretation thereof that differs from the previously generally accepted position in relation to similar transactions, which change, amendment or interpretation becomes, or would become, effective on or after 27 March 2015.

“**Tier 1 Capital**” has the meaning set out in the Applicable Regulations.

“**Tier 2 Capital**” has the meaning set out in the Applicable Regulations.

“**Trust Deed**” means the trust deed dated 27 March 2015 constituting the Notes and entered into between the Issuer and the Trustee.

“**Voting Certificate**” has the meaning ascribed to it in Schedule 2 of the Trust Deed.

“**Winding-up**” means any concursus creditorum (*concoure de créanciers/samenloop van schuldeisers*) on all or substantially all of the assets of the Issuer, including bankruptcy (*faillite/faillissement*) and judicial or voluntary dissolution and liquidation (*dissolution et liquidation judiciaire ou volontaire/gerechtelijke of vrijwillige ontbinding en vereffening*), except in the latter case for any voluntary dissolution without liquidation (*dissolution volontaire sans liquidation/vrijwillige ontbinding zonder vereffening*).

4 Interest

(a) Interest Rate

The Notes bear interest on their outstanding principal amount:

- (i) in respect of the period from (and including) the Closing Date to (but excluding) 30 June 2027 (the “**First Call Date**”) at the rate of 3.50 per cent. per annum; and
- (ii) in respect of each successive five-year period thereafter, the first such period commencing on (and including) the First Call Date and ending on (but excluding) the fifth anniversary thereof (each, a “**Relevant Five-Year Period**”), at such rate per annum as is equal to the sum of (a) the Five Year Euro Mid Swap Rate, (b) the Margin and (c) the Step-Up,

in accordance with the provisions of this Condition 4.

Subject to the provisions of this Condition 4 and Conditions 2(b) and 5, interest shall be payable annually in arrear on each Interest Payment Date.

The Interest Rate in respect of each Relevant Five-Year Period (each, a “**Subsequent Fixed Rate of Interest**”) shall be determined by the Agent Bank on the relevant Interest Determination Date. The Issuer shall cause notice of the relevant Subsequent Fixed Rate of Interest and the amount of interest which, subject to Conditions 2(b) and 5, will be payable per Calculation Amount (each, an “**Interest Amount**”) on each Interest Payment Date in respect of which such Subsequent Fixed Rate of Interest applies to be given to the Holders, in accordance with Condition 15, and to the Trustee as soon as reasonably practicable after each relevant Interest Determination Date and in any event no later than the second Business Day thereafter. Such determination of the relevant Subsequent Fixed Rate of Interest and relevant Interest Amount shall (in the absence of manifest error) be binding on the Trustee and the Holders.

(b) Accrual of Interest

The Notes will cease to bear interest from (and including) (i) the date of redemption thereof pursuant to Condition 6 or (ii) from (and including) the date on which the Notes become repayable in a Winding-up of the Issuer in accordance with Conditions 2 and 12(b), as the case may be, unless payment of all amounts due in respect of the Notes is not made, in which event interest shall continue to accrue at the relevant Interest Rate in respect of unpaid amounts on the Notes, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

Where it is necessary to compute an amount of interest in respect of any Note for a period which is less than a complete year, the relevant day-count fraction shall be determined on the basis of the number of days in the relevant period, from and including the date from which interest begins to accrue to but

excluding the date on which it falls due, divided by the actual number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last).

For the avoidance of doubt, the first Interest Period shall be a long first Interest Period for the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date and the amount of interest payable in respect of each Calculation Amount on the first Interest Payment Date shall, subject to Conditions 2(b), 5 and 6, be €4,382.

Interest in respect of any Note shall be calculated per Euro 100,000 in principal amount thereof (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the Interest Rate in respect of such period, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

The Issuer will maintain an Agent Bank. The Issuer may, with the prior written approval of the Trustee, from time to time replace the Agent Bank with another leading investment, merchant or commercial bank or financial institution in the Eurozone. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or fails duly to determine a Subsequent Fixed Rate of Interest in respect of any Relevant Five-Year Period as provided in Condition 4(a), the Issuer shall forthwith appoint another leading investment, merchant or commercial bank or financial institution in the eurozone approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4, by the Agent Bank, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent Bank, the Trustee, the Paying Agents and all Holders and (in the absence as aforesaid) no liability to the Holders or the Issuer shall attach to the Agent Bank in connection with the exercise or non-exercise by them of any of their powers, duties and discretions.

5 Interest Deferral

(a) *Optional Deferral of Interest Payments*

The Issuer may elect to defer all (but not some only) of any Interest Payment which is otherwise scheduled to be paid on any Optional Interest Payment Date by giving notice of such election to the Holders and the Trustee in accordance with Condition 5(g).

If an Interest Payment Date is a Compulsory Interest Payment Date, any notice given under this Condition 5(a) shall have no force or effect.

(b) *Mandatory Deferral of Interest Payments*

An Interest Payment scheduled to be paid on an Interest Payment Date shall be deferred mandatorily on such Interest Payment Date (a “**Mandatory Interest Deferral Date**”) if:

- (i) a Regulatory Deficiency Event has occurred and is continuing at the relevant Interest Payment Date; or
- (ii) the Solvency Condition is not met as at such Interest Payment Date; or
- (iii) payment of such Interest Payment would cause a Regulatory Deficiency Event to occur; or
- (iv) payment of such Interest Payment would cause the Solvency Condition not to be met,

(each of (i) to (iv) above being referred to in these Conditions as a “**Mandatory Interest Deferral Event**”),

provided, however, that in the case of (i) and (iii) above, the relevant Interest Payment Date will not be a Mandatory Interest Deferral Date in relation to such interest (or such part thereof) if:

- (i) the Relevant Supervisory Authority has exceptionally waived the deferral of such Interest Payment (to the extent the Relevant Supervisory Authority can give such waiver in accordance with the Applicable Regulations);
- (ii) paying the Interest Payment does not further weaken the solvency position of the Issuer and/or the Group as determined in accordance with the Applicable Regulations; and
- (iii) (with effect from the introduction of Solvency II) the Minimum Capital Requirement will be complied with immediately after the Interest Payment is made.

If the Issuer is required to defer any Interest Payment (in whole or in part) pursuant to this Condition 5(b), it shall give notice to the Holders and the Trustee in accordance with Condition 5(g).

The foregoing provisions of this Condition 5(b) shall apply *mutatis mutandis* to any payment of Arrears of Interest pursuant to Condition 5(f) on the basis that references in this Condition 5(b) to: (i) “Interest Payment” shall be construed therein to mean the relevant payment of Arrears of Interest; (ii) “Interest Payment Date” shall be construed therein to mean the scheduled date for payment of such Arrears of Interest; and (iii) “Interest Period” shall be construed therein as the Interest Period during which such scheduled payment date falls.

(c) *Deferral not default*

If the Issuer elects pursuant to Condition 5(a), or is required pursuant to Conditions 2(b) or 5(b), to defer any payment of interest, the amount of interest so deferred shall not fall due on the scheduled payment date, the Issuer shall not have any obligations to make such payment on such date, and any such deferral and non-payment shall not constitute a default by the Issuer under the Notes or the Trust Deed or for any other purpose.

(d) *Arrears of Interest*

If any Interest Payment, or (in relation to interest deferred pursuant to Condition 5(b) only) any part thereof, is deferred as a result of the exercise by the Issuer of its discretion pursuant to Condition 5(a) or the obligation on the Issuer to defer payment pursuant to Condition 2(b) or 5(b), then such deferred payment (each a “**Deferred Interest Payment**”) shall itself bear interest at the prevailing Interest Rate (such further interest together with the Deferred Interest Payment being, for so long as the same remains unpaid, “**Arrears of Interest**”).

See also “Risk Factors — Factors which are material for the purpose of assessing the market risks associated with the Notes — The Issuer may (except in certain limited circumstances) elect to, and in certain circumstances must, defer interest payments on the Notes” for a discussion of the uncertainties regarding compounding of interest under Belgian law.

Arrears of Interest shall be calculated from (and including) the date on which (but for such deferral) the Deferred Interest Payment would otherwise have been due to be made to (but excluding) the relevant date on which such Deferred Interest Payment is paid in accordance with Condition 5(f), such further interest being compounded on each Interest Payment Date.

(e) *Compulsory Interest Payments*

The Issuer shall be required to pay accrued interest (and any Arrears of Interest then outstanding) on each Compulsory Interest Payment Date.

An Interest Payment Date shall be a compulsory Interest Payment Date (a “**Compulsory Interest Payment Date**”) if a Compulsory Interest Payment Event shall have occurred in the period of six months prior to such Interest Payment Date, unless following such Compulsory Interest Payment Event a Mandatory Interest Deferral Event has occurred and is continuing as at such Interest Payment Date.

A “**Compulsory Interest Payment Event**” means:

- (i) any dividend or distribution is declared payable or a payment is made on any Junior Securities, save where such dividend, distribution or payment is mandatory in accordance with the terms and conditions of such Junior Securities; or
- (ii) any repurchase, redemption, repayment or acquisition by the Issuer or any of its Subsidiaries of any Junior Securities, save where the Issuer or, as the case may be, the relevant Subsidiary is not able to defer, pass or eliminate the payment or other obligation in respect of such repurchase, redemption or acquisition.

(f) *Payment of Arrears of Interest*

Subject to a Mandatory Interest Deferral Event not having occurred and being continuing, Arrears of Interest may be settled at the option of the Issuer in whole (or in part) at any time following delivery of a notice to such effect given by the Issuer to the Holders and the Trustee in accordance with Condition 5(g).

If a Regulatory Deficiency Event occurs, then (save for any payment to be made in accordance with Condition 2(c) on a Winding-up of the Issuer) the prior approval of the Relevant Supervisory Authority shall be required in relation to any payment of Arrears of Interest which accrued prior to the occurrence of, or during the continuance of, a Mandatory Interest Deferral Event.

The Issuer (having given (except in the case of (iii) below) any notifications to, or received any consent from (in either case if and to the extent required by Applicable Regulations) the Relevant Supervisory Authority) shall pay any Arrears of Interest, in whole but not in part, on the first to occur of the following dates:

- (i) the next succeeding Compulsory Interest Payment Date; or
- (ii) the date on which the Notes are redeemed or repaid in accordance with Condition 6; or
- (iii) upon the Winding-up of the Issuer.

Non-payment of Arrears of Interest shall not constitute a default by the Issuer under the Notes or the Trust Deed or for any other purpose, unless such payment is required in accordance with this Condition 5(f).

For the avoidance of doubt, in the case of Notes varied in accordance with Condition 7, interest, Arrears of Interest and any other amounts accrued on the Notes originally issued will continue to accrue on such varied Notes.

(g) *Notices and Certificates*

The Issuer shall give not less than 5 nor more than 30 Business Days' prior notice to the Holders, in accordance with Condition 15, and to the Trustee:

- (i) of any election by the Issuer to defer interest on an Optional Interest Payment Date as provided in Condition 5(a) above;
- (ii) of any Mandatory Interest Deferral Date, which notice shall specify (A) the amount of interest that will be deferred (and thus not paid) on such Mandatory Interest Deferral Date and (B) whether such deferral is due to a Regulatory Deficiency Event or non-satisfaction of the Solvency Condition (provided that if a Mandatory Interest Deferral Event occurs less than 5 Business Days before such Interest Payment Date, the Issuer shall give such notice as soon as practicable under the circumstances before such Mandatory Interest Deferral Date); and
- (iii) of any date upon which amounts in respect of Arrears of Interest are to be paid, which notice shall specify the Business Day on which such Arrears of Interest (or part thereof) will (subject to no Mandatory Interest Deferral Event having occurred and continuing as at such Business Day) be settled.

Prior to the publication of any notice pursuant to (ii) above, the Issuer shall deliver to the Trustee (and make available to Holders a copy of) a certificate signed by two directors of the Issuer stating either that (A) a Regulatory Deficiency Event has occurred and is continuing or that payment of the relevant Interest Payment (or part thereof) would cause a Regulatory Deficiency Event or (B) that the Solvency Condition is not satisfied or payment of the relevant Interest Payment (or part thereof) could not be made in compliance with the Solvency Condition, on the relevant Interest Payment Date, whichever is applicable. The Trustee shall be entitled to accept such certificate as sufficient evidence of the events and circumstances described therein without liability to any person, in which case such certificate shall be conclusive and binding on the Trustee and Holders.

6 Redemption

(a) *Scheduled Maturity Date*

Subject to Conditions 2(b) and 6(f), unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount plus accrued interest up to (but excluding) the Interest Payment Date falling on 30 June 2047 (the "**Scheduled Maturity Date**") and any Arrears of Interest (if any).

The Issuer shall only have the right to redeem, vary or purchase the Notes in accordance with this Condition 6, Condition 7 or Condition 8, as applicable, and Condition 9.

(b) *Issuer's Call Option*

Subject to Conditions 2(b), 6(f), 6(k) and 9, the Issuer may, by giving not less than 30 nor more than 60 days' notice to the Holders, in accordance with Condition 15, and to the Trustee (which notice shall, subject as aforesaid, be irrevocable), redeem all, but not some only, of the Notes on the First Call Date or on any Interest Payment Date thereafter at their principal amount, together with Arrears of Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date. Upon the expiry of such notice, the Issuer shall (subject as aforesaid) redeem the Notes.

(c) *Redemption for Taxation Reasons*

Subject to Conditions 2(b), 6(f), 6(k) and 9, if a Deductibility Event or a Gross-up Event occurs and is continuing as at the date on which notice is given to Holders pursuant to this Condition 6(c), then the Issuer may, subject to having given not less than 30 nor more than 60 days' notice to the Holders, in accordance with Condition 15, and to the Trustee (which notice shall, subject as aforesaid, be irrevocable), redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with Arrears of Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date. Upon the expiry of such notice, the Issuer shall (subject as aforesaid) redeem the Notes.

Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee (and make available to Holders a copy of) an opinion from a nationally recognised law firm or other tax adviser in the Kingdom of Belgium experienced in such matters that a Deductibility Event or a Gross-up Event (as the case may be) has occurred and is continuing or will apply to payments to be made on the next succeeding Interest Payment Date. The Trustee shall be entitled to accept such opinion as sufficient evidence of the Deductibility Event or Gross-up Event having occurred and being continuing or as occurring as at the next Interest Payment Date (without liability to any person), in which case it shall be conclusive and binding on the Trustee and Holders.

(d) *Redemption following a Regulatory Event*

Subject to Conditions 2(b), 6(f), 6(k) and 9, if a Regulatory Event occurs and is continuing as at the date on which notice is given to Holders pursuant to this Condition 6(d), then the Issuer may, subject to having given not less than 30 nor more than 60 days' notice to the Holders, in accordance with Condition 15, and to the Trustee (which notice shall, subject as aforesaid, be irrevocable), redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with Arrears of Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date. Upon the expiry of such notice, the Issuer shall (subject as aforesaid) redeem the Notes.

Prior to the publication of any notice of redemption pursuant to this Condition 6(d), the Issuer shall deliver to the Trustee (and make available to Holders a copy of) a certificate signed by two directors of the Issuer stating that a Regulatory Event has occurred and is continuing. The Trustee shall be entitled to accept such certificate as sufficient evidence of the Regulatory Event having occurred and being continuing (without liability to any person), in which case it shall be conclusive and binding on the Trustee and Holders.

(e) *Redemption following Rating Methodology Event*

Subject to Conditions 2(b), 6(f), 6(k) and 9, if a Rating Methodology Event occurs and is continuing as at the date on which notice is given to Holders pursuant to this Condition 6(e), then the Issuer may, subject to having given not less than 30 nor more than 60 days' notice to the Holders, in accordance with Condition 15, and to the Trustee (which notice shall be irrevocable), redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with Arrears of Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date. Upon the expiry of such notice, the Issuer shall (subject as aforesaid) redeem the Notes.

Prior to the publication of any notice of redemption pursuant to this Condition 6(e), the Issuer shall deliver to the Trustee (and make available to Holders a copy of) a certificate signed by two directors of the Issuer stating that a Rating Methodology Event has occurred and is continuing. The Trustee shall

be entitled to accept such certificate as sufficient evidence of the Rating Methodology Event having occurred and being continuing (without liability to any person), in which case it shall be conclusive and binding on the Trustee and Holders.

(f) *Deferral of Redemption*

If a Regulatory Deficiency Event has occurred and is continuing on the Scheduled Maturity Date or the date specified in the notice of redemption by the Issuer under Condition 6(b), (c), (d) or (e), as the case may be, or a redemption would itself cause a Regulatory Deficiency Event to occur, the Issuer shall give notice to the Holders in accordance with Condition 6(j) and to the Trustee that redemption of the Notes shall be deferred, and no redemption pursuant to Condition 6 will fall due or be permitted other than as set out below in this Condition 6(f) or in Condition 9.

In such event, subject (except in the case of (iii) below) to the Solvency Condition in Condition 2(b), such Notes shall instead become due for redemption at their principal amount, together with Arrears of Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date, upon the earliest of:

- (i) the date falling 10 Business Days after the date the Regulatory Deficiency Event has ceased (provided that if on such 10th Business Day a further Regulatory Deficiency Event has occurred and is continuing or a redemption would itself cause a Regulatory Deficiency Event to occur, the Issuer shall give further notice to the Holders in accordance with Condition 6(j) and to the Trustee that redemption of the Notes will again be deferred, and the provisions of this Condition 6(f) shall apply *mutatis mutandis* to determine the subsequent date for redemption of the Notes); or
- (ii) the date falling 10 Business Days after the Relevant Supervisory Authority has agreed to the repayment or redemption of the Notes; or
- (iii) the Winding-up of the Issuer.

(g) *Deferral of Redemption relating only to Solvency Condition*

If Condition 6(f) does not apply, but the Issuer is required to defer redemption of the Notes on the Scheduled Maturity Date or the date specified in the notice of redemption by the Issuer under Condition 6(b), (c), (d) or (e), as the case may be, only as a result of the Solvency Condition not being satisfied at such time or following such payment, the Issuer shall give notice to the Holders in accordance with Condition 6(j) and to the Trustee that redemption of the Notes shall be deferred, and no redemption pursuant to Condition 6 will fall due or be permitted other than as set out below in this Condition 6(g).

In such event, such Notes shall instead become due for redemption at their principal amount, together with Arrears of Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date, on the date falling 10 Business Days immediately following the day that the Solvency Condition is met, provided that if on such 10th Business Day the Solvency Condition is not met or a Regulatory Deficiency Event has occurred and is continuing, or would not be met or would occur (as applicable) if the Notes were to be redeemed, then the Issuer shall give further notice to the Holders in accordance with Condition 6(j) and to the Trustee that redemption of the Notes will again be deferred, the Notes shall not fall due for redemption on such date and Condition 6(f) (in the case of deferral due to a Regulatory Deficiency Event) or this Condition 6(g) (in the case of deferral only due to the Solvency Condition) shall apply *mutatis mutandis* to determine the subsequent date for the redemption of the Notes.

(h) *No default or acceleration*

Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of redemption of the Notes in accordance with Condition 2(b) or this Condition 6 will not constitute a default by the Issuer under the Notes or the Trust Deed or for any other purpose and will not give Holders or the Trustee any right to accelerate the Notes such that amounts of principal, interest or Arrears of Interest would become due and payable on the Notes earlier than otherwise scheduled pursuant to these Conditions or the Trust Deed.

(i) *Trustee Not Obligated to Monitor*

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 6 and will not be responsible to Holders for any loss arising from any failure by the Trustee to do so. Unless and until the Trustee has actual knowledge of the occurrence of any event or circumstance within this Condition 6, it shall be entitled to assume that no such event or circumstance exists.

(j) *Notices and Certificates*

The Issuer shall give such prior notice to the Holders as is practicable in the circumstances, in accordance with Condition 15, and to the Trustee of:

- (i) each deferral of redemption pursuant to Condition 6(f) or 6(g), which notice shall specify whether the relevant deferral is due to a Regulatory Deficiency Event or non-satisfaction of the Solvency Condition; and
- (ii) any subsequent date of redemption of the Notes pursuant to Condition 6(f) or 6(g).

Prior to the publication of any notice pursuant to (i) above, the Issuer shall deliver to the Trustee (and make available to Holders a copy of) a certificate signed by two directors of the Issuer stating either that (A) a Regulatory Deficiency Event has occurred and is continuing on the Scheduled Maturity Date or the relevant scheduled redemption date, as the case may be, or that redemption of the Notes would cause a Regulatory Deficiency Event to occur or (B) that the Solvency Condition is not satisfied or redemption of the Notes on the Scheduled Maturity Date or the relevant scheduled redemption date, as the case may be, could not be effected in compliance with the Solvency Condition, whichever is applicable. The Trustee shall be entitled to accept such certificate as sufficient evidence of the events and circumstances described therein without liability to any person, in which case such certificate shall be conclusive and binding on the Trustee and Holders.

(k) *Supervisory consent and new issuance*

Any redemption of the Notes prior to the Scheduled Maturity Date (whether on a date originally scheduled for redemption or on a deferred redemption date) shall, if and to the extent then required by Applicable Regulations in order for the Notes to qualify as regulatory capital, be subject to any notifications to, or consent or non-objection from, the Relevant Supervisory Authority.

Further, any redemption pursuant to Condition 6(c), (d) or (e) occurring prior to the fifth anniversary of the Closing Date shall be funded out of the proceeds of a new issuance of own-funds capital of the same or higher quality as the Notes.

7 Variation

If a Deductibility Event, Gross-up Event, Regulatory Event or Rating Methodology Event has occurred and is continuing, the Issuer (subject to the prior approval of the Relevant Supervisory Authority (if required

pursuant to the then Applicable Regulations in order for the Notes to qualify as regulatory capital)) may with the prior agreement of the Trustee modify the terms and conditions of the Notes (without the consent of the Holders) so that such Deductibility Event, Gross-up Event, Regulatory Event or Rating Methodology Event no longer exists after such modification.

Any such modification to the Notes is conditional on the modified Notes having terms that (i) are not materially less favourable to the Holders than the terms of the Notes and (ii) are, except for the modification required to avoid the relevant Deductibility Event, Gross-up Event, Regulatory Event or Rating Methodology Event, substantially identical to the terms of the Notes (including, without limitation, the Interest Rates and Interest Payment Dates).

The terms and conditions of the Notes may only be modified if (i) all rights to accrued but unpaid interest and Arrears of Interest (if any) are retained following such variation, (ii) the modification itself does not give rise to (y) a detrimental change in the published rating of the Notes or of the Issuer ascribed to them or it by any rating agency that has given a rating solicited by the Issuer in the period of twelve months prior to the modification or (z) a Deductibility Event, Gross-up Event, Regulatory Event or Rating Methodology Event, (iii) the Notes remain listed on the regulated market of the Luxembourg Stock Exchange or such other internationally recognised EEA regulated market as selected by the Issuer and (iv) the Notes remain admitted to, and traded in, the same clearing system (or systems) as they were prior to such modification.

Prior to any such modification, the Issuer shall deliver to the Trustee (and make available to Holders a copy of) an opinion or a certificate, as the case may be, in the form required by Condition 6(c), (d) or (e), as appropriate, and also confirming the matters detailed in the paragraph above (including, without limitation, that the Issuer has itself received confirmation from any rating agency that has given a rating, solicited by the Issuer, in the period of twelve months prior to the modification that the modification will not cause a detrimental change in the relevant published rating of the Notes). The Trustee shall be entitled to accept the delivery by the Issuer to it of any such opinion or certificate as sufficient evidence that (i) the matters set out in the opinion or certificate have occurred and are continuing and (ii) the conditions to modification set out in this Condition 7 have been or will be met or satisfied, in which event it shall be conclusive and binding on the Trustee and the Holders.

In connection with any variation in accordance with this Condition 7, the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading. The Issuer shall give notice of any such variation to the Holders, in accordance with Condition 15, and to the Trustee as soon as reasonably practicable after such variation.

8 Purchases and Cancellation

(a) Purchases

Subject to Condition 9, the Issuer or any of its Subsidiaries may at any time purchase or procure others to purchase beneficially for its account Notes in any manner and at any price. All Notes so purchased may be held, reissued, resold or, at the option of the Issuer, surrendered for cancellation to the Principal Paying Agent.

The Notes so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the Holder to vote at any meetings of the Holders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Holders or for the purposes of Condition 14.

Further, any purchase pursuant to this Condition 8 occurring prior to the fifth anniversary of the Closing Date shall be funded out of the proceeds of a new issuance of own-funds capital of the same or higher quality as the Notes.

(b) *Cancellation*

All Notes redeemed by the Issuer pursuant to Condition 6, and all Notes purchased by the Issuer or any of its Subsidiaries and surrendered for cancellation, shall be cancelled forthwith and may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

9 Preconditions to Redemption, Variation and Purchase

Prior to the giving of any notice of redemption prior to the Scheduled Maturity Date or any variation or purchase of the Notes, the Issuer will be required to:

- (a) have complied with the regulatory rules on notification to, or consent from, the Relevant Supervisory Authority (in each case, as contained within, referred to in or imposed on the Issuer, the Group or the Notes directly or indirectly by virtue of the Applicable Regulations and only if and to the extent required or applicable in order for the Notes to qualify as regulatory capital of the Issuer or the Group);
- (b) be satisfied that a Regulatory Deficiency Event is not continuing, that the Solvency Condition is satisfied and that such action will not cause a Regulatory Deficiency Event or cause the Solvency Condition not to be met.

Notwithstanding the above sub-paragraph (b), but always subject to the satisfaction of the Solvency Condition, the Issuer may redeem or repay the Notes upon the occurrence of a Regulatory Deficiency Event if:

- (a) the Relevant Supervisory Authority has exceptionally waived the suspension of the redemption or repayment,
- (b) the Notes have been exchanged for or converted into another basic own-fund item of at least the same quality; and
- (c) the Minimum Capital Requirement is complied with after the repayment or redemption.

A certificate from any two directors of the Issuer delivered to the Trustee confirming that the Issuer is in compliance with the matters detailed above shall be conclusive evidence thereof.

The Trustee shall be entitled to accept the certificate as sufficient evidence that the requirements of, or circumstances required by, this Condition 9 have been or will be met or satisfied, in which event it shall be conclusive and binding on the Trustee and the Holders.

10 Payments

(a) *Principal and Interest*

Without prejudice to Article 474 of the Belgian Code of Companies, all payments of principal or interest in respect of the Notes shall be made through the Domiciliary Agent and the NBB System in accordance with the NBB System Regulations. The payment obligations of the Issuer under the Notes will be discharged by payment to the Domiciliary Agent in respect of each amount so paid. Each of the persons shown in records of a direct participant, sub-participant or the operator of the NBB System as the beneficial holder of a particular nominal amount of Notes must look solely to the relevant direct participant or sub-participant, as the case may be, for its share of each payment so made by the Issuer on the Notes.

(b) *Payments*

Each payment in respect of the Notes pursuant to Condition 10(a) will be made by transfer to a euro account maintained by the payee with a bank in a city in which banks have access to the TARGET System.

(c) *Payments only on business days*

If the date for payment of any amount in respect of any Note is not a business day then the holder thereof shall not be entitled to payment of the amount payable until the next following business day and shall not be entitled to any further interest or payment in respect of any such delay. In this Condition 10(c), “**business day**” means a TARGET Business Day on which commercial banks are also open in the relevant place of payment.

(d) *Payments subject to laws*

Save as provided in Condition 11, payments will be subject in all cases to any other applicable fiscal or other laws and regulations in the place of payment or other laws and regulations to which the Issuer or its Paying Agents agree to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or agreements.

The Paying Agents shall not make or impose on a Holder any charge or commission in relation to any payment in respect of the Notes.

(e) *Agents, etc.*

The Issuer reserves the right under the Paying Agency Agreement at any time, without the prior approval of the Agent Bank, relevant Paying Agent or the Principal Paying Agent, to vary or terminate the appointment of the Agent Bank, any of the Paying Agents and appoint additional or other paying agents or a different agent bank, provided that it will (i) maintain an agent bank, (ii) maintain a principal paying agent in relation to the Notes and (iii) maintain a domiciliary agent in relation to the Notes, which domiciliary agent will at all times be a participant in the NBB System. Notice of any change in Paying Agent or their specified offices will promptly be given by the Issuer to the Holders in accordance with Condition 15.

(f) *Fractions*

When making payments to Holders, if the relevant payment is not of an amount which is a whole multiple of the smallest unit of the relevant currency in which such payment is to be made, such payment will be rounded down such that the amount is a whole multiple of the smallest unit of the relevant currency.

11 **Taxation**

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed, levied, collected, withheld or assessed by the Kingdom of Belgium or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts (“**Additional Amounts**”) as shall result in receipt by the Holders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable with respect to any Note:

- (a) **Other connection:** to, or to a third party on behalf of, a Holder who is liable to such Taxes in respect of such Note by reason of its having some connection with the Kingdom of Belgium other than a mere holding of such Note; or
- (b) **Payment to individuals:** where such withholding or deduction is imposed on a payment to or for an individual or a certain other person and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive or any agreement between the EU and any other country or territory providing for similar measures; or
- (c) **Non-Eligible Investor:** to a Holder, who at the time of issue of the Notes, was not an eligible investor within the meaning of Article 4 of the Belgian Royal Decree of 26 May 1994 on the deduction of withholding tax or to a Holder who was such an eligible investor at the time of issue of the Notes but, for reasons within the Holder's control, either ceased to be an eligible investor or, at any relevant time on or after the issue of the Notes, otherwise failed to meet any other condition for the exemption of Belgian withholding tax pursuant to the Belgian Law of 6 August 1993 on transactions in certain securities; or
- (d) **Conversion into registered securities:** to a Holder who is liable to such Taxes because the Notes were upon its request converted into registered Notes and could no longer be cleared through the NBB System.

References in these Conditions to principal, Interest Payments, Deferred Interest Payments, Arrears of Interest and/or any other amount in respect of interest shall be deemed to include any Additional Amounts which may become payable pursuant to the foregoing provisions.

12 Enforcement Events

Notwithstanding any of the provisions below in Condition 12, the right to sue for payment is limited to circumstances where payment has become due. No principal, interest or any other amount will be due where payment of the same has been deferred pursuant to, and in accordance with the provisions of, Condition 2(b), 5 and/or 6, as the case may be.

The Trust Deed contains provisions entitling the Trustee to claim from the Issuer, inter alia, the fees, expenses and liabilities incurred by it in carrying out its duties under the Trust Deed. The restrictions on commencing proceedings described below will not apply to any such claim.

- (a) *No right to institute bankruptcy and other similar proceedings*

The Trustee and the Holders shall have no right to petition for or institute proceedings for the bankruptcy of the Issuer in Belgium or to institute equivalent insolvency proceedings (including those equivalent to a Winding-up) pursuant to any laws in any country in respect of any default of the Issuer under the Notes or the Trust Deed.

Notwithstanding any of the provisions below in this Condition 12, the right to sue for payment in respect of the Notes is limited to circumstances where payment has become due. Pursuant to Condition 2(b) and save as set out in Condition 2(c), no principal, interest or any other amount will be due on the relevant payment date if the Solvency Condition is not satisfied, at the time of and immediately after any such payment. In the case of any payment of interest in respect of the Notes, such payment (i) may be deferred pursuant to Condition 5(a) and if so deferred will not be due and (ii) will be deferred and not be due if Condition 5(b) applies and (iii) in the case of payment of

principal, such payment will be deferred and will not be due if a Regulatory Deficiency Event has occurred and is continuing or the Solvency Condition would not be met as set out in Condition 6(f) and 6(g).

If the Issuer defaults (i) for a period of 7 days or more in the payment of any interest due in respect of the Notes or any of them or (ii) for a period of 14 days or more in payment of the principal due in respect of the Notes or any of them, the Trustee may sue for payment when due and prove or claim in the Winding-up of the Issuer for such payment but may take no further or other action to enforce, prove or claim for any such payment.

No payment in respect of the Notes or the Trust Deed may be made by the Issuer pursuant to this Condition 12(a), nor will the Trustee accept the same, otherwise than during or after a Winding-up of the Issuer, unless the Issuer has given prior written notice (with a copy to the Trustee) to, and received consent (if required) from, the Relevant Supervisory Authority which the Issuer shall confirm in writing to the Trustee.

(b) *Amounts to become due and payable on Winding-up*

If an order is made by the competent court or resolution passed for the Winding-up of the Issuer, the provisions of Condition 2(c) shall apply.

(c) *Enforcement*

Without prejudice to Conditions 12(a) and (b) above, the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Trust Deed or the Notes (other than any payment obligation of the Issuer under or arising from the Notes or the Trust Deed including, without limitation, payment of any principal or interest in respect of the Notes and any damages awarded for breach of any obligations in respect of the Notes) and in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums (in cash or otherwise) sooner than the same would otherwise have been payable by it.

Nothing in this Condition 12(c) shall, subject to Condition 12(a), prevent the Trustee from proving or claiming in any Winding-up of the Issuer in respect of any payment obligations of the Issuer arising from the Notes or the Trust Deed (including without limitation, payment of any principal or interest in respect of the Notes and any damages awarded for any breach of any obligations in respect of the Notes).

(d) *Entitlement of the Trustee*

The Trustee shall not be bound to take any of the actions referred to in Conditions 12(a) or (c) above to enforce the obligations of the Issuer under the Trust Deed or the Notes or any other steps or action unless (i) it shall have been so directed by an Extraordinary Resolution of the Holders or so requested in writing by the Holders of at least one-quarter in principal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(e) *Right of Holders*

No Holder shall be entitled to proceed directly against the Issuer or prove or claim in a Winding-up of the Issuer unless the Trustee, having become so bound to proceed or prove or claim in such Winding-up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 12.

(f) *Extent of Holders' remedy*

No remedy against the Issuer, other than as referred to in this Condition 12, shall be available to the Trustee or the Holders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes or under the Trust Deed in respect thereof. For the avoidance of doubt, the Holders waive, to the fullest extent permitted by law, (i) all their rights whatsoever pursuant to Article 1184 of the Belgian Civil Code to rescind (*résoudre/ontbinden*), or demand in legal proceedings the rescission (*résolution/ontbinding*) of, the Notes and (ii) to the extent applicable, all their rights whatsoever in respect of the Notes pursuant to Article 487 of the Belgian Code of Companies (right to rescind (*résolution/ontbinding*)). Furthermore, to the fullest extent permitted by law, the Trustee and the Holders hereby waive their rights under Article 1117 of the Belgian Civil Code to nullify, or demand in legal proceedings the nullification of, the Notes on the ground of error (*erreur/dwaling*).

13 Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of such payment.

Claims in respect of any other amounts payable in respect of the Notes shall be prescribed and become void unless made within 10 years following the due date for payment thereof.

14 Meetings of Holders, Modification and Waiver

(a) *Meetings of Holders*

The Trust Deed contains provisions for convening meetings of Holders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions.

All meetings of Holders will be held in accordance with the provisions of Article 568 et seq. of the Belgian Code of Companies with respect to bondholders meetings; provided however that the Issuer, in accordance with the provisions of Article 569 of the Belgian Code of Companies, shall, at its own expense, promptly convene a meeting of Holders upon the request in writing of Holders holding not less than one-fifth of the aggregate principal amount of the outstanding Notes. Subject to the quorum and majority requirements set out in Article 574 of the Belgian Code of Companies, and if required thereunder subject to validation by the court of appeal of Brussels, the meeting of Holders shall (with the assent of the Issuer) be entitled to exercise the powers set out in Article 568 of the Belgian Code of Companies and to modify or waive any provision of these Conditions upon the proposal of the Issuer to do so, provided however that the following matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Holders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum: (i) any proposal of the Issuer to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or the date for any such payment; (ii) subject to Condition 7, any proposal of the Issuer to effect the exchange, conversion or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed; (iii) any proposal of the Issuer to change the currency in which amounts due in respect of the Notes are payable; (iv) any proposal of the Issuer

to change the provisions regarding subordination referred to in Condition 2 and/or the Trust Deed; or (v) any proposal of the Issuer to change the quorum required at any meeting of Holders or the majority required to pass an Extraordinary Resolution.

Resolutions duly passed in accordance with these provisions shall be binding on all Holders, whether or not they are present or represented at the meeting and whether or not they vote in favour of such a resolution.

For the avoidance of doubt, any modification to be made to the Conditions pursuant to this Condition 14 and the Trust Deed shall require the consent of the Issuer and will be subject to any notifications or approvals (if and to the extent required or applicable pursuant to the then Applicable Regulations in order for the Notes to qualify as regulatory capital) of the Relevant Supervisory Authority.

Convening notices for meetings of Holders shall be made in accordance with Article 570 of the Belgian Code of Companies, which currently requires an announcement to be published not less than fifteen days prior to the meeting in the Belgian Official Gazette (*Moniteur Belge/Belgisch Staatsblad*) and in a newspaper of national distribution in Belgium. The Trust Deed provides that, subject to the Issuer's consent, a resolution in writing signed by or on behalf of the Holders of not less than 75 per cent. in aggregate nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders duly convened and held, provided that the terms of the proposed resolution have been notified in advance to the Holders through the NBB System. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

(b) Modification and Waiver

Subject to the prior approval of the Relevant Supervisory Authority (if required pursuant to the then Applicable Regulations in order for the Notes to qualify as regulatory capital), the Trustee may agree with the Issuer, without the consent of the Holders, to (i) any modification of any of the provisions of the Trust Deed, any agreement supplemental to the Trust Deed (including, without limitation, the Conditions) or the Paying Agency Agreement which in the Trustee's opinion is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law, (ii) any modification of the Conditions in accordance with Condition 7 and (iii) any other modification (except as mentioned in the Trust Deed) and any waiver or authorisation of any breach, or proposed breach, of any of these Conditions and of the provisions of the Trust Deed or any agreement supplemental to the Trust Deed (including, without limitation, the Conditions) or the Paying Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders.

(c) Meetings of Shareholders and Right to Information

The Holders shall be entitled to attend all general meetings of shareholders of the Issuer, in accordance with Article 537 of the Belgian Code of Companies, and they shall be entitled to receive or examine any documents that are to be remitted or disclosed to them in accordance with the Belgian Code of Companies. The Holders who attend any general meeting of shareholders of the Issuer shall be entitled only to a consultative vote.

15 Notices

All notices regarding the Notes will be valid if published either in a leading daily newspaper in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange

(*www.bourse.lu*). The Issuer shall also ensure that all notices are duly published in a manner which complies (i) with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed and/or admitted to trading and (ii) with all legal requirements relating thereto. Any such notice shall be deemed to have been given on the date of such publication or, if required to be published in more than one newspaper or in more than one manner, on the date of the first such publication in all the required newspapers or in each required manner. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve.

For so long as the Notes are held by or on behalf of the NBB System, notices to Holders may also be delivered to the NBB System for onward communication to Holders in substitution for such publication (provided that, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that stock exchange so require they are also published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) or published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*)). Any such notice shall be deemed to have been given to Holders on the seventh day after the date on which the said notice was given to the NBB System.

16 Further Issues

The Issuer may from time to time without the consent of the Holders create and issue further securities either having the same terms and conditions in all respects as the Notes or in all respects except for the first payment of interest on them and so that such further issue shall be consolidated and form a single series with the Notes or upon such terms as to interest, redemption and otherwise as the Issuer may determine at the time of their issue. The Trust Deed contains provisions for convening a single meeting of the Holders.

17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

18 Governing Law and Jurisdiction

(a) Governing Law

The Trust Deed and the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, save that the provisions contained in Condition 2 in relation to subordination and waiver of set-off, Conditions 14(a) and (c) and any matter relating to the dematerialised form of the Notes and any non-contractual obligations arising out of the same shall be governed by, and construed in accordance with, Belgian law.

(b) Jurisdiction

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed and the Notes and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or the Notes (“**Proceedings**”) may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts and has waived any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. These submissions are made for the benefit of the Trustee and each of the Holders (provided that the Holders are entitled to proceed directly under Condition 12(e)) and shall not limit the right of any of them to take Proceedings in any

other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) *Agent for Service of Process*

The Issuer has irrevocably appointed Ageas (UK) Limited of Ageas House, Tollgate, Eastleigh, Hampshire, SO53 3YA as its agent in England to receive service of process in any Proceedings in England. Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

SECTION 5 - CLEARING

The Notes will be accepted for clearance through the Securities Settlement System under the ISIN number BE6277215545 and Common Code 121158132 with respect to the Notes, and will accordingly be subject to the NBB System Regulations (as defined in the Conditions).

The number of Notes in circulation at any time will be registered in the register of registered securities of the Issuer in the name of the NBB.

Access to the Securities Settlement System is available through those of its participants whose membership extends to securities such as the Notes.

Notes may be held only by, and transferred only to, eligible investors referred to in Article 4 of the Belgian Royal Decree of 26 May 1994 on the deduction of withholding tax (“Eligible Investors”) holding their securities in an exempt securities account that has been opened with a financial institution that is a direct or indirect participant in the Securities Settlement System operated by the NBB.

Securities Settlement System participants include certain banks, stockbrokers (*sociétés de bourse/beursvennootschappen*), and Euroclear and Clearstream, Luxembourg. Accordingly, the Notes will be eligible to clear through, and therefore accepted by, Euroclear and Clearstream, Luxembourg and investors can hold their Notes within securities accounts in Euroclear and Clearstream, Luxembourg.

Transfers of interests in the Notes will be effected between Securities Settlement System participants in accordance with the rules and operating procedures of the Securities Settlement System. Transfers between investors will be effected in accordance with the respective rules and operating procedures of the Securities Settlement System participants through which they hold their Notes.

The Principal Paying Agent will perform the obligations of domiciliary agent included in the Clearing Agreement.

The Issuer and the Principal Paying Agent will not have any responsibility for the proper performance by the Securities Settlement System or its participants of their obligations under their respective rules and operating procedures.

SECTION 6 - DESCRIPTION OF THE ISSUER

This section should be read and construed in conjunction with the audited consolidated financial statements of the Issuer prepared in accordance with IFRS for the financial years ended 31 December 2013 and 31 December 2014 and the audit reports thereon. Figures as at 31 December 2014 in this section have been audited but not approved by the AG Insurance's annual shareholders meeting which will be held in May 2015.

1 Overview, incorporation and history

Overview

AG Insurance is the market leader in the Belgian insurance market, with a 24.9 per cent. market share in life insurance (in terms of gross written premiums) and a 16.3 per cent. market share in non-life insurance (in terms of gross written premiums) at the end of December 2013¹. AG Insurance is a composite insurer offering a broad range of products that cover the needs of both individuals and companies. It distributes its products through independent insurance brokers, the retail banking branches of BNP Paribas Fortis (Belgium's largest bank), as well as branches of the Belgian post (*bpost banque/bpost bank*), and directly in a "business to business" context.

AG Insurance is active both in life insurance and in non-life insurance. For the year ended 31 December 2014, AG Insurance recorded gross inflow of EUR 5.9 billion, split 68 per cent. / 32 per cent. between life insurance and non-life insurance. At 31 December 2014, AG Insurance's technical liabilities amounted to EUR 61.3 billion.

AG Insurance's insurance business is carried out solely in Belgium (See "Risk factors — Factors that may affect the Issuer's ability to fulfil its obligations under or in connection with the Notes — The Issuer's insurance business is carried out in Belgium, creating a concentration risk").

AG Real Estate, a wholly-owned subsidiary of AG Insurance, is the most prominent real estate group in Belgium and employs approximately 200 professionals specialised in asset, property, development, construction, project management, public private partnerships and real estate finance, responsible for the management of a portfolio valued at approximately EUR 6.1 billion as at 31 December 2014. In real estate development, AG Real Estate has a strong track record with completed developments representing more than 2 million square metres of office, residential and retail space in Belgium, France and Luxembourg. Interparking, an indirect subsidiary of AG Insurance active and a European leader in the sector of public car park management in nine European countries, employs a further 2,000 individuals throughout Europe.

At the end of December 2014, AG Insurance and its subsidiaries (excluding AG Real Estate) employed approximately 4,500 full time employees.

AG Insurance is the principal operating company of the Ageas group. Ageas is an international insurance group with a heritage spanning more than 180 years that is active both in life and non-life insurance. Ranked among the top 20 insurance companies in Europe, Ageas concentrates its business activities in Europe and Asia. Ageas' insurance activities are made up of four distinct segments: Belgium (AG Insurance), United Kingdom, Continental Europe and Asia. Those activities are served through a combination of wholly-owned

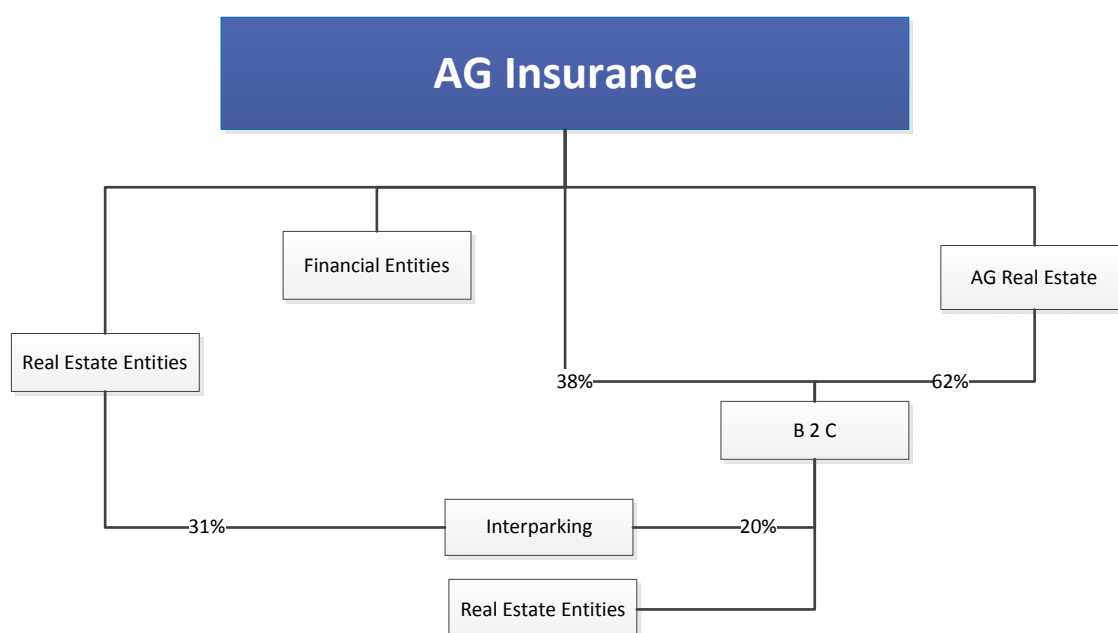
¹ Calculated based on internal figures and market data available in Assuralia's study "Key figures and main results of Belgian insurance in 2013", November 2014, available in French and Dutch on <http://www.assuralia.be>. Assuralia is the professional organisation of insurance companies in Belgium.

subsidiaries and partnerships with strong financial institutions and key distributors. Ageas employs more than 13,000 people in the consolidated entities and over 30,000 in the non-consolidated partnerships and has annual inflows of more than EUR 23 billion. Ageas shares are listed on Euronext Brussels, where Ageas is part of the local blue chip Bel20 index. Ageas' market capitalisation as at 16 March 2015 amounted to EUR 7.7 billion.

Incorporation

AG Insurance SA/NV was incorporated as “*Compagnie d’Assurance Maritime et d’Incendie d’Anvers Securitas*”, by Royal Decree, on 29 March 1819. AG Insurance SA/NV is a company with limited liability (*société anonyme/naamloze vennootschap*) incorporated and existing under the laws of Belgium for an unlimited duration, with its registered office at Boulevard Emile Jacqmainlaan 53, B-1000 Brussels, Belgium (telephone number: +32 (0)2 664 81 11) and registered with the Crossroads Bank of Enterprises (Brussels) under enterprise number 0404.494.849.

Set out below is a simplified structure of the Group formed by AG Insurance and its subsidiaries:



The registered capital of AG Insurance amounts to EUR 526,604,028, represented by 631,286 fully paid up ordinary shares without par value. All shares are in registered form. AG Insurance has not issued any other equity instruments.

The Board of Directors is currently not authorised to increase the share capital pursuant to the authorised capital (*capital autorisé/toegestaan kapitaal*) procedure.

Except as a result of the merger between AG Insurance and “*les Assurances de Fortis Banque SA*”/“*de Verzekeringen van Fortis Bank NV*”, the capital of AG Insurance has not been increased by a contribution in kind during the last ten years. Pursuant to this merger by absorption the capital of AG Insurance was increased in kind by an amount of EUR 459,470,028 as a result of the transfer of all assets and liabilities of “*les Assurances de Fortis Banque SA*”/“*de Verzekeringen van Fortis Bank NV*” to AG Insurance, effective 30 June 2006.

History

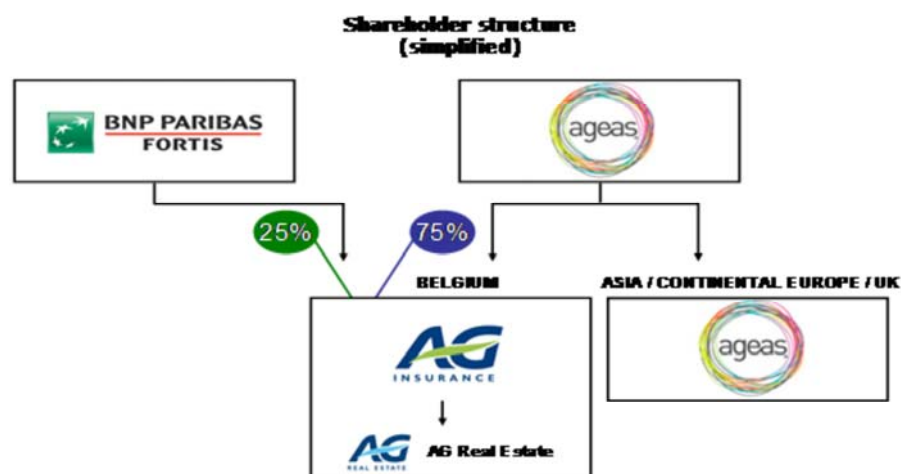
AG Insurance's core business dates back to 1824 with the creation of a life insurance company (“*Maatschappij van Algemene Verzekeringen op het Leven, de Dotale Fondsen en de Overlevingen*”) followed

by the creation of a non-life sister company in 1830 (“*Maatschappij van Algemene Verzekeringen tegen Gevaren van Brand*”). The companies evolved through numerous changes, acquisitions and mergers, including the acquisition in 1971 of the “*Compagnie d’Assurance Maritime et d’Incendie d’Anvers Securitas*”, the merger of the latter by absorption of “AG van 1830” in 1986 and the merger by absorption of “AG van 1824” in 1990 to become Fortis AG SA/NV in 1999.

In 2006, by merger between Fortis AG and “*les Assurances de Fortis Banque SA*”/“*de Verzekeringen van Fortis Bank NV*” (formerly “CGER/ASLK”), the company adopted a multi-channel distribution model and became Fortis Insurance Belgium SA/NV. Following the financial crisis in 2008 and as part of the bailout of the former Fortis group, Fortis Bank nv-sa and Fortis Insurance Belgium SA/NV were separated. The current shareholders’ structure crystallised in 2009, when, on 12 May 2009, the BNP Paribas group (acting through Fortis Bank nv-sa) acquired 25 per cent. (plus one share) of Fortis Insurance Belgium SA/NV pursuant to an agreement between BNP Paribas, the Belgian State and the former Fortis group.

Fortis Insurance Belgium changed its name into AG Insurance on 19 June 2009, effective 22 June 2009, while the parent companies of the former Fortis group were renamed ageas SA/NV and ageas N.V. in April 2010. Effective 7 August 2012, the Dutch parent company ageas N.V. was merged into the Belgian parent company ageas SA/NV, such that the Belgian company ageas SA/NV, with a permanent establishment in the Netherlands, is the sole listed parent company of the Ageas group. Fortis Bank nv-sa has been operating under the commercial name BNP Paribas Fortis since May 2009. Effective 1 January 2013 Fortis Bank changed its legal name to BNP Paribas Fortis.

2 Shareholding structure



AG Insurance’s direct shareholders are Ageas Insurance International N.V., that holds 75 per cent. (minus one share) of the outstanding shares, and BNP Paribas Fortis SA/NV, that holds the remaining 25 per cent. (plus one share).

Ageas Insurance International N.V. is a wholly-owned subsidiary of ageas SA/NV, the Belgian listed parent company of the former Fortis group, now known as Ageas.

BNP Paribas Fortis SA/NV is owned by the BNP Paribas group (99.93 per cent.) and minority shareholders (0.07 per cent.).

BNP Paribas Fortis and Ageas Insurance International entered into a shareholders’ agreement dated 12 May 2009 (the “**Shareholders’ Agreement**”), to which AG Insurance is also a party. The Shareholders’ Agreement provides that, among other things, BNP Paribas Fortis will be represented by two non-executive

directors in AG Insurance's board of directors. If BNP Paribas Fortis' stake in AG Insurance equals or exceeds 5 per cent. but is lower than 15 per cent., it will only be entitled to one representative in the board of directors.

AG Insurance's directors appointed upon proposal of BNP Paribas Fortis have a number of veto rights on important decisions such as the distribution of interim dividends, the entering into (or amendment of) material contracts or financial arrangements between AG Insurance and any of its shareholders (if not in the ordinary course of business), material acquisitions or disposals of a material part of AG Insurance's business, among other things.

BNP Paribas Fortis also has a veto right at AG Insurance's shareholders' meetings on a number of important items such as dividend payments, mergers, increase or decrease of the registered share capital, etc.

The Shareholders' Agreement also contains a prohibition for BNP Paribas Fortis to sell its stake in AG Insurance prior to 1 January 2018. Furthermore, a put option was granted to BNP Paribas Fortis in 2009 pursuant to which BNP Paribas Fortis may sell its shares in AG Insurance to Ageas Insurance International after 1 January 2018 at fair market value.

Finally, neither Ageas Insurance International nor BNP Paribas Fortis may transfer only part of their stake in AG Insurance. In case of transfer of shareholdings, both shareholders benefit from reciprocal pre-emption and tag along rights.

The Shareholders' Agreement was entered into for a period of 15 years.

As part of the bail-out of the former Fortis group in 2008 (completed by the separation of the Fortis group in 2009), Ageas Insurance International granted to the Belgian State a pledge on a maximum of 20 per cent. of the shares in AG Insurance to secure certain payment obligations of ageas SA/NV that are guaranteed by the Belgian State. This pledge was terminated on 31 March 2014. A new pledge on 7.4 per cent. of the shares in AG Insurance has been granted by Ageas Insurance International to BNP Paribas Fortis.

3 Credit ratings of AG Insurance

AG Insurance is rated by S&P and Fitch. The ratings (situation as at 31 December 2014) can be summarised as follows:

S&P

Financial Strength Rating	A - (positive outlook)
Counterparty Credit Rating	A - (positive outlook)

Fitch

Insurer Financial Strength	A + (stable outlook)
Long term Issuer Default Rating	A (stable outlook)

On 14 October 2014, S&P confirmed the Issuer's "A-" counterparty credit and financial strength ratings and affirmed its positive outlook for AG Insurance.

On 10 December 2014 Fitch confirmed AG Insurance's IFS (Insurer Financial Strength) rating of "A+" and long term IDR (Issuer Default Rating) of "A". The outlooks on the IFS rating and the long term IDR were affirmed as stable.

4 Business structure

Segments and organisation

Three operating segments are distinguished for IFRS segment reporting purposes: Individual Life (Insurance) & Health, Non-Life (Insurance) other than Health Care and Employee Benefits & Health Care. Individual Life & Health markets insurance contracts covering risks related to the life and death of individuals as well as individual health care insurance. Individual Life & Health also markets individual investment contracts with and without a discretionary participation feature, as well as individual unit linked contracts. Non-Life is further broken down into four lines of business: accident, motor, fire and other (including third party liability). Employee Benefits & Health Care includes group insurance and collective health care insurance policies, as well as a small group insurance unit linked portfolio.

From an internal organisational point of view, AG Insurance is managed through three business lines: (i) Bank Channel which includes life product development, (ii) Broker Channel which includes non-life product development and (iii) Employee Benefits/Health Care Channel.

Brands

AG Insurance sells its insurance products under its own brand name through insurance brokers and directly, as well as those of its key distributors through their channels, including most notably BNP Paribas Fortis and the Belgian post bank (*bpost banque/bpost bank*).

AG Insurance subsidiaries operate under their own brand names, including AG Real Estate in real estate management and development and Interparking in car park management.

5 Distribution channels

AG Insurance distributes its products through three distinct channels: a Bank Channel (BNP Paribas Fortis branches and *bpost banque/bpost bank* branches) (See “— Material contracts — Bancassurance Distribution Agreements”), a Broker Channel (independent brokers) and directly in a “business to business” context through its Employee Benefits/Health Care Channel.

Total gross inflow for the year ended 31 December 2014 amounted to EUR 5.9 billion, of which EUR 4 billion in the life segment and EUR 1.9 billion in the non-life segment.

Bank Channel

The Bank Channel distributes individual life & health and non-life (property & casualty) products.

Individual life

Individual life products are mainly distributed by the Bank Channel through AG Insurance’s long-standing strategic partnerships with BNP Paribas Fortis (both retail and business) and *bpost banque/bpost bank*.

As AG Insurance and BNP Paribas Fortis no longer belong to the same group of companies, the focus of the Bank Channel is to maintain the highest levels of partner and customer satisfaction through appropriate governance, products, processes, sales support and remuneration.

Non-life

The Bank Channel distributes non-life insurance products (accident, motor, fire and other (including third party liability)) to retail customers, offering the same products and following the same acceptance and pricing rules as in the Broker Channel. Bank branches propose non-life solutions only to retail clients who are not already customers of AG Insurance. BNP Paribas Fortis is also incentivised to refer business clients to the Broker Channel.

Broker Channel

The Broker Channel distributes individual life & health and non-life (property & casualty as well as workmen's compensation) products.

Non-life

The Broker Channel's main activities consist of distributing non-life insurance products, serving the retail as well as the business market (small and medium size enterprises and corporate clients with more than 50 full time employees) through independent insurance brokers. Building upon a broad product offering and deep penetration of insurance brokerage in Belgium, the Broker Channel targets both individuals and SMEs and larger corporate clients.

Individual life

The Broker Channel also distributes individual life insurance products through independent insurance brokers and through branches of Fintro, a network of independent bank managers operating on behalf and for BNP Paribas Fortis.

Employee Benefits/Health Care Channel

The Employee Benefits/Health Care Channel distributes its pension (group insurance) and health care products – which are a complement to the benefits provided by the Belgian social security system – through brokers, consultants and directly to its clients (*i.e.* employers and sectors in a business to business context and to a lesser extent individuals). The Employee Benefits/Health Care Channel can rely on leads generated by international networks (such as IGP and Insurope) it belongs to and by BNP Paribas Fortis.

Products sold by Employee Benefits encompass company plans, sector plans and early retirement plans. Health Care products sold encompass group medical, group disability and individual medical covers, and are sold both to employers and individuals.

6 Products

Life insurance products

AG Insurance's life products consist of a broad range of products with or without a discretionary participation feature (a contractual right to receive, as a supplement to guaranteed benefits, additional benefits depending on the performance of the insurance company). Products are offered to both the individual and the group life markets.

Individual customers

In individual life insurance, AG Insurance offers a broad product range addressing the changing needs of its customers over their lifetime, including savings and investment products to save for a house, children, retirement (with or without tax benefits), for a specific purpose (different risk/return) or to cover the need for an additional income, non-unit linked contracts, pension products with tax benefits and closed and open-ended structured unit linked products.

Products offering protection are, for instance, death cover (asset protection), mortgage linked insurance and unemployment insurance.

For professionals and self-employed customers, AG Insurance provides pension plans and second pillar (employer-administered and funded group life) plans for small and medium size enterprises.

All products have surrender protection features, some of which are based on market value adjustment features, meaning that customers receive the value of the investments underlying their products if they lapse.

Employee Benefits

AG Insurance's Employee Benefits & Health Care business line offers global employee benefits packages in pensions and health, both as a complement to regular welfare benefits, to major employers in the private sector, sector-wide organisations and the public sector.

Pension benefits include lump sums assured during life or death covering, annuities and spouses' and orphans' benefits. AG Insurance offers both standardised and customised products.

Health insurance includes medical cost insurance and disability benefits.

Non-life insurance products

Fire

AG Insurance's fire insurance policies provide coverage to both individual and business 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.

Business coverage is provided to Belgian companies for buildings and facilities in Belgium, and includes ordinary and commercial risks, but no large industrial risks.

Motor

The motor insurance policies offered by AG Insurance 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 types of coverage, including collision, first party medical and damage suffered by the policyholder, the driver of the vehicle or the vehicle itself, are optional.

Corporate customers

To specifically serve the larger enterprise segment, the corporate unit was created, where experts in this area develop and offer tailor-made products and services specifically for this target group.

Liability

The main product offered is private third party liability insurance, which protects all family members against damage caused to third parties in private life situations. Other liability products relate to travel and domestic staff. AG Insurance also offers liability cover for small and medium sized enterprises and corporates.

Workmen's compensation

Belgian law provides that each employer must underwrite an insurance policy ("workmen's compensation") to cover employees both in case of accidents at the workplace and in commuter traffic. Unlike most other European countries, in Belgium the private sector rather than the State social security system provides these insurance products. Although provided by the private sector, the levels of premiums are subject to control by the government, which also exerts administrative control on claims handling.

Legal assistance

This product offers legal protection in civil matters.

Contribution to AG Insurance's results per operating segment

The contribution of the various products per operating segment to AG Insurance's results for the year ended 31 December 2014 (audited) as well as for the year ended 31 December 2013 (audited) is set out in the tables below.

2014

(Audited)

By product line (EUR mio)	Operating segments			
	Total AG Insurance	Individual Life & Health	Non-Life other than Health Care	Employee Benefits & Health Care
Life technical result	287	227	n/a	60
Non-life technical result.....	69	9	42	19
- Accident & Health.....	49	9	21	19
- Motor.....	34	n/a	34	n/a
- Fire and other damage to property.....	29	n/a	29	n/a
- Other.....	(42)	n/a	(42)	n/a
Total technical result	356	236	42	79
Capital gains (losses) allocated to operating margin.....	164	62	16	85
Operating margin	520	299	58	164
Other results.....	111	58	12	41
Profit before taxation.....	631	357	69	205

2013

(Audited)

By product line (EUR mio)	Operating segments			
	Total AG Insurance	Individual Life & Health	Non-Life other than Health Care	Employee Benefits & Health Care
Life technical result	330	246	n/a	84
Non-life technical result.....	89	11	63	16
- Accident & Health.....	39	11	13	16
- Motor.....	25	n/a	25	n/a
- Fire and other damage to property.....	31	n/a	31	n/a
- Other.....	(6)	n/a	(6)	n/a
Total technical result	419	256	63	100
Capital gains (losses) allocated to operating margin.....	122	55	16	51
Operating margin	541	311	79	151
Other results.....	72	47	8	18
Profit before taxation.....	614	358	87	169

7 Market position

Within the Belgian distribution landscape AG Insurance holds a leading position in both the bank distribution channel (through its partnerships with BNP Paribas Fortis and bpost banque/bpost bank) and the broker distribution channel. Direct distribution is mainly dominated by mutual and cooperative insurance companies.

Life insurance market²

Life insurance market distribution is dominated by bank-insurance companies (such as BNP Paribas Fortis, KBC and Belfius), which had a market share of 33% in 2013 which declined by 13.9% between 2012 and 2013. Brokers remain the second largest distribution channel (30%), followed by insurance companies offering life products directly (23.3%, mainly driven by Ethias N.V. and overall group life business). Assurfinance³ (6.9%) and Agents (6.3%) have the lowest market share.

Non-life insurance market⁴

Within the non-life insurance market brokers remained the dominant force in 2013 with a distribution share of 58%. Despite this dominant position, brokers are gradually losing market share to direct channels (20% mainly influenced by Ethias N.V.), agents (11%), Banks (8%), and Assurfinance (3%).

Market share evolution

AG Insurance has a leading market share in life insurance with a market share of 24.9 per cent. (measured in terms of premiums) at the end of December 2013. The market share in non-life amounted to 16.3 per cent. at the end of December 2013.

Market share evolution 2012-2013⁵

2013 Position	Rank Variation compared to 2012	Group	Total	Total Non-Life	Total Life
1		AG Insurance	21.4	16.3	24.9
2	> 1	AXA	14.8	18.7	12.1
3	> 1	Ethias	9.7	11.3	8.6
4	± 2	KBC	8.7	8.3	9.0
5		Belfius	6.7	4.8	8.0
6		Allianz	5.4	5.3	5.4
7		P&V	5.3	6.2	4.7
8		Baloise	4.0	6.8	2.2
9		ERGO – DKV – DAS	3.8	4.8	3.1
10	> 1	Delta Lloyd	3.0	0.1	5.0
11	± 1	Argenta	2.2	1.0	3.0
12	> 1	Generali	1.9	1.9	2.0
13	± 1	ING	1.9	1.2	2.4
14	> 1	Fidea	1.2	1.7	0.9
15	> 1	Fédérale	1.2	1.8	0.8
Top 15			91.2	90.3	91.9

Source: Assuralia, gross inflow 2013

² Assuralia; “Insurance distribution channels –2013 Figures” ; February 2015 “ Assurinfo”

³ Assurfinance refers to the system where an independent insurance broker also acts as an (exclusive) agent of a bank.

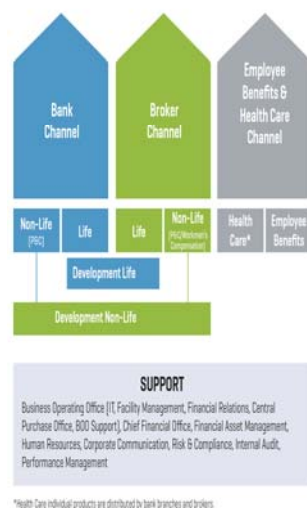
⁴ Assuralia; “Insurance distribution channels –2013 Figures” ; February 2015 “ Assurinfo”

⁵ Assuralia ; “Key figures and main results of Belgian insurance in 2013” ; November 2014

8 Strategy

The general over-arching objectives of AG Insurance are to be a leading and profitable multi-distribution service provider of insurance products and to continue to strengthen its market leadership position.

The principles underlying AG Insurance's operational model are summarised in the diagram below.



The AG Insurance operational model is characterised by a customer focused approach through three distribution channels: Bank Channel, Broker Channel and Employee Benefits/Health Care Channel. Each channel is responsible for distributing life, non-life and/or employee benefits products.

AG Insurance aims at creating further synergies to enhance its product and service leadership. As such, one product development entity “life” for the Bank and Broker Channels and one product development entity “non-life” for the Bank and Broker Channels, as well as one product development entity “health care” for the Bank and Broker Channels and business to business distribution, were created. This has led to greater homogeneity in the product, resulting in turn into operational synergies.

9 Key financial figures

AG Insurance's gross inflows for the year ended 31 December 2014 amounted to EUR 5.9 billion, 1.7 per cent. lower than for the year ended 31 December 2013. Life inflows amounted to EUR 4 billion for the year ended 31 December 2014, compared to EUR 4.1 billion for the year ended 31 December 2013. Guaranteed products inflows slightly increased despite a reduction of the guaranteed rate to 1.25% on 1 June and to 1% as from 1 September. Unit-linked sales declined sharply both in bank and broker channel, caused by a lower customer appetite. Non-life gross written premiums remained stable at EUR 1.9 billion as at 31 December 2014, compared to EUR 1.9 billion as at 31 December 2013.

Life technical liabilities slightly increased to EUR 57.6 billion for year ended 31 December 2014 from EUR 53.2 billion for year ended 31 December 2013 due to higher volumes across the major business lines and especially in group life insurance which showed sustained growth.

The total Combined ratio for the year ended 31 December 2014 was 101.2 per cent., compared to 99.9 per cent. for the year ended 31 December 2013. The performance is impacted by climate related events in first half year and disappointing performance in Third-party Liability.

Net profit attributable to shareholders for the year ended 31 December 2014 amounted to EUR 522 million, compared to EUR 447 million for the year ended 31 December 2013.

Shareholders' equity as at 31 December 2014 stood at EUR 6,251 million, compared to EUR 4,902 million as at 31 December 2013. The increase in shareholders' equity resulted from a large increase of the unrealized capital gains of EUR 890 million (mainly debt securities) and an increase of net profits (before dividend distribution).

Under Solvency I, AG Insurance is required to maintain a minimum level of qualifying capital relative to the premiums received for non-life insurance contracts and relative to the life insurance liabilities arising from insurance and investment contracts. As at 31 December 2014 AG Insurance's solvency ratio (before the expected dividend deduction) stood at 210 per cent., up from 192 per cent. at the end of 2013.

The table below sets out the calculation of AG Insurance's solvency ratio as a percentage by which the total available capital exceeds the minimum regulatory solvency requirements.

	2014	2013
	<i>(EUR</i>	<i>(EUR</i>
	<i>mio)</i>	<i>mio)</i>
Total available capital	5,277	4,716
Minimum solvency requirements	2,516	2,450
Amount of total capital above minimum	2,761	2,266
Total solvency ratio	210%	192%

As at 31 December 2014, AG Insurance's total available capital comprises subordinated liabilities for an amount of approximately EUR 1,233 million, which consist of a EUR 336,4 million loan from Ageas Hybrid Financing S.A. (the balance of the initial EUR 500 million Hybrone on-loan), a USD 550 million of Fixed Rate Reset Perpetual Subordinated Notes issued in March 2013 and a EUR 450 million of Fixed-to-Floating Rate dated 2044 Callable Subordinated Notes issued in December 2013.

As at 31 December 2014, the subordinated liabilities of the Issuer represent approximately 23% of total available capital. Without taking into account the partial redemption of the EUR 336,4 million loan from Ageas Hybrid Financing S.A., the issuance of the Notes will increase this percentage from 23% to 31% pro forma based on the end of December 2014 figures.

10 Risk management

See note 6 of the audited consolidated financial statements of the Issuer prepared in accordance with IFRS for the period ended 31 December 2014 for more information on the risk management of AG Insurance.

AG Insurance is in particular subject to interest rate risk. Interest rate risk is managed by combining the cash-flow matching principle with duration matching for the investment of the bond portfolio. While the cash-flow matching principle is most important for the short to medium term liabilities, duration matching is important for the long term liabilities. AG Insurance has in place asset liability management ("ALM") in order to manage assets and liabilities in a coordinated way. ALM is based on a comprehensive analysis and management of the asset portfolio in light of the current liabilities and future cash flows. As such analysis is based on estimated liability cash flows, this estimate of the liability cash flow profile may, however, be inaccurate, and a forced liquidation of investments at a loss prior to their maturity in order to cover the liability may be required. Possible mitigation actions with respect to interest rate risk include offsetting

transactions or hedging via derivatives, together with appropriate product design (especially insofar as life insurance products are concerned) and adequately provisioning for low interest rate risk. Although measures are taken to manage investments in a changing interest rate environment, AG Insurance may not be able to fully mitigate the interest rate risk of its assets relative to its liabilities (See “Risk factors — Factors that may affect the Issuer’s ability to fulfil its obligations under or in connection with the Notes — The level of and volatility in interest rates may adversely affect the Issuer’s business”).

11 Insurance supervision and regulation

The Belgian Laws of 30 and 31 July 2013 (the so-called “Twin Peaks II”-package) and the three Royal Decrees of 21 February 2014 amending the Law of 2 August 2002 on the supervision of the financial sector and on financial services aim at improving the protection of Belgian investors and strengthening the supervisory powers of the Belgian Financial Services and Markets Authority (FSMA). While the FSMA remains the stock market regulator and focuses on protection of consumers, the prudential supervision of insurance companies and of “systemically important financial institutions” (SIFIs) has become the responsibility of the National Bank of Belgium (NBB). AG Insurance is monitored by the NBB both in its capacity as a SIFI and as an insurance company. In addition, Ageas is also monitored by the NBB in its capacity as an insurance holding, as a result of which AG Insurance is indirectly subject to additional consolidated prudential control.

As a SIFI, AG Insurance falls under the specific supervision of the NBB for all its “strategic decisions”. The NBB has the right to oppose intended strategic decisions by AG Insurance if they are deemed to be in breach of the sound and prudent management of the SIFI or if they create a material risk for the stability of the financial sector. The NBB can also impose additional specific measures upon AG Insurance, including in relation to liquidity, solvency, risk concentration and risk positions, if the NBB determines that as a SIFI AG Insurance has an inadequate risk profile or if its policy can have a negative impact on the stability of the financial system.

As an insurance company, AG Insurance is also supervised by the NBB in relation to its capital, liquidity and solvency requirements, internal governance and organisation and fit and proper assessment of management and shareholders (See “Risk factors — Factors that may affect the Issuer’s ability to fulfil its obligations under or in connection with the Notes — The Issuer is considered to be a “systemically important financial institution” and could itself be exposed to systemic risk that could adversely impact its results and financial condition”).

At the European level, Solvency II and the International Financial Reporting Standards (IFRS) Phase II are leading to a convergence of regulatory and capital requirements respectively financial reporting.

Solvency II is the updated set of capital requirements for insurance companies that operate in the European Union. The entry into force of this new regulatory framework, scheduled for 1 January 2014, was postponed in December 2013 to 1 January 2016. The final version of the delegated acts was approved by the European Parliament and the Council on 17 January 2015. As a comprehensive framework for risk management, Solvency II aims to define required capital levels based on fair value and to implement procedures to identify, measure and manage risk levels (See “Risk factors — Factors that may affect the Issuer’s ability to fulfil its obligations under or in connection with the Notes — There are continuing uncertainties regarding the final implementing measures that will be adopted under the Solvency II regime and that could have potentially adverse impacts on the insurance sector as a whole and on the Issuer in particular”).

The IFRS are principle-based accounting standards. IFRS Phase II will address recognition and measurement issues for insurance contracts using a fair value approach. This means that all insurance contracts will also have to be measured at fair value (See “Risk factors — Factors that may affect the Issuer’s ability to fulfil its

obligations under or in connection with the Notes — Potential changes to International Financial Reporting Standards as adopted by the European Union may adversely affect the consolidated results of the Issuer and its financial condition”).

12 Material contracts

Bankassurance Distribution Agreements

AG Insurance has a long-standing partnership with BNP Paribas Fortis SA/NV relating to the distribution of AG Insurance’s products through the retail banking channel of BNP Paribas Fortis. This partnership was formalised in a Bankassurance Agreement dated 6 November 1996 and further supplemented and completed by several other agreements.

The existing agreements provide for the practical aspects, commercial relationships, fees and conditions at which BNP Paribas Fortis will distribute AG Insurance’s life and non-life products. They regulate the parties’ mutual obligations in terms of marketing, sales management, sales support, distribution channels, liabilities, compliance, products offering, trademark use, complaints management, etc. The agreements also provide that BNP Paribas Fortis will distribute AG Insurance’s products exclusively.

As part of the various agreements entered into in the context of the bailout of the former Fortis group, the partnership agreement was extended in 2009 to run until at least 31 December 2020. However, it can be terminated by either party - subject to giving at least three years’ notice - no later than 1 January 2018 (See “Risk factors — Factors that may affect the Issuer’s ability to fulfil its obligations under or in connection with the Notes — AG Insurance may be unable to maintain a competitive distribution network of independent brokers and is dependent on an exclusive distribution agreement with BNP Paribas Fortis, both of which could adversely impact its future business and results”).

AG Insurance also entered into distribution agreements with other parties such as Fintro (the operations of BNP Paribas Fortis through independent bank managers) and bpost banque/bpost bank (the Belgian post bank). The term of the agreements was extended to 2022.

After the dismantling of the Fortis group, AG Insurance and BNP Paribas Fortis SA/NV entered into a long term mainframe outsourcing servicing agreement on 20 August 2010, which was amended on 15 December 2014. Pursuant to this agreement, BNP Paribas Fortis hosts and manages a number of IT applications of AG Insurance on its mainframe computers. All technical specifications and responsibilities are, amongst others, fully documented in the agreement. The agreement allows BNP Paribas Fortis to outsource its IT services to a third party if it so desires.

This outsourcing agreement complies with the provisions of the CBFA’s circular PPB-2006-1-CPA and is entered into for an indefinite term. Each party can terminate the agreement at its convenience as of 1 January 2012, subject to giving 30 days’ prior notice (See “Risk factors — Factors that may affect the Issuer’s ability to fulfil its obligations under or in connection with the Notes — The Issuer is dependent on the existence and due performance of two major outsourcing contracts, the termination or non-performance of which could have a negative impact on operating its business and hence on profitability”). AG Insurance and BNP Paribas Fortis are examining alternative arrangements to allow AG Insurance to migrate to another service provider from 2014 onwards if needed, while keeping the necessary integration between bank and insurance applications to support AG Insurance’s bankassurance activities.

BNP Paribas Fortis outsourced the IT infrastructure services provided to AG Insurance to a separate IT company linked to the BNP Paribas group, located in Belgium. This company took over operational responsibility since 1st January 2014. BNP Paribas Fortis nevertheless bears responsibility towards AG Insurance for the performance of all obligations under the initial outsourcing agreement.

Notwithstanding the efforts in examining alternative arrangements, AG Insurance retains a certain degree of dependence on this IT company linked to BNP Paribas Fortis that might represent an operational risk and that could adversely impact AG Insurance's operations and results.

13 Management of AG Insurance

AG Insurance has a two-tier management structure composed of a Board of Directors (*conseil d'administration/raad van bestuur*) and of a Management Committee (*comité de direction/directiecomité*). The members of the Management Committee are also members of the Board of Directors. The Board of Directors is in charge of defining the company's strategy and objectives. It also controls the Management Committee which is entrusted with the management of the day-to-day insurance operations.

The consolidated articles of association of AG Insurance are dated as of 7 March 2013. In accordance with Article 3 of the articles of association the purpose of AG Insurance is to carry out all insurance and reinsurance activities.

The Board of Directors also set up an Audit and Risk Committee (as provided for in Article 14^{ter} of the Belgian Law of 9 July 1975 on the control of insurance companies) and a Nomination and Remuneration Committee. Furthermore, three members of the Board are independent directors according to the meaning of Article 526^{ter} of the Belgian Code of Companies.

No conflicts of interests of the Board members or of the members of the Management Committee exist between any duties to AG Insurance and their private interests or other duties.

Board of Directors

The following individuals, all of whom have their business address at Boulevard Emile Jacqmainlaan 53, 1000 Brussels, Belgium, are members of the Board of Directors of AG Insurance:

Jozef De Mey is chairman of the Board of AG Insurance and chairman of the Nomination and Remuneration Committee. He is also chairman of the board of ageas SA/NV and chairman of the Board of Directors of Ageas Insurance International N.V. (NL), of Ageas Insurance Company Asia Ltd. (Hong Kong), of Ageas Asia Holdings Ltd. (Bermuda), of Credimo N.V. (BE), of Credimo Holding N.V. (BE), he is also non-executive Board Member of Muang Thai Group Holding Company, Ltd. (Thailand), of Muang Thai Life Assurance Public Company, Ltd. (Thailand) and of Bright Victory International Ltd. (British Virgin Islands). He is chairman of the Board of Managers of DTH Partners LLC.

He also sits on the board of the Flemish-Chinese Chamber of Commerce, Ghent Festival of Flanders, De Eik NV and De Warande.

Bart De Smet is vice-chairman of the Board of AG Insurance and a member of the Nomination and Remuneration Committee. He is also CEO and executive director of ageas SA/NV, executive director of Ageas Insurance International N.V., he is also executive board member of Ageas UK Ltd., Maybank Ageas BerHad Holding and non-executive board member of Taiping Life, IDBI Federal, Credimo S.A, Voka asbl, Group Eurasca N.V., Partner in Insurance N.V., Toemeka asbl and Oud Heverlee Leuven Club.

Renaud Dumora is a non-executive director

He is also Deputy Chief Executive Officer of BNP Paribas Cardif and board member of Cardif Assurance Vie, Cardif-Assurances Risques Divers, Cardif Holdings Incorporated and Cardif Vita Compagnia di Assicurazione e Riassicurazione S.p.A.

Xavier de Walque is an independent non-executive director and a member of the Audit and Risk Committee of AG Insurance.

He is also Chief Financial Officer of Cobepa and member of the board of directors of Cofinimmo, JF Hillebrand, Sapec and SGG.

Renate Krümmer is an independent non-executive director and a member of the Audit and Risk Committee of AG Insurance.

She is also a commissioner at the Auditor Oversight Commission AOC Berlin, a non-executive Director at Astellon Capital Partners, Member of the Supervisory Board of Hamburg Messen und Congress GmbH and Chief Executive Officer of Krümer Fine Art.

Lionel Perl is a non-executive director of AG Insurance and a member of the Audit and Risk Committee and of the Nomination and Remuneration Committee. He is also a non-executive director of ageas SA/NV.

He is also managing director of Fenway Group S.A. and Finance & Communication.

Barry Smith is a non-executive director.

He is also the Chief Operating Officer of ageas SA/NV.

He is also board member of F&B Insurance Holdings, Cargeas Assicurazioni S.p.A, Millenniumbcp Agea Grupo Segurador, SGPS S.A., Occidental Seguros, Médis, Pensõesgere, Occidental Vida, Aksigorta A.S. and Ageas (UK) Limited.

Peter Vandekerckhove is a non-executive director of AG Insurance. Peter Vandekerckhove was appointed upon proposal of BNP Paribas Fortis SA/NV.

He is an executive director of BNP Paribas Fortis SA/NV and member of the board of BNP Paribas Investment Partners, Febelfin, Belgian Mobile Wallet NV and of BNP Paribas Fortis Foundation.

Daniël van Woensel is an independent non-executive director of AG Insurance and chairman of the Audit and Risk Committee of AG Insurance.

Management Committee

The following individuals, all of whom have their business address at Boulevard Emile Jacqmainlaan 53, 1000 Brussels, Belgium, are both members of the Board of Directors and of the Management Committee:

Antonio Cano is the chairman of the Management Committee of AG Insurance and the Chief Executive Officer of AG Insurance. He is also chairman of the board of AG Finance, AG Real Estate, AG Real Estate Westinvest, Portima and Willemot. In addition, he is also a board member of Interparking and MicroStart.

He is also a board member and a member of the Executive Committee of Assuralia.

Hans De Cuyper is a member of the Management Committee of AG Insurance and Chief Financial Officer of AG Insurance (since August 2013). He is also Chairman of the board of Brokers Finop and FIB Invest. In addition, he is also a Board member of AG Finance, AG Real Estate, AG Real Estate Westinvest, Aviabel, Downtown Holding and Interparking.

Benny De Wyngaert is a member of the Management Committee of AG Insurance and Managing Director of the Bank Channel and Life Insurance Development at AG Insurance. He is also chairman of the board of AGALLIS SA.

Heidi Delobelle is a member of the Management Committee of AG Insurance and the Chief Risk Officer of AG Insurance.

She is also a member of the board of directors of Serfinac SA.

Jean-Michel Kupper is a member of the Management Committee of AG Insurance and Managing Director of the Employee Benefits & Health Care Channel at AG Insurance. He is also chairman of the board of Assusoft NV and Serfinac SA.

Philippe Landrain is a member of the Management Committee of AG Insurance and Managing Director of the Broker Channel and Non-Life Insurance Development at AG Insurance. He is also vice-chairman of the board of Benelux Assist SA and a board member of Brokers Finop, FIB Invest, Alpha Credit and Willemot.

Wim Vermeir is a member of the Management Committee of AG Insurance and the Chief Investment Officer of AG Insurance.

He is also a board member of Agalux Investment Company, Agalux Management Company, G.A.-Fund-B and G.A.-Fund-L.

14 Legal and arbitration proceedings

From time to time, AG Insurance is involved in litigation arising in the ordinary course of its business, both as plaintiff and as defendant. AG Insurance adequately manages the legal proceedings in which it is involved and customary and adequate provisions have been made.

Neither AG Insurance nor any of its subsidiaries are involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the financial position or profitability of AG Insurance and/or the Group.

**SECTION 7 -
USE OF PROCEEDS**

The net proceeds of the issue of the Notes will be used in priority by the Issuer to partially or fully redeem an outstanding subordinated loan to Ageas Hybrid Financing S.A. The remaining net proceeds will be used for general corporate purposes.

The expenses in connection with the admission to trading are expected to amount to EUR 5,600.

SECTION 8 - TAXATION

The statements herein regarding taxation are a general description of the principal Belgian and Luxembourg tax consequences for investors receiving interest in respect of, or disposing of, the Notes and is of a general nature. It does not purport to be a complete analysis of tax considerations relating to the Notes.

This general description is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date (or with retroactive effect). Investors should appreciate that, as a result of changing law or practice, the tax consequences may be otherwise than as stated below. This discussion is for general information purposes only and does not purport to be a comprehensive description of all possible tax consequences that may be relevant. Potential purchasers of Notes should consult their own professional advisers as to the possible tax consequences of subscribing for, purchasing, holding or selling the Notes and the receipt of any amount in connection with the Notes under the laws of their countries of citizenship, residence, ordinary residence or domicile.

EU SAVINGS DIRECTIVE

Under the EC Council Directive 2003/48/EC on the taxation of savings income (the “EU Savings Directive”), member states of the European Economic Union (the “EU Member States” and each a “EU Member State”) are required to provide to the tax authorities of another EU Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to (or secured by such a person for the benefit of) an individual resident, or to (or secured for) certain other types of entity established, in that other EU Member State, except that Austria will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld)⁶ unless during such period it elects otherwise.

A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the Council of the European Union adopted a Directive amending the EU Savings Directive (the “EU Amending Directive”), which, when implemented, will amend and broaden the scope of the requirements described above. The EU Amending Directive will expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or secured for) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the EU Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the EU Savings Directive, as amended. EU Member States have until 1 January 2016 to adopt national legislation necessary to comply with this EU Amending Directive, which legislation must apply from 1 January 2017.

BELGIAN TAXATION

(a) Belgian withholding tax

Withholding tax on interest payments

⁶ Under article 13 of the EU Savings Directive, Austria is required to have a procedure in place whereby a particular beneficial owner of interest paid from that country can expressly authorise information reporting and/or can present an appropriate tax certificate to the Paying Agent, in which case no withholding should be applied.

All payments by or on behalf of the Issuer of interest on the Notes are in principle subject to the 25 per cent. Belgian withholding tax on the gross amount of the interest.

In this regard, “interest” means (i) the periodic interest income, (ii) any amount paid by the Issuer in excess of the issue price (whether or not on the Scheduled Maturity Date) and, (iii) in case of a realisation of the Notes between two interest payment dates, the *pro rata* of accrued interest corresponding to the holding period.

Securities Settlement System of the National Bank of Belgium

Notes may be held only by, and transferred only to, Eligible Investors (as defined below) holding their Notes in an X account. This section summarises the Belgian withholding tax treatment in the hands of Eligible Investors only.

Payments of interest and principal under the Notes by or on behalf of the Issuer may be made without deduction of withholding tax in respect of the Notes if and as long as at the moment of payment or attribution of interest they are held by certain eligible investors (see hereinafter “Eligible Investors”) in an exempt securities account (an “X Account”) that has been opened with a financial institution that is a direct or indirect participant (a “Participant”) in the Securities Settlement System operated by the NBB. Euroclear and Clearstream, Luxembourg are directly or indirectly Participants for this purpose.

Holding the Notes through the Securities Settlement System enables Eligible Investors to receive the gross interest income on their Notes and to transfer the Notes on a gross basis. Participants in the Securities Settlement System must enter the Notes which they hold on behalf of Eligible Investors in an X Account. Eligible Investors are those entities referred to in Article 4 of the Belgian Royal Decree of 26 May 1994 (*Arrêté Royal du 26 mai 1994 relatif à la perception et à la bonification du précompte mobilier/Koninklijk Besluit van 26 mei 1994 over de inhouding en de vergoeding van de roerende voorheffing*) which include, *inter alia*:

- (i) Belgian corporations subject to Belgian corporate income tax;
- (ii) institutions, associations or companies specified in Article 2, §3 of the Law of 9 July 1975 on the control of insurance companies other than those referred to in 1° and 3° subject to the application of Article 262, 1° and 5° of the Belgian Income Tax Code of 1992 (“*Code des impôts sur les revenus 1992/Wetboek van de inkomstenbelastingen 1992*”);
- (iii) state regulated institutions (*institutions parastatales/parastatalen*) for social security, or institutions which are assimilated therewith, provided for in Article 105, 2° of the Royal Decree implementing the Belgian Income Tax Code 1992 (“*Arrêté royal d’exécution du code des impôts sur les revenus 1992/Koninklijk besluit tot uitvoering van het wetboek van de inkomstenbelastingen 1992*”);
- (iv) non-resident investors whose holding of the Notes is not connected to the exercise of a professional activity in Belgium as referred to in Article 105, 5° of the same Decree;
- (v) investment funds, recognised in the framework of pension savings, provided for in Article 115 of the same Decree;
- (vi) tax payers provided for in Article 227, 2° of the Belgian Income Tax Code 1992 which have used the income generating capital for the exercise of their professional activities in Belgium and which are subject to non-resident income tax pursuant to Article 233 of the same Code;
- (vii) the Belgian State in respect of investments which are exempt from withholding tax in accordance with Article 265 of the Belgian Income Tax Code 1992;

- (viii) investment funds governed by foreign law which are an indivisible estate managed by a management company for the account of the participants, provided the fund units are not offered publicly in Belgium or traded in Belgium; and
- (ix) Belgian resident corporations, not provided for under (i), when their activities exclusively or principally consist of the granting of credits and loans.

Eligible Investors do not include, *inter alia*, Belgian resident investors who are individuals or non-profit making organisations, other than those mentioned under (ii) and (iii) above.

Upon opening of an X Account for the holding of Notes, the Eligible Investor is required to provide the Participant with a statement of its eligible status on a form approved by the Minister of Finance. There is no ongoing declaration requirement to the Securities Settlement System as to the eligible status, save that the Eligible Investor needs to inform the Participant of any change in the information contained in the statement of their eligible status. However, Participants are requested to make declarations to the NBB as to the eligible status of each investor from whom they held notes in an X Account during the preceding calendar year. These identification requirements do not apply to Notes held in Euroclear or Clearstream, Luxembourg as Participants to the Securities Settlement System, provided that they only hold X Accounts and that they are able to identify the holders for whom they hold Notes in such account.

(b) Belgian tax on income and capital gains

Notes may be held only by, and transferred only to, Eligible Investors holding their securities in an X account. This section summarises the Belgian tax on income and capital gains in the hands of such Eligible Investors. This section therefore does not address the tax treatment in the hands of investors that do not qualify as Eligible Investors such as Belgian resident individuals and Belgian legal entities that do not qualify as Eligible Investors.

Belgian resident companies

Interest attributed or paid to corporate Holders that are Belgian residents for tax purposes (*i.e.* who are subject to the Belgian Corporate Income Tax (“*impôt des sociétés/vennootschapsbelasting*”)) and capital gains realised upon the sale of the Notes are taxable in principle at the ordinary corporate income tax rate of 33.99 per cent. (or at a lower rate applicable to low income companies if certain conditions are satisfied). Capital losses realised upon the sale of the Notes are in principle tax deductible.

Belgian legal entities

Belgian legal entities subject to Belgian legal entities tax (“*impôts des personnes morales/rechtspersonenbelasting*”) and which qualify as Eligible Investors (as defined in the section “Belgian withholding tax”) and which consequently have received gross interest income are required to report and pay the withholding tax, currently at a rate of 25%, to the Belgian tax administration themselves (which withholding tax then generally constitutes the final taxation in the hands of the relevant investors).

Capital gains realised on the sale of the Notes are, in principle, tax exempt, unless and to the extent the capital gains qualify as interest (as defined in the section “Belgian withholding tax”). Capital losses are, in principle, not tax deductible.

Belgian non-residents

Non-residents who use the Notes to exercise a professional activity in Belgium through a permanent establishment are in principle subject to the same tax rules as Belgian resident companies (see above).

Holders who are not residents of Belgium for Belgian tax purposes and who are not holding the Notes through their permanent establishment in Belgium, will not become liable for any Belgian tax on income or capital gains by reason only of the acquisition or disposal of the Notes provided that they qualify as Eligible Investors and that they hold their Notes in an X Account.

(c) *Tax on stock exchange transactions*

A stock exchange tax (*taxe sur les opérations de bourse/taks op de beursverrichtingen*) will be levied on the acquisition and disposal of the Notes on the secondary market in Belgium through a professional intermediary. The rate applicable for secondary sales and purchases in Belgium through a professional intermediary is 0.09 per cent. with a maximum amount of EUR 650 per transaction and per party. The tax is due separately from each party to any such transaction (*i.e.* the seller (transferor) and the purchaser (transferee)) both collected by the professional intermediary. No stock exchange tax will be due on the issuance of the Notes (primary market).

A tax on repurchase transactions ("*taxes sur les reports/taks op de reportverrichtingen*") currently at the rate of 0.085 per cent. will be due from each party to any such transaction entered into or settled in Belgium in which a stockbroker acts for either party (with a maximum amount of EUR 650 per transaction and per party).

However, the taxes referred to above will not be payable by exempt persons acting for their own account, including investors who are Belgian non-residents provided they deliver an affidavit to the financial intermediary in Belgium confirming their non-resident status and certain Belgian institutional investors, as defined in Article 126/1, 2° of the Code of various duties and taxes (*Code des droits et taxes divers/Wetboek diverse rechten en taksen*).

As stated below, the EU Commission adopted on 14 February 2013 a proposal for a Council Directive on a common financial transaction tax. Said proposal for a Council Directive currently stipulates that once the financial transaction tax enters into force, the participating Member States shall not maintain or introduce taxes on financial transactions other than the financial transaction tax (or VAT as provided in the Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax). For Belgium, the tax on stock exchange transactions should thus be abolished once the financial transaction tax enters into force. The Council Directive on a common financial transaction tax is still subject to negotiation between the participating Member States and therefore may be changed at any time.

LUXEMBOURG TAXATION

The information below concerning certain withholding tax consequences in relation to the purchase, ownership and disposal of the Notes under Luxembourg law is of a general nature only. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should consult their own professional advisers as to the effect of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concept, refers to Luxembourg tax law and/a concepts only.

(a) *Luxembourg withholding tax*

Under Luxembourg tax laws currently in effect and with the possible exception of interest paid to certain individuals and to certain residual entities (as described below), there is no Luxembourg withholding tax on payments of interest, including accrued but unpaid interest. There is also no Luxembourg withholding tax, with the possible exception of payments made to certain individuals and to certain residual entities (as

described below), upon repayment of principal in case of reimbursement, redemption, repurchase or exchange of the Notes.

(b) Individuals resident in Luxembourg

In accordance with the law of 23 December 2005, as amended (the “Law”), a 10 per cent. withholding tax is levied on payments of interest or similar income made or ascribed by a paying agent (defined in the same way as in the Savings Directive) established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg or to a residual entity⁷ and securing such payments for the benefit of such individual beneficial owner, such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent.

FINANCIAL TRANSACTION TAX

On 14 February 2013, the EU Commission adopted a proposal for a Council Directive (the “Draft Directive”) on a common financial transaction tax (“FTT”). Pursuant to the Draft Directive, the FTT shall be implemented and enter into effect in eleven EU Member States (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain; the “Participating Member States”).

The Draft Directive has a very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Draft Directive, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, “established” in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the Participating Member States, and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

Prospective Holders of the Notes should consult their own tax advisers in relation to the consequences of the FTT associated with the subscription, purchase, holding or disposal of the Notes.

FATCA WITHHOLDING

Pursuant to certain provisions of U.S. law commonly known as FATCA, non-U.S. financial institutions that enter into agreements with the IRS (“IRS Agreements”) or become subject to provisions of local law intended to implement an intergovernmental agreement (“IGA legislation”) entered into pursuant to FATCA, may be required to identify “financial accounts” held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other financial institutions that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. In order (a) to obtain an exemption from FATCA withholding on payments it receives and/or (b) to comply with any applicable laws in its jurisdiction, a financial institution that is subject to IGA legislation may be required to (i) report certain information on its U.S. account holders

⁷ (within the meaning of the laws of 21 June 2005 implementing Council Directive 2003/48/EC of 3 June 2003 on the taxation of savings income and ratifying the treaties entered into by Luxembourg and certain dependant and associated territories of EU Member States (the “Territories”), as amended) established in an EU Member State (other than Luxembourg) or one of the Territories.

to the government of the United States or another relevant jurisdiction and (ii) withhold 30 per cent. from all, or a portion of, certain payments made to persons that fail to provide the financial institution information, consents and forms or other documentation that may be necessary for such financial institution to determine whether such person is compliant with FATCA or otherwise exempt from FATCA withholding.

Under FATCA, withholding may be required with respect to payments to persons that are not compliant with FATCA or that do not provide the necessary information, consents or documentation made on or after (i) 1 July 2014 in respect of certain US source payments, (ii) 1 January 2017, in respect of payments of gross proceeds (including principal repayments) on certain assets that produce US source interest or dividends and (iii) 1 January 2017 (at the earliest) in respect of “foreign passthru payments.” FATCA withholding in respect of foreign passthru payments is not required for “obligations” that are not treated as equity for U.S. federal income tax purposes unless such obligations are issued or materially modified on or after the date that is six months after the date on which the final regulations applicable to “foreign passthru payments” are filed with the Federal Register.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes and the information reporting obligations of the Issuer and other entities in the payment chain is still developing. In particular, a number of jurisdictions (including Belgium) have entered into, or have announced their intention to enter into, intergovernmental agreements (or similar mutual understandings) with the United States, which modify the way in which FATCA applies in their jurisdictions. The full impact of such agreements (and the laws implementing such agreements in such jurisdictions) on reporting and withholding responsibilities under FATCA is unclear. The Issuer and other entities in the payment chain may be required to report certain information on their U.S. account holders to government authorities in their respective jurisdictions or the United States in order (i) to obtain an exemption from FATCA withholding on payments they receive and/or (ii) to comply with applicable law in their jurisdiction. It is not yet certain how the United States and the jurisdictions which enter into intergovernmental agreements will address withholding on “foreign passthru payments” (which may include payments on the Notes) or if such withholding will be required at all.

Whilst the Notes are held within the Securities Settlement System (See “Belgian taxation — Belgian withholding tax”), it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer or any paying agent, given that each of the entities in the payment chain between the Issuer and the Participants in the clearing system is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Notes.

However, FATCA may affect payments made to custodians or intermediaries in the payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payments to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives a payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA, including any IGA legislation, if applicable) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them.

SECTION 9 - SUBSCRIPTION AND SALE

BNP Paribas, HSBC Bank plc and J.P. Morgan Securities plc (the “**Joint Bookrunners**”) have, pursuant to a Subscription Agreement dated 27 March 2015, jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Notes at 100 per cent. of their principal amount less a commission payable as a percentage of the aggregate nominal amount of the Notes. In addition, the Issuer has agreed to reimburse the Joint Bookrunners for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement entitles the Joint Bookrunners to terminate it in certain circumstances prior to payment being made to the Issuer.

General

Neither the Issuer nor any Joint Bookrunner has made any representation that any action will be taken in any jurisdiction by the Joint Bookrunners or the Issuer that would permit a public offering of the Notes, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Notes (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each Joint Bookrunner has agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes this Prospectus (in preliminary, proof or final form) or any such other material, in all cases at its own expense. Each Joint Bookrunner will also ensure that no obligations are imposed on the Issuer in any such jurisdiction as a result of any of the foregoing actions.

United States

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the “Securities Act”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act (“Regulation S”).

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Joint Bookrunner has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (as defined in the Subscription Agreement), within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of any such Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Joint Bookrunner has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “**Financial Services and Markets Act**”) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the Financial Services and Markets Act does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Selling restriction in the EEA

The Issuer has not authorised any offer to the public of Notes in any Member State of the European Economic Area. In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), an offer to the public of any Notes may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any Notes may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to legal entities which are qualified investors as defined under the Prospectus Directive;
- (b) by the Joint Bookrunners to fewer than 100, or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant dealer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of the Notes shall result in a requirement for the Issuer or the Joint Bookrunners to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of the provisions above, the expression an offer to the public in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offer and the Notes to be offered so as to enable an investor to decide to purchase any Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

SECTION 10 - GENERAL INFORMATION

1. Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to listing on the Official List and to be admitted to trading on the Luxembourg Stock Exchange's regulated market. BNP Paribas Securities Services, Luxembourg Branch, having its registered office at 33, rue de Gasperich, L-5826 Hesperange, Luxembourg has been appointed as listing agent for that purpose.
2. The Issuer has obtained all necessary consents, approvals and authorisations in Belgium and Luxembourg in connection with the issue and performance of the Notes. The issue of the Notes was authorised by a resolution of the Board of Directors of the Issuer passed on 18 March 2015.
3. There has been no significant change in the financial or trading position of the Issuer or of the Group since 31 December 2014 and no material adverse change in the prospects of the Issuer or of the Group since 31 December 2014.
4. Neither the Issuer nor any of its subsidiaries is nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer or the Group.
5. The Notes have been accepted for clearance through the Securities Settlement System of the NBB with a Common Code of 121158132. The International Securities Identification Number (ISIN) for the Notes is BE6277215545.

The address of the NBB as operator of the Securities Settlement System is Boulevard de Berlaimont 14, B-1000 Brussels, Belgium.

6. Except as disclosed in "Description of the Issuer — Material Contracts" of this Prospectus, there are no material contracts entered into other than in the ordinary course of the Issuer's business, which could result in any member of the Issuer's group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to holders in respect of the Notes being issued.
7. Where information in this Prospectus has been sourced from third parties, this information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.
8. For the period of 12 months starting on the date of this Prospectus, copies (and English translations where the documents in question are not in English) of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Issuer:
 - (a) the articles of association (*statuts/statuten*) of the Issuer, in French and Dutch;
 - (b) a copy of this Prospectus (including the audited consolidated financial statements of the Issuer prepared in accordance with IFRS for the financial years ended 31 December 2013 and 31 December 2014 and the audit reports thereon) together with any supplement to this Prospectus or further Prospectus; and
 - (c) all reports, letters and other documents, balance sheets, valuations and statements by any expert, any part of which is extracted or referred to in this Prospectus.

This Prospectus will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

9. Klynveld Peat Marwick Goerdeler (KPMG) Réviseurs d'Entreprises SCCRL/Bedrijfsrevisoren CBVBA (member of the *Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren*), having its registered office at avenue du Bourgetlaan 40, B-1130 Brussels, Belgium, and represented by Mr Michel Lange and Mr Karel Tanghe, audited the consolidated financial statements of the Issuer prepared in accordance with IFRS for the financial years ended 31 December 2013 and 31 December 2014 without qualification and in accordance with IFRS.
10. So far as the Issuer is aware, no person involved in the offer has any interest, including conflicting ones, that is material to the offer. The Joint Bookrunners and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and/or its affiliates in the ordinary course of business.
11. The yield of the Notes will be 3.561 per cent. per annum for the period from (and including) the Closing Date to (but excluding) the First Call Date. The yield is calculated as at the Closing Date on the basis of the issue price. It is not an indication of future yield.

DEFINITIONS

Combined ratio	The sum of the non-life claims ratio with the non-life expense ratio (which is the non-life cost ratio plus the non-life commission ratio).
Discretionary participation feature	<p>A contractual right to receive, as a supplement to guaranteed benefits, additional benefits:</p> <p>(a) that are likely to be a significant portion of the total contractual benefits;</p> <p>(b) the amount or timing of which is contractually at the discretion of the issuer; and</p> <p>(c) that are contractually based on:</p> <ul style="list-style-type: none">(i) the performance of a specified pool of contracts or a specified type of contract;(ii) realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or(iii) the profit or loss of the company, fund or other entity that issues the contract.
Employee benefits	All forms of considerations given by an entity in exchange for service rendered by employees, in addition to their pay or salary.
Funds under management	The amount of technical provisions transposed to corresponding investments.
Insurance contract	A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder should a specified uncertain future event adversely affects the policyholder.
Non-life claims ratio	The ratio between the insurer's claims burden (net of reinsurance) and net premiums received.
Non-life commission ratio	The ratio between the insurer's commissions paid (net of reinsurance) and net premiums received.
Non-life cost ratio	The ratio between the insurer's operating costs and net premiums received.

INDEX

Documents	Page number
<i>Audited consolidated financial statements of the Issuer for the financial year ended 31 December 2013</i>	
Consolidated statement of financial position	F-8
Consolidated income statement	F-10
Consolidated statement of comprehensive income	F-11
Consolidated statement of changes in equity	F-12
Consolidated cash flow statement	F-13
Notes to the financial statements	F-15 – F124
Auditor’s report	F-125 – F127
<i>Audited consolidated financial statements of the Issuer for the financial year ended 31 December 2014</i>	
Consolidated statement of financial position	F-134
Consolidated income statement	F-135
Consolidated statement of comprehensive income	F-136
Consolidated statement of changes in equity	F-137
Consolidated cash flow statement	F-138
Notes to the financial statements	F-140 – 246
Auditor’s report	F-247

**Audited consolidated annual financial statements of the Issuer for the financial year ended
31 December 2013**



Consolidated Financial Statements
for the year ended 31 December 2013

(in EUR millions)

Contents

Consolidated statement of financial position	F-8
Consolidated income statement	F-10
Consolidated statement of comprehensive income	F-11
Consolidated statement of changes in equity	F-12
Consolidated cash flow statement	F-13
General Notes	
1	Summary of significant accounting policies F-15
1.1	Basis of presentation F-15
1.2	New accounting standards and accounting changes F-15
1.3	Forthcoming changes in IFRS F-16
1.4	Use of estimates F-18
1.5	Basis of consolidation F-18
1.6	Measurement bases F-19
1.7	Fair value of financial instruments F-25
1.8	Changes in foreign exchange rates F-27
1.9	Revenue recognition F-27
2	Reporting entity F-29
2.1	Shareholders F-29
2.2	Acquisitions and disposals F-29
3	Capital management F-33
3.1	Shareholders' equity F-33
3.2	Non-controlling interests F-35
3.3	Subordinated liabilities F-35
3.4	Supervision and Solvency F-36
4	Treasury and liquidity F-38
4.1	Cash and cash equivalents F-38
4.2	Cash flows F-38
4.3	Liquidity F-38
4.4	Currency exposure F-40
5	Information on segments F-41

6	Risk management	F-44
6.1	The objectives of risk management	F-44
6.2	Organisation and governance	F-45
6.3	The risk management framework	F-46
6.4	Risk assessment	F-48
7	Governance	F-57
7.1	Remuneration of the members of the Board of Directors	F-57
7.2	Related parties	F-57
7.3	Remuneration of auditors	F-60
8	Employee benefits	F-61
8.1	Post-employment benefits	F-62
8.2	Other long-term employee benefits	F-67
8.3	Termination benefits	F-67
	Notes to the consolidated statement of financial position	
9	Financial investments	F-68
9.1	Investments held to maturity	F-71
9.2	Investments available for sale	F-72
9.3	Investments held at fair value through profit or loss	F-75
9.4	Derivatives held for trading (assets)	F-76
10	Derivatives	F-77
11	Investment property	F-80
12	Loans	F-83
13	Investments in associates	F-86
14	Reinsurance and other receivables	F-87
15	Accrued interest and other assets	F-88
16	Property held for own use	F-89
17	Intangible assets	F-92
18	Liabilities arising from Life insurance contracts	F-94
19	Liabilities arising from Life investment contracts	F-95
20	Liabilities arising from Unit-linked contracts	F-96
21	Liabilities arising from Non-life insurance contracts	F-97
22	Borrowings	F-99
23	Deferred tax assets and liabilities	F-101
24	Other liabilities	F-103

25	Provisions	F-104
26	Fair value of financial assets and financial liabilities	F-105
	Notes to the consolidated income statement	
27	Insurance premiums	F-106
28	Interest and other investment income	F-109
29	Realised and unrealised gains and losses	F-110
30	Investment income arising from unit-linked contracts	F-111
31	Share of result of associates	F-112
32	Fee and commission income	F-113
33	Other income	F-114
34	Insurance claims and benefits	F-115
35	Finance costs	F-116
36	Change in impairments	F-117
37	Fee and commission expenses	F-118
38	Staff expenses	F-119
39	Other expenses	F-120
40	Income taxes	F-121
41	Share of results of non-controlling interests	F-123
	Notes to items not recognised on the consolidated statement of financial position	
42	Collateral and commitments given	F-124

The Board of Directors has approved these 2013 Consolidated Financial Statements for distribution on 13 March 2014

Consolidated statement of financial position

	Note	31 December 2013	31 December 2012 restated	31 December 2011 restated
Assets				
Cash and cash equivalents	4	685,9	889,0	1.871,2
Financial investments	9	49.268,0	50.118,9	43.595,6
Investment property	11	2.332,3	2.391,6	2.020,9
Loans	12	4.712,0	3.748,2	2.879,0
Investments related to unit-linked contracts		6.399,9	6.035,2	5.894,3
Investments in associates	13	305,8	127,5	150,8
Reinsurance and other receivables	14	782,8	736,6	680,2
Current tax assets	23	52,6	1,0	118,7
Deferred tax assets	23	17,7	18,1	27,8
Accrued interest and other assets	15	1.522,3	1.489,1	1.476,3
Property held for own use	16	1.001,2	1.035,8	1.034,6
Intangible assets	17	351,9	364,9	357,5
Assets held for sale				
Total Assets		67.432,3	66.955,8	60.106,8
Liabilities				
Liabilities arising from life insurance contracts	18	22.071,8	21.886,3	20.720,5
Liabilities arising from life investment contracts	19	24.695,5	24.781,1	22.478,2
Liabilities arising from unit-linked contracts	20	6.399,9	6.035,2	5.894,3
Liabilities arising from non-life insurance contracts	21	3.552,3	3.405,7	3.195,9
Subordinated liabilities	3	1.177,1	896,5	894,5
Liabilities held for trading		4,5		
Borrowings	22	1.907,3	1.657,7	1.787,9
Current tax liabilities	23	39,3	20,0	34,4
Deferred tax liabilities	23	1.045,3	1.249,3	341,7
Other liabilities	24	1.497,7	1.572,1	1.480,1
Provisions	25	16,5	23,5	15,6
Liabilities related to assets held for sales				
Total Liabilities		62.407,2	61.527,3	56.843,2
Shareholder's equity	3	4.902,0	5.299,1	3.136,0
Non-controlling interests	3	123,0	129,5	127,6
Total Equity		5.025,1	5.428,6	3.263,6
Total Liabilities and Equity		67.432,3	66.955,8	60.106,8

The accompanying Notes are an integral part of these Consolidated Financial Statements

Consolidated income statement

	Note	2013	2012
Income			
Gross written premiums		5.393,5	6.403,2
Change in unearned premium reserve		-3,8	-7,5
Ceded earned premiums		-70,3	-57,5
Earned premiums, net of reinsurance	27	5.319,5	6.338,2
Interest and other investment income	28	2.498,1	2.465,2
Realised and unrealised gains and losses	29	162,2	268,7
Investment income related to unit-linked contracts	30	377,1	608,4
Share of result of associates	31	-1,7	-0,3
Fee and commission income	32	95,9	100,9
Other income	33	125,9	159,4
Total income		8.577,0	9.940,5
Expenses			
Insurance claims and benefits, gross		-5.718,3	-6.730,1
Insurance claims and benefits, ceded		26,2	32,2
Insurance claims and benefits, net of reinsurance	34	-5.692,1	-6.697,9
Charges related to unit-linked contracts		-388,5	-628,6
Finance costs	35	-97,5	-100,3
Change in impairments	36	-46,6	-101,3
Change in provisions		-1,0	-6,8
Fee and commission expense	37	-624,7	-633,8
Staff expenses	38	-474,0	-447,4
Other expenses	39	-639,1	-663,3
Total expenses		-7.963,5	-9.279,4
Profit before income taxes		613,5	661,1
Income tax expense	40	-161,5	-223,6
Net profit for the period		452,1	437,4
Less: net profit attributable to non-controlling interests	41	-5,5	-4,8
Net profit attributable to shareholders		446,6	432,6

The accompanying Notes are an integral part of these Consolidated Financial Statements

Consolidated statement of comprehensive income

	Note	2013	2012 <i>restated</i>
Net profit attributable to shareholders		446,6	432,6
Items that subsequently will not be reclassified to profit or loss:			
Remeasurement of defined benefit liabilities	8	24,0	-50,2
Income tax		-8,2	17,0
Items that subsequently will not be reclassified to profit or loss, net		15,8	-33,2
Items that subsequently may be reclassified to profit or loss:			
Changes in revaluation of investments available for sale	9	-1.212,4	4.037,1
Changes in shadow accounting	18-19-21	741,0	-1.414,4
Changes in revaluation of cash-flow hedges		8,9	-10,4
Changes in revaluation originating at associates		1,4	3,8
Changes in revaluation of investments held to maturity	9	0,4	0,4
Other changes			0,3
Income tax		226,3	-856,3
Items that subsequently may be reclassified to profit or loss, net		-234,3	1.760,5
Other comprehensive income for the period		-218,5	1.727,2
Less: comprehensive income attributable to non-controlling interests		-0,2	3,3
Other comprehensive income for the period, attributable to shareholders		-218,6	1.730,5
Total comprehensive income for the period, attributable to shareholders		228,0	2.163,1

The accompanying Notes are an integral part of these Consolidated Financial Statements

Consolidated statement of changes in equity

	Share capital	Share premium reserve	Retained earnings	Unrealised gains and losses	Shareholders' equity	Non-controlling interests	Total equity
Balance on 1 January 2012, as previously reported	526,6	231,5	1.948,9	467,8	3.174,8	127,6	3.302,4
IAS 19 R restatement				-38,7	-38,7		-38,7
Balance on 1 January 2012, restated	526,6	231,5	1.948,9	429,1	3.136,1	127,6	3.263,7
Net profit			432,6		432,6	4,8	437,4
Other comprehensive income, restated				1.730,5	1.730,5	-3,3	1.727,2
Total comprehensive income			432,6	1.730,5	2.163,1	1,5	2.164,6
Dividends						-5,5	-5,5
Acquisitions and other changes			-0,1		-0,1	5,8	5,7
Total contributions by (distributions to) owners			-0,1		-0,1	0,3	0,2
Balance on 31 December 2012, restated	526,6	231,5	2.381,4	2.159,7	5.299,1	129,5	5.428,6
Net profit			446,6		446,6	5,5	452,1
Other comprehensive income				-218,6	-218,6	0,2	-218,5
Total comprehensive income			446,6	-218,6	228,0	5,6	233,6
Dividends			-624,5		-624,5	-5,7	-630,2
Acquisitions and other changes			-0,6		-0,6	-6,3	-6,9
Total contributions by (distributions to) owners			-625,1		-625,1	-12,0	-637,1
Balance on 31 December 2013	526,6	231,5	2.202,9	1.941,0	4.902,0	123,0	5.025,1

The accompanying Notes are an integral part of these Consolidated Financial Statements

Consolidated cash flow statement

	Note	2013	2012
Profit before taxation		613,5	661,1
Adjustments to non-cash items included in profit before taxation:			
(Un)realised gains (losses)	29	-152,7	-275,1
Share of profits in associates	41	1,7	0,3
Depreciation, amortisation and accretion	39	587,2	570,5
Impairments	36	46,6	101,3
Provisions	25	1,0	6,8
Changes in operating assets and liabilities:			
Derivatives held for trading (assets and liabilities)	10	31,5	-20,4
Loans	12	-805,8	-874,6
Reinsurance and other receivables	14	-42,5	-48,4
Investments related to unit-linked contracts		-364,7	-140,9
Borrowings	22	250,4	-148,0
Liabilities arising from insurance and investment contracts	18-19-21	256,9	3.533,4
Liabilities related to unit-linked contracts	20	340,6	283,3
Net changes in all other operational assets and liabilities		52,8	-2.026,1
Dividend received from associates		6,8	1,6
Income tax paid		-152,4	-52,1
Cash flow from operating activities		670,9	1.572,8
Purchases of financial investments	9	-5.012,6	-11.320,2
Proceeds from sales and redemptions of financial investments	9	4.778,4	9.026,3
Purchases of investment property	11	-212,0	-269,5
Proceeds from sales of investment property	11	116,3	123,0
Purchases of property, plant and equipment	16	-69,9	-52,8
Proceeds from sales of property, plant and equipment	16	3,0	0,6
Acquisition of subsidiaries and associates	3	-204,8	-84,0
Divestments of subsidiaries and associates	3	118,2	56,6
Purchases of intangible assets	17	-17,8	-31,3
Proceeds from sales of intangible assets			0,1
Cash flow from investing activities		-501,2	-2.551,2
Proceeds from the issuance of subordinated liabilities		869,6	
Payment of subordinated liabilities		-562,2	
Proceeds from the issuance of other borrowings	22	4,7	8,0
Payment of other borrowings	22	-54,7	-6,2
Dividends paid to parent company shareholders		-624,5	
Dividends paid to non-controlling interests		-5,7	-5,5
Cash flow from financing activities		-372,8	-3,7
Net increase (decrease) of cash and cash equivalents		-203,1	-982,1
Cash and cash equivalents on 1 January	4	889,0	1.871,2
Cash and cash equivalents on 31 December	4	685,9	889,0

The accompanying Notes are an integral part of these Consolidated Financial Statements

<i>Supplementary disclosure of operating cash flow information</i>	<i>Note</i>	<i>2013</i>	<i>2012</i>
Interest received	28	1.966,8	1.913,9
Dividend received from financial investments	28	83,2	67,6
Interest paid	28	-107,1	-105,1

General Notes

The accompanying Notes are an integral part of these Consolidated Financial Statements

1 Summary of significant accounting policies

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for fiscal year ended 31 December 2013, as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU).

We did not need using the carve-out option set by the EU, which would have allowed us to exclude certain hedge accounting principles required by IAS 39.

IFRS 10, IFRS 11, IFRS 12 and amendments to IAS 27 and IAS 28 are effective as of 1 January 2013. Although having endorsed these standards and amendments, the EU postponed to 1 January 2014 the deadline for implementation, while allowing early adoption. While we do not expect these standards to affect the Consolidated Financial Statements in any significant way, we nevertheless have opted to implement these standards formally as of 1 January 2014.

1.1 Basis of presentation

We have prepared the Consolidated Financial Statements on a going concern basis. We present the Consolidated Financial Statements in (millions of) euros, our functional currency.

The following IFRS are particularly relevant to our activities:

- IFRS 4 for insurance contract liabilities
- IAS 39 (as endorsed by the EU) for financial instruments
- IFRS 7 for the disclosure of financial instruments
- IAS 23 for loans
- IAS 40 for investment property
- IAS 16 for property held for own use
- IAS 38 for intangible assets
- IAS 36 for impairments
- IFRS 13 for fair values

Other than the change in accounting policy on defined benefit plans required by IAS 19 Revised, as further discussed in the next heading, all accounting policies are consistent with those applied last year.

1.2 New accounting standards and accounting changes

In the following paragraphs, we provide an overview of the relevant new or revised standards, interpretations and amendments endorsed by the EU that became effective as of 1 January 2013:

IAS 19 Employee Benefits

The IASB amended and reissued IAS 19 in June 2011. Significant changes in the revised standard include the elimination of the 'corridor method', the introduction of a new approach to calculating and presenting defined benefit liabilities in 'Other comprehensive income', and the recognition of taxes on future premiums in the defined benefit obligation.

Furthermore, the revised IAS 19 introduces the requirement to align the expected return on plan assets and the discount rate of the defined benefit liability to a high-quality corporate bond rate, instead of our best estimate. Since most of our plan assets are non-qualifying, the impact of this change is not significant.

The standard required a retrospective application of the changes. Accordingly, we have restated the 2012 amounts in these Consolidated Financial Statements.

The impact of the change on prior year amounts initially reported in the Statement of financial position is as follows:

Defined benefit assets	-5,3	-5,2
Total assets	-5,3	-5,2
Shareholders' equity	-71,9	-38,7
Deferred income tax liabilities	-37,0	-20,0
Defined benefit liabilities	103,5	53,6
Total liabilities and shareholders' equity	-5,3	-5,2

We have not restated the 2012 income statement, the impact of the change not being significant.

IFRS 7 Financial Instruments – Disclosures

IAS 32 Financial Instruments

The IASB amended both IFRS 7 and IAS 32 in December 2011 to improve disclosures in netting arrangements associated with financial assets and financial liabilities. The impact on these Consolidated Financial Statements is not significant.

IFRS 13 Fair Value Measurement

This standard applies to other IFRS that require or permit fair value measurements or disclosures. It provides a single IFRS framework measuring fair value and requires additional disclosures about fair value measurement. More particularly, the standard defines fair value based on an 'exit price' notion and uses a fair value hierarchy resulting in a market-based rather than entity-specific measurement. The hierarchy categorises the inputs used in valuation techniques in three levels:

- Level one inputs: quoted prices in active markets for identical assets or liabilities that the entity can access on the measurement date
- Level two inputs: inputs (other than quoted prices used in level one) that are observable for the asset or liability, either directly or indirectly
- Level three inputs: unobservable inputs for the asset or liability

This standard has not significantly affected fair value measurements but has resulted in additional disclosures relating to fair value measurements for property (both investment property and property for own use) and intangible assets.

1.3 Forthcoming changes in IFRS

We will apply the new or revised IFRS standards detailed below from 1 January 2014 onwards. Overall, we do not expect these changes to have any significant impact on the Consolidated Financial Statements.

IFRS 10 Consolidated Financial Statements

IFRS 10 Consolidated Financial Statements outlines the requirements for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It defines the principle of

control and establishes control as the determining factor in whether an entity should be included within the financial statements of the parent company.

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation—Special Purpose Entities.

We do not expect this IFRS to affect the consolidation scope significantly.

IFRS 11 Joint Arrangements

IFRS 11 Joint Arrangements establishes financial reporting principles for investors in joint arrangements. The core principle is that a party to a joint arrangement determines the type of arrangement in which it is involved by assessing its rights and obligations, and accounts for those rights and obligations accordingly.

IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities—Non-Monetary Contributions by Venturers.

We do not expect this IFRS to affect significantly the way that we report joint arrangements in our Consolidated Financial Statements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the disclosure requirements for all forms of interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities. Its objective is to require an entity with any such interests to disclose information that enables users of financial statements to evaluate:

- the nature of, and risks associated with, its interests in other entities;
- the effects of those interests on its financial position, financial performance and cash flows.

This standard tends to integrate the disclosure requirements on interests in other entities, currently included in several standards, and present those requirements in a single IFRS.

We expect this standard to enhance disclosure requirements only.

IFRIC Interpretation 21 — Levies

This interpretation addresses how an entity should account for liabilities to pay levies imposed by governments (other than income taxes), particularly when the entity should recognise a liability for a levy.

We expect this interpretation to have no effect on our annual financial statements.

1.4 Use of estimates

The preparation of our Consolidated Financial Statements in accordance with IFRS requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the reported amounts of revenues and expenses during the reporting period. In general, we have used consistent estimates and methods since the introduction of IFRS in 2005. Each estimate carries a significant risk of material adjustment (positive or negative) to the carrying amounts of assets and liabilities during the next year.

Significant estimates and assumptions affect the specific items listed below.

- Insurance contract liabilities:
 - Life:
 - actuarial assumptions
 - prospective yield curve used in liability adequacy test
 - Non-life:
 - liabilities for (incurred but not reported) claims
 - ultimate claim settlement expense
- Financial instruments:
 - Level 2 fair value:
 - valuation model
 - inactive markets
 - Level 3 fair value:
 - valuation model
 - unobservable inputs
 - inactive markets
- Property: useful life and residual value
- Deferred tax assets: amount and timing of future taxable income
- Defined benefit pension obligations
 - Actuarial assumptions
 - Discount rate
- Provisions: best estimate

The notes to the Consolidated Financial Statements provide a detailed description of these estimates and assumptions and their effect on reported figures.

1.5 Basis of consolidation

The Consolidated Financial Statements include the accounts of AG Insurance sa-nv, the parent company, and its subsidiaries.

Subsidiaries are entities which financial and operating policies AG Insurance substantively controls, either directly or indirectly. When assessing control, we consider the existence and effect of potential voting rights that are substantive in nature, even if we have yet to exercise these rights.

We consolidate subsidiaries as of the date that effective control transfers to us, until the date that control ceases.

We recognise any gains or losses on the sale of a portion of ownership interest in a subsidiary:

- as equity transaction (i.e. transaction with owners in their capacity as owner), if there is no change in control, or
- in the income statement, calculated on the total participation, if there is loss of control. We then measure the residual interest of the participation at fair value at the time we lose control.

We set up, market and manage investment funds that represent a significant share of our unit-linked business. We manage these funds according to narrowly defined parameters set out in the investment mandate, in compliance with all applicable laws, rules and regulations. While the interests we hold in these funds expose us to variable returns, our remuneration is commensurate with services rendered, and our fee structure is market-based. We nevertheless remain exposed to significant insurance risk resulting from the death covers we provide in these products. Accordingly, we recognise the investments in these funds on the Statement of financial position where we measure these funds at fair value.

Non-controlling interests in the net assets and net results of consolidated subsidiaries show up separately on the Statement of Financial Position and Income Statement. On the acquisition date, we measure non-controlling interests at the fair value of the non-controlling interests' share of net assets or the present ownership's instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. We make the most appropriate accounting policy choice on a transaction-by-transaction basis. Subsequent to the acquisition date, non-controlling interests include the amount calculated on the acquisition date and the non-controlling interests' share of changes in equity since the acquisition date.

Investments in entities in which we do not have full control are accounted for using the equity method.

We eliminate all significant intercompany transactions (balances and gains and losses on transactions between group entities).

1.6 Measurement bases

1.6.1 Financial assets

Classification

We determine the appropriate classification of financial assets on the acquisition date. Accordingly, we classify as:

- Held-to-maturity: debt securities that we intend and are able to hold until maturity and that we do not classify in another category.
- Available-for-sale: listed securities that we intend to hold for an indefinite period and which we nevertheless may sell in response to liquidity needs or changes in interest rates, exchange rates or equity prices.
- Loans and receivables: unquoted debt securities that we have, upon initial recognition, not designated as held-for-trading or as available-for-sale.
- Financial assets held at fair value through profit or loss:
 - Financial assets acquired for unit-linked contracts on behalf of policyholders. We designate these as held at fair value upon initial recognition.
 - Derivatives other than those we designate and that are effective as hedging instruments. We classify these as held-for-trading.

Measurement

We measure held-to-maturity investments at amortised cost less allowances for impairment. At initial recognition, we measure held-to-maturity investments at fair value including transaction costs and initial premiums or discounts. We record revenue using the effective interest rate method and recognise periodic amortisation and impairment losses in the income statement.

We measure available-for-sale investment securities at fair value. Changes in fair value appear in other comprehensive income until we dispose of the security, at which time we recycle the accumulated fair value changes through the income statement. We recognise revenue from debt securities using the effective interest rate method. We recognise periodic amortisation and impairment losses in the income statement and recognise dividends received as income upon receipt.

We carry loans and receivables at amortised cost less allowances for impairment. At initial recognition, we measure loans and receivables at fair value including transaction costs and initial premiums or discounts. We recognise revenue using the effective interest rate method. We recognise periodic amortisation and impairment losses in the income statement.

We carry held-for-trading assets (derivatives, mainly) and assets designated as held at fair value through profit or loss at fair value whereby we recognise changes in fair value in the income statement under the heading 'Realised and unrealized gains and losses'. Interest received on assets held for trading appears under the heading 'Interest income'.

We include transaction costs in the initial measurement of financial assets other than those we measure at fair value through profit or loss, in which case we immediately expense transaction costs. Transaction costs refer to incremental costs directly attributable to the acquisition or disposal of a financial asset. They include fees and commissions paid to agents, advisers, brokers and dealers, levies imposed by regulatory agencies and securities exchanges as well as transfer taxes and duties.

Impairments

We impair available-for-sale securities if:

- there is objective evidence of impairment as a result of one or more events (loss events or triggers, e.g. significant financial difficulty of the issuer) that have occurred after the initial recognition of the asset, and
- that loss event has an impact on the estimated future cash flows of the financial asset (or group of financial assets) that we can reliably estimate.

We transfer unrealised losses previously recognised in equity to the income statement when the impairment occurs.

For equity securities, the triggers for determining whether there is objective evidence of impairment include, amongst others, the consideration whether the fair value is significantly (25%) below the carrying value or has been below the carrying value for a prolonged period (four consecutive quarters) on the date of the Statement of financial position.

Subsequent decreases in the fair value of equity securities that we have impaired appear in the income statement, while we recognise in other comprehensive income subsequent increases in the fair value of equity securities we have impaired.

In a subsequent period, if the fair value of a debt instrument increases and the increase can objectively be related to an event occurring after the recognition of an impairment loss, the impairment is reversed through impairments of investment (net) in the income statement. Other positive revaluations of debt instruments appear in other comprehensive income.

1.6.2 Investment property and property held for own use

Classification

Property classified as held for own use includes:

- office buildings that we occupy, and
- commercial buildings that we use to operate a business (such as hotels and car parks)

The heading 'Investment property' includes all other properties.

Measurement

For comparability purposes, we have selected the cost model for both investment property and property held for own use.

Accordingly, we carry all property at cost (including initial direct costs) less accumulated depreciation and accumulated impairments. As a result, changes in the fair value of property are neither recognised in the income statement (except for impairment losses) nor in other comprehensive income.

We do not depreciate land. We calculate depreciation of buildings using the straight-line method over the expected useful life of the individual components, as detailed below. We assume zero residual value by default.

- Structure: 50 years for offices, car parks and retail, 70 years for residential
- Envelope: 30 years for offices and retail, 40 years for residential
- Techniques and equipment: 15 years for car parks, 20 years for offices, 25 years for retail, 40 years for residential
- Major finishing: 15 years for car parks, 20 years for offices, 25 years for retail, 40 years for residential
- Light finishing: 10 years for offices, retail and residential

Impairments

We impair a property when its carrying amount exceeds its recoverable amount, which is the highest of fair value (based on observable or non-observable market data) less costs to sell, or its value in use based upon its highest and best use. At the end of each reporting period, we assess whether there is any indication that a property may be impaired, considering various external (e.g. significant changes in the economic environment) and internal (e.g. plans to dispose of the property) sources of information. If any such indication exists (and only then), we estimate the property's recoverable amount. Impairment losses appear in the income statement. After impairment recognition, we adjust the depreciation for future periods based on the revised carrying amount less its residual value over its remaining useful life. We determine the useful life of property for each significant part separately (component approach) and review it at year-end.

If, in a subsequent period, the impairment loss changes and we can objectively relate this change to an event occurring after the impairment was recognised, we reverse the previously recorded impairment loss in the income statement.

1.6.3 Investments in associates

Associates are investments where we have significant influence, but not control or joint control, over the financial and operating policy decisions of the entities.

We account for investments in associates using the equity method. We initially record the investment as our share of the associate's net assets. Subsequently, we recognise our share of net income for the year in the income statement under 'Share in results of associates', and our share in the associate's post-acquisition direct equity movements in other comprehensive income. Distributions received from associates reduce the carrying amount of the investment.

We eliminate gains on transactions between AG Insurance and investments accounted for using the equity method to the extent of our interest. We also eliminate losses unless the transaction provides evidence of impairment of the asset transferred. We recognise losses until the carrying amount of the investment is zero. We provide for any additional losses only to the extent that we have incurred legal or constructive obligations or made payments on behalf of the associate.

1.6.4 Intangible assets

An intangible asset is an identifiable non-monetary asset. We only recognise an intangible asset if, and only if, it will provide future economic benefits and we can measure the cost of the asset reliably.

We recognise car park service concessions as intangible assets when we have the right to charge for usage of the concession infrastructure. We measure an intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement at fair value on initial recognition. We determine fair value by reference to the fair value of the construction or upgrade services provided. Subsequent to initial recognition, we measure the intangible asset at cost less accumulated amortisation and impairment losses.

Licenses, intangible assets with definite lives (such as car park concessions), and internally developed software that is not an integral part of the related hardware are amortised over their useful life using the straight-line method. We recognise impairment losses in the income statement.

The estimated useful life of an intangible asset in a service concession arrangement is the period that starts at the time we are able to charge for the use of the infrastructure until the end of the concession period.

Impairment principles for car park concessions are the same as those applicable to investment properties and are described above.

As goodwill is an intangible asset with an indefinite useful life, it cannot be amortised. We test our goodwill for impairment at least annually.

1.6.5 Financial liabilities

Financial liabilities are measured initially at fair value less transaction costs, then subsequently carried at amortised cost using the effective interest method (corrected for any difference between net proceeds and the redemption value), with periodic amortisation recognised in the income statement.

We offset financial assets and liabilities and report the net amount in the Statement of financial position if we have a legally enforceable right of set-off and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously. This is usually the case with derivatives.

1.6.6 Repurchase agreements

We retain any securities sold subject to a commitment to repurchase them (a 'repo') on our balance sheet as substantially all the risks and rewards of ownership remain with us. We neutralise the proceeds received from such sales by recognising a corresponding financial liability, classified under the heading 'Borrowings' in the Statement of financial position.

1.6.7 Liabilities arising from insurance and investment contracts

Classification of contracts

We classify policyholder liabilities based on the underlying insurance contract features and the specific risks of these contracts:

- insurance contracts, that transfer significant insurance risk
- investment contracts with discretionary participation features (DPF), that transfer financial risk and include profit sharing
- investment contracts without DPF, that transfer financial risk but do not include any profit sharing

Life contracts may contain any of these three categories, while non-life contracts are generally insurance contracts.

We classify discretionary participation features pertaining to current and prior years as a liability (see shadow accounting below).

In rare cases where determining whether insurance risk is significant would be considered judgmental, we unbundle the insurance and investment components, allowing us to measure both separately. We do not unbundle insurance contract components for any other reason.

Measurement

We account for both insurance contracts and investment contracts with DPF in accordance with IFRS 4. Investment contracts follow IAS 39.

For Life insurance contracts, we calculate future policy benefit liabilities using the net level premium method (present value of future net cash flows) based on actuarial assumptions as determined by experience and in accordance with the Belgian accounting legislation applicable to insurance entities (RD of 17 November 1994).

We measure the financial component of insurance contracts with a guaranteed return at amortised cost. We further globally recognise additional liabilities on designated contracts when we are of the opinion that market interest rates, in combination with locked-in assumed investment returns, would fall short to cover the guaranteed return. In forthcoming cases, we calculate the additional liabilities as the difference between the present value and the carrying amount of the guaranteed amounts.

Participating policies also give rise to additional liabilities reflecting contractual dividends or other participation features.

Non-participating insurance and investment contracts are primarily unit-linked contracts where we hold the investments on behalf of the policyholder and measure them at fair value. We measure the liabilities for such contracts at unit value (i.e. fair value of the fund in which the unit-linked contracts are invested divided by the number of units in the fund) with changes in fair value recognised in the income statement. Fair value is never less than the amount payable on surrender (if applicable), discounted for the required notice period where applicable. We account for deposits and withdrawals directly in the statement of financial position as adjustments to the liability, without affecting the income statement. Certain products contain embedded options

or guarantees that we also measure at fair value and include in policyholder liabilities, with the change in fair value recognised in the income statement. We measure insurance risks based on actuarial assumptions.

For Non-Life insurance, we charge claims and claim adjustment expenses to the income statement as incurred. Unpaid claims and claim adjustment expenses include estimates for reported claims and provisions for claims incurred but not reported. Our estimates for claims incurred but not reported are based on experience, current claim trends and the prevailing social, economic and legal environments. We base the liability for Non-life insurance claims and claim adjustment expenses on estimates of expected losses (after taking into account reimbursements, recoveries, salvage and subrogation), reflecting management's judgement on anticipated levels of inflation, claim handling costs, legal risks and trends in compensatory damage awards. We do not discount claim liabilities other than for claims with determinable and fixed payment terms. In forthcoming cases, we base discounting on actuarial assumptions as determined by experience and industry standards.

Liability Adequacy Test

We perform 'Liability Adequacy Tests' at each reporting date to ensure that our insurance liabilities are adequate and above a set floor. For the purpose of the test, we aggregate products on a legal fungible level (asset pool level) for Life and on a homogeneous product group level for Non-Life. We determine contractual cash flows, including related cash flows such as (re)investment returns and expenses, based on current best estimates. For Life Insurance contracts, the tests include cash flows resulting from embedded options and guarantees. We determine the present value of these cash flows using a risk-free discount rate, allowing for an illiquidity premium, and further assume convergence to an ultimate forward rate ten years after the last liquid point (twenty years). We recognise shortfalls immediately, in the income statement, either as impairment of value of business acquired, deferred acquisition costs or as loss.

Deferred acquisition costs (DAC)

In order to match revenues and related charges, we defer and subsequently amortise the upfront costs of acquiring new Life insurance business, primarily variable commissions to brokers and other acquisition expenses. Periodically, we assess DAC recoverability based on estimates of future profits of the underlying contracts.

For Life insurance and investment products, both without discretionary participation features, we amortise DAC in proportion to expected premiums over the remaining lifetime of the policy. We estimate these future premiums at the time of policy issuance and consistently apply the same assumptions over the lifetime of the contract.

For Life insurance and investment products, both with discretionary participation features, we amortise DAC over the expected life of the contracts based on the present value of the estimated gross profit margin or profit amounts using the expected investment yield. Estimated gross profit margin includes expected premiums and investment results less benefits and administrative expenses, changes in net level premium reserves and expected policyholder benefits, as appropriate. When significant, we adjust DAC to reflect unrealised gains (losses) recognised in other comprehensive income (shadow DAC). We recognise the related adjustment also in other comprehensive income.

We recognise variances between projected and actual results in the income statement the year they occur.

Shadow accounting

We classify the majority of financial assets (debt and equity securities) as 'Available for sale' and measure them at fair value, recognising unrealised gains and losses in other comprehensive income. For contract portfolios where the realisation of gains and losses has a direct impact on the measurement of policyholder liabilities, we apply shadow accounting in order to provide for an adequate matching of unrealised gains and related charges. This means that unrealised gains and losses on available-for-sale financial assets affect the measurement of policyholder liabilities in the same way that realised gains or losses would. We therefore recognise the related adjustments (deferred participation liabilities) to policyholder liabilities in other

comprehensive income, to the extent that we recognise, in other comprehensive income, unrealised gains and losses on the related available-for-sale investments. We do not recognise net deferred participation assets, as the current legislation does not allow us to recover losses from policyholders unconditionally.

1.7 Fair value of financial instruments

Definition and principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The fair value presented is the 'clean' fair value, which excludes accrued interest and transaction costs. We classify accrued interest separately.

The fair value of a liability or own equity instrument reflects the effect of non-performance risk. Non-performance risk includes, but may not be limited to, the entity's own credit risk. If we initially measure an asset or a liability at fair value and the transaction price differs from this fair value, we will recognise the resulting gain or loss in profit or loss unless IFRS specify otherwise.

Our base principles for estimating fair value are as follows:

- Maximise relevant observable (market) inputs and minimise the use of unobservable inputs (such as internal estimates and assumptions).
- Change estimating techniques only if an improvement can be demonstrated or if a change is necessary because of changes in market conditions or in the availability of information.

Fair value hierarchy

We categorise fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements:

- Level 1: Fair values measured using quoted prices (unadjusted) in active markets, which means that quoted prices are readily and regularly available and reflect actual and regularly occurring market transactions on an arm's length basis.
- Level 2: Fair values measured using inputs other than quoted prices included within level 1 that are observable, either directly (i.e. prices) or indirectly (i.e. derived from prices, such as interest or exchange rates).
- Level 3: Fair values measured using inputs that are not (completely) based on observable data. We consider unobservable data to have a significant effect if the quantitative effect of all unobservable data combined represents more than 20% of the overall fair value.

When assigning a level in this hierarchy, we categorise the fair value measurement in its entirety based on the lowest level input that is significant to the entire measurement.

Level 2 and level 3 fair value measurements usually require the use of valuation techniques.

Quoted prices

When a financial instrument trades in an active and liquid market, its quoted (principal) market price or value provides the best evidence of fair value. We do not adjust the fair value of large holdings of shares, unless there is a binding agreement to sell the shares at a price other than the market price. The appropriate quoted market price for an asset is the current bid price, and for a liability the ask price. We use mid-market prices as a basis for establishing the fair value of assets and liabilities with offsetting market risks.

If there is a significant decrease in the volume or level of activity for the asset or liability, we review the transactions or quoted prices and may change to an alternative valuation technique or multiple valuation techniques (e.g. present value techniques) as a result.

Valuation techniques

If no active market price is available, we estimate fair values using present value or other valuation techniques based on market conditions existing on the reporting date. If market participants commonly use a certain valuation technique to price an instrument and that technique has demonstrated its ability to provide reliable estimates of prices obtained in actual market transactions, we apply that technique.

Well-established valuation techniques in financial markets include recent market transactions involving identical or comparable assets or liabilities, discounted expected cash flows (including option-pricing models) and current replacement cost. An acceptable valuation technique incorporates all factors that market participants would consider when setting a price, and should be consistent with accepted economic methodologies for pricing financial instruments.

Dealers or other intermediaries that provide market prices often trade in non-exchange-traded level 2 financial instruments in over-the-counter (OTC) markets. Various sources provide quotations for many financial instruments regularly traded in the OTC market. Those sources include the financial press, various publications and financial reporting services, and individual market makers.

Methods and assumptions

In determining the fair value of financial instruments for subsequent measurement or for disclosure purposes, we use the following methods and assumptions:

- Financial instruments classified as available-for-sale or held at fair value through profit or loss: we determine fair values using market prices from active markets. If no quoted prices are available from an active market, we determine fair value using discounted cash flow models. We base discount factors on the swap curve plus a spread reflecting the risk characteristics of the instrument. We determine fair values for financial instruments held to maturity (required for disclosure only) in the same way.
- Derivative financial instruments: we obtain fair values from active markets or we determine them using discounted cash flow models and option pricing models. Factors that influence the valuation of an individual derivative include the counterparty's credit rating and the complexity of the derivative. If these factors differ from the basic factors underlying the quote, an adjustment to the quoted price may be considered. Common valuation methodologies for an interest rate swap incorporate a comparison of the yield of the swap with the current swap yield curve. We derive the swap yield curve from quoted swap rates. Dealer bid and offer quotes are generally available for basic interest rate swaps involving counterparties whose securities are investment-grade.
- Unquoted private equity investments: we estimate fair values using applicable market multiples (e.g. price/earnings or price/cash flow ratios) adjusted to reflect the particularities of the issuer.
- Borrowings and issued subordinated loans: we determine fair values using discounted cash flow models based upon our current incremental lending rates for similar type loans. For variable-rate loans that re-price frequently and have no significant change in credit risk, we approximate fair values by using the carrying amount. We use option-pricing models to value caps and prepayment options embedded in loans that we have unbundled.
- We determine the fair value of off-balance sheet commitments and guarantees based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing.

The relevant notes to the Consolidated Financial Statements provide further information on these methods and assumptions.

1.8 Changes in foreign exchange rates

We account for foreign currency transactions using the exchange rate on the date of the transaction.

We translate monetary items at current exchange rates at the end of the reporting period, recognising exchange differences in the income statement. However, when we report gains or losses on monetary items in other comprehensive income, such as with securities classified as available-for-sale, we recognise the exchange component relating to these gains or losses in other comprehensive income as well.

We translate non-monetary items that we measure at fair value using the exchange rate on the date that we determine the fair values, usually at the end of the reporting period. We recognise the resulting exchange gains or losses in the income statement when we recognise the gain or loss in the income statement and in other comprehensive income when we recognise the gain or loss in other comprehensive income. We translate non-monetary items carried at historical cost using the historical exchange rate on the date of the transaction.

1.9 Revenue recognition

1.9.1 Gross premium income

Premium income when received

Premiums from Life insurance contracts and long-duration investment contracts with discretionary participation features are recognised as revenue when due. We recognise revenue over time, as the risk covered by the policy runs off. This is known as the 'deferral-matching approach', as it coordinates the timing of income and expense recognition so that both occur at the same time. We achieve this by establishing liabilities arising from insurance policies and investment contracts with discretionary participation features, and by deferring and subsequently amortising upfront expenses such as policy acquisition costs.

Premium income when earned

For short duration-type contracts (primarily Non-Life), we record premiums upon the inception of the policy. We recognise premiums in the income statement as earned on a pro-rata basis over the term of the related policy coverage. The unearned premium reserve represents the portion of the premiums written that relate to the unexpired terms of the coverage.

1.9.2 Interest income and expense

For all interest-bearing instruments, we recognise interest income and expense in the income statement on an accrual basis using the effective interest method. Interest income includes coupons earned on fixed and floating rate income instruments and the amortisation or accretion of the transaction costs, premium or discount.

Once we have written down a financial asset to its estimated recoverable amount, we subsequently recognise interest income based on the effective interest rate that we used to discount the future cash flows when measuring the recoverable amount, which is predominantly the effective yield at inception.

1.9.3 Realised and unrealised gains and losses

For financial instruments classified as available-for-sale, realised gains or losses on sales and divestments represent the difference between the proceeds received and the initial book value of the asset sold, minus any impairments recognised

in the income statement and after adjusting for the impact of any fair value hedge accounting. We record realised gains and losses on sales in the income statement under 'Realised and unrealised gains and losses'.

For financial instruments, including derivatives, measured at fair value through profit or loss, we recognise the difference between the carrying value at the end of the current reporting period versus the previous reporting period in the income statement under 'Realised and unrealised gains and losses'.

Upon derecognition or impairment of a financial asset, we remove the unrealised gains and losses previously recorded in other comprehensive income and recycle them through the income statement.

1.9.4 Fee and commission income

Contract revenues for unit-linked contracts consist of fees for providing investment and administration services. We recognise such fees over the period the related services are provided.

We treat loan-originating fees as an adjustment to the effective interest rate of the underlying financial instrument, measured at amortised cost.

We recognise fees relating to the issuance of a financial instrument measured at fair value through profit or loss as revenue upon initial recognition.

We recognise reinsurance commissions as earned, and reinsurance participation features as revenue upon receipt.

1.9.5 Rental income

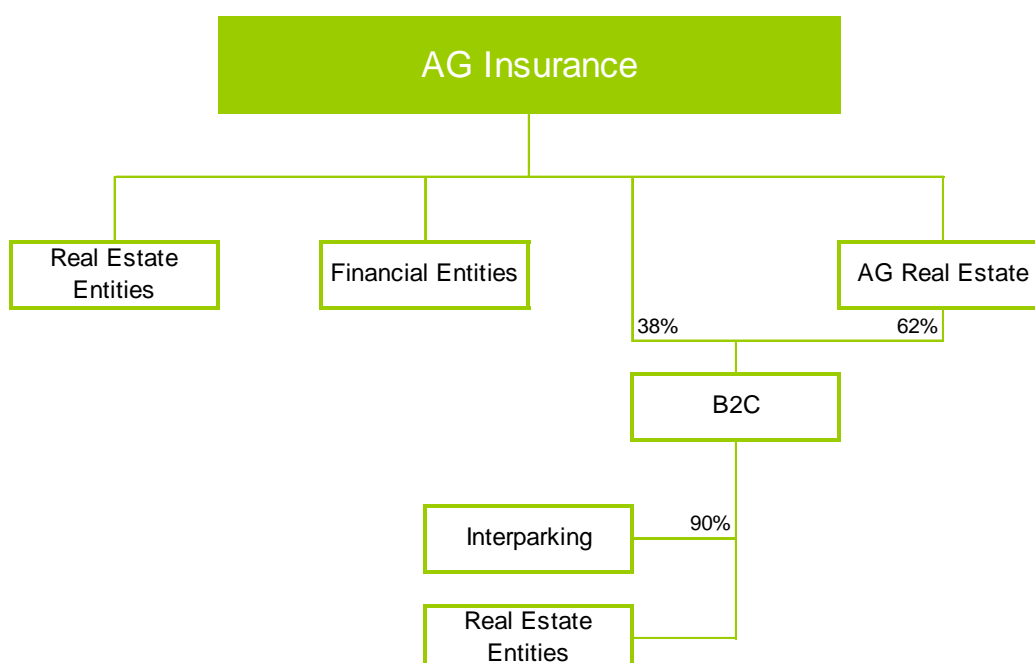
We lease out investment property and certain properties held for own use under non-cancellable lease contracts that may contain renewal options. We nevertheless recognise rental income, net of lease incentives granted to lessees, on a straight-line basis over the initial lease term.

2 Reporting entity

AG Insurance sa - nv (AG Insurance) is a Belgian regulated composite insurance company primarily active in providing life and non-life insurance solutions. Its headquarters are located at 53 boulevard Emile Jacqmain in Brussels (Belgium).

These consolidated financial statements include the financial statements of the parent company and all of its subsidiaries (Note 1.5).

In 2013, no significant changes occurred in the group's structure, presented in the diagram below. In 2012, AG Insurance and its subsidiary AG Real Estate grouped their common consumer real estate activities into a new sub-holding, B2C. This internal transaction had no effect on the scope of consolidation.



2.1 Shareholders

AG Insurance's ownership structure is as follows:

- Ageas International S.A./N.V., representing 75,00% of the company's total outstanding shares
- BNP Paribas Fortis S.A./N.V., representing 25,00% of the company's total outstanding shares.

No change in shareholders or in their shareholding occurred over the course of the year or in the previous year.

2.2 Acquisitions and disposals

The major acquisitions and disposals, detailed below, relate to real estate entities.

Current year acquisitions

LaDolceVita (100%, Q1)			
Assets		Liabilities	
Investment property	18,6	Borrowings	14,7
Other receivables	0,4	Deferred tax liabilities	0,6
Other intangibles	0,6	Other liabilities	0,2
		Total Liabilities	15,5
		Acquisition price	4,1
Total Assets	19,6	Total Liabilities and acquisition price	19,6

Ceryx (100%, Q3)			
Assets		Liabilities	
Investment property	46,4	Borrowings	34,6
Other receivables	2,6	Deferred tax liabilities	4,1
Other intangibles	2,4	Other liabilities	2,8
Accrued interests and other assets	0,1	Total Liabilities	41,5
		Acquisition price	10,0
Total Assets	51,5	Total Liabilities and acquisition price	51,5

Current year disposals

While we have ceded control on both entities listed below, hence fully deconsolidating them, we have kept a 40% minority share that we report under the investments in associates.

North Light (100%, Q4)			
Assets		Liabilities	
Investment property	93,8	Borrowings	70,2
Other receivables	1,2	Deferred tax liabilities	10,0
Other intangibles	2,6	Other liabilities	0,8
Accruals	10,6	Total Liabilities	81,0
		Shareholders' equity	27,2
Total Assets	108,2	Total Liabilities and Shareholders' equity	108,2

Pole Star (100%, Q4)			
Assets		Liabilities	
Investment property	125,6	Borrowings	90,8
Other receivables	10,9	Deferred tax liabilities	12,5
Other intangibles	3,0	Other liabilities	5,0
		Total Liabilities	108,3
		Shareholders' equity	31,2
Total Assets	139,5	Total Liabilities and Shareholders' equity	139,5

Prior year acquisitions

RDV-Invest sub-group (100%, Q2)			
Assets		Liabilities	
Cash and cash equivalents	0,1	Borrowings	13,6
Investment property	48,3	Deferred other income	0,3
Other receivables	0,3	Deferred tax liabilities	10,5
Other intangibles	5,5		
Accrued interests and other assets	0,1	Other liabilities	6,4
		Total Liabilities	30,8
		Acquisition price	23,4
Total Assets	54,2	Total Liabilities and acquisition price	54,2

B.G. 1 (90%, Q4)			
Assets		Liabilities	
Cash and cash equivalents	0,0	Borrowings	1,4
Other receivables	0,3	Other liabilities	1,2
Accrued interests and other assets	0,1	Total Liabilities	2,6
Building held for resale	60,3	Minority interests	5,8
		Acquisition price	52,2
Total Assets	60,6	Total Liabilities and acquisition price	60,6

Prior year disposals

In December 2012, AG Real Estate sold its real estate management subsidiary Befimmo S.A. to Befimmo SCA (the REIT).

Assets and liabilities from acquisitions and disposals

The table below highlights the changes in assets and liabilities, on the transaction date, resulting from the acquisition or disposal of subsidiaries.

Net assets from acquisitions and disposals	2013		2012	
	Acquisition	Disposal	Acquisition	Disposal
Cash and cash equivalents	0,8	0,1	-0,3	
Financial investments				
Investment property	64,4	219,5	48,3	
Loans		-161,0		
Investments related to unit-linked contracts				
Investments in associates	192,1	6,4	7,9	35,6
Reinsurance and other receivables	0,9	11,9	0,6	0,3
Current and deferred tax assets				0,1
Accrued interest and other assets		10,6	60,5	1,1
Property held for own use				
Intangible assets	3,1	5,6	5,2	3,7
Borrowings	-49,2		-16,1	
Current and deferred tax liabilities	-4,8	23,2	-10,4	-0,6
Other liabilities	-1,6	5,1	-6,2	-0,7
Non-controlling interests			-5,8	
Total net assets acquired/disposed of	205,7	64,8	83,7	39,5
Gain on disposals		53,4		17,1
Total purchase consideration/proceeds from sale	205,7	118,2	83,7	56,6
Less: Cash and cash equivalents acquired/disposed of	0,8	0,1	-0,3	
Cash used for acquisitions/received from disposals	204,9	118,1	84,0	56,6

3 Capital management

We view a strong capital base as a source of competitive advantage and a key tool to support growth. Capitalisation levels must therefore appropriately reflect the specific characteristics of our lines of business, including commitments arising from agreements with partners.

Furthermore, to comply with current regulatory requirements, we must maintain a minimum level of qualifying capital relative to premiums collected for non-life insurance contracts and life insurance liabilities arising from insurance and investment contracts.

We target an aggregate solvency ratio of 200% of the minimum regulatory requirements at the total insurance level. We plan to review this target by the launch of Solvency II at the latest. Should available capital decrease below the target capital, we will dip into retained earnings to move towards the target. In the future, we will consider the latest solvency and capital projections (forward-looking view in the ORSA report) together with market parameters and alternative funding opportunities such as subordinated debt. Our Capital Management Policy documents the process required for achieving this goal.

3.1 Shareholders' equity

In accordance with IAS 19 Revised, and as from 2013 onwards, remeasurements of defined benefit liabilities must be recognised in other comprehensive income (Note 1.2). To comply with the new standard, we restated the 2012 figures, resulting in a EUR 71,8 million decrease in the amounts previously reported under unrealised gains and losses in shareholders' equity on 31 December 2012.

	31 December 2013	31 December 2012 <i>restated</i>
Share capital	526,6	526,6
Share premium reserve	231,5	231,5
Retained earnings	2.202,9	2.381,4
Unrealised gains and losses	1.941,0	2.159,6
Shareholders' equity	4.902,0	5.299,1

AG Insurance's share capital amounts to EUR 526 604 028, represented by 631 286 fully paid ordinary shares with no par value. Share capital remained unchanged during the financial year as well as in the previous year.

Retained earnings represent accumulated earnings from prior years. Overall, the ability to distribute dividends is driven by the level of retained earnings as reported in the statutory accounts under Belgian accounting principles. In particular, retained earnings include the following amounts that are not available for dividend distribution:

- an unavailable reserve of EUR 233,2 million, incorporated into paid-up capital;
- a statutory legal reserve of EUR 52,7 million, capped at 10% of statutory capital, set up in accordance with Belgian Company Law.

Statutory retained earnings of consolidated subsidiaries also include EUR 112,4 million in statutory legal reserves that are not available for dividend distribution to their respective parent entities.

On 20 December 2013, the General Assembly of Shareholders did approve the payment of a dividend of EUR 300 million. The consolidated statement of financial position is presented before any attribution of profit. The Board of Directors will propose a dividend of EUR 223,3 million at the General Assembly, early 2014.

The next table segments unrealised gains and losses by component.

31 December 2013	Gross	Related income tax	Shadow accounting	Related income tax	Non-controlling interests	Total
Debt securities	3.303,0	-1.122,0	-725,6	246,6		1.702,1
Equity securities	418,1	-44,3	-95,9	32,6		310,5
Investments available for sale	3.721,1	-1.166,2	-821,5	279,2		2.012,6
Investments held to maturity	-16,6	5,6				-10,9
Cash flow hedges	-18,9	0,9			9,2	-8,9
Defined benefit liabilities	-84,9	28,8				-56,0
Associates	4,2					4,2
Total	3.605,0	-1.130,9	-821,5	279,2	9,2	1.941,0

31 December 2012 (restated)	Gross	Related income tax	Shadow accounting	Related income tax	Non-controlling interests	Total
Debt securities	4.748,1	-1.613,0	-1.503,1	510,9		2.142,9
Equity securities	185,3	-32,5	-59,4	20,2		113,6
Investments available for sale	4.933,4	-1.645,5	-1.562,5	531,1		2.256,5
Investments held to maturity	-17,0	5,9				-11,1
Cash flow hedges	-27,7	1,7			9,3	-16,7
Defined benefit liabilities	-108,9	37,0				-71,9
Associates	2,9					2,9
Total	4.782,7	-1.600,9	-1.562,5	531,1	9,3	2.159,6

Note 9.2 – Investments available for sale analyses in more detail unrealised gains and losses on investments available for sale.

We have determined the unrealised losses on investments held to maturity at the time of their classification under this heading (Note 9.1).

The line 'Cash flow hedges' accumulates changes in the fair value of derivatives that we designate and qualify as cash flow hedge. We recognise any hedge ineffectiveness in the income statement.

The line 'Defined benefit liabilities' accumulates remeasurements of defined benefit liabilities (Note 1.2).

Changes in gross unrealised gains and losses	Available for sale investments	Held to maturity investments	Cash flow hedges	Defined Benefit Liabilities	Other	Total
Balance on 1 January 2012	896,5	-17,4	-11,2	-58,7	-0,9	808,3
Changes during the year	3.950,6		-10,4	-50,2	3,8	3.893,9
Reversal due to sales	47,3					47,3
Reversal due to impairments	39,1					39,1
Other		0,4	-6,1			-5,7
Balance on 31 December 2012	4.933,4	-17,0	-27,7	-108,9	2,9	4.782,7
Changes during the year	-1.103,1		7,8	24,0	1,3	-1.070,0
Reversal due to sales	-113,0					-113,0
Reversal due to impairments	3,9					3,9
Other	-0,1	0,4	1,0			1,3
Balance on 31 December 2013	3.721,1	-16,6	-18,9	-84,9	4,2	3.605,0

3.2 Non-controlling interests

Non-controlling interests represent the relative share of a third party – the minority shareholder – in the shareholders' equity of a consolidated group entity. The non-controlling interests under this heading relate to real estate subsidiaries, as this is a common feature in this sector.

Group entity	31 December 2013		31 December 2012	
	Minority share	Minority amount	Minority share	Minority amount
Interparking	10,1 %	89,5	10,1 %	88,0
Venti M	40,0 %	30,0	40,0 %	32,3
Cortenbergh le Corrège	38,8 %	3,4	38,8 %	3,3
Sicav RDT	0,1 %	0,1	0,1 %	0,1
Aperio	2,0 %			
B.G.1			10,0 %	5,8
Total		123,0		129,5

The table below provides summary financial information on Interparking, our more significant subsidiary with non-controlling interests.

<i>Interparking (consolidated)</i>	31 December 2013	31 December 2012
Non-Current Assets	1.185,4	1.191,8
Current Assets	44,3	43,7
Total assets	1.229,7	1.235,5
Shareholders' equity	651,8	647,5
Long term debt	197,9	241,9
Current liabilities	380,0	346,1
Total Liabilities and shareholders' equity	1.229,7	1.235,5
Total Revenues	345,6	330,2

3.3 Subordinated liabilities

	31 December 2013	31 December 2012
Fixed-to-Floating Rate Callable Subordinated Notes	449,3	
Fixed Rate Reset Perpetual Subordinated Notes	392,9	
Sub-loan		150,0
Hybrone I	334,9	496,9
Nitsh II		249,5
Total Subordinated liabilities	1.177,1	896,5

On 21 March 2013, AG Insurance issued USD 550 million in Fixed Rate Reset Perpetual Subordinated Notes (Perp NC 6). The Notes bear interest at a rate of 6,75% per annum until 21 March 2019 (the first call date), and thereafter at a fixed interest rate (the six-year USD mid swap rate plus 5,433%) to be reset on the first call date and on each sixth anniversary of the call date thereafter. Interest is payable semi-annually in arrears and in each year, subject to deferral as described below. We used the net proceeds of the issue in priority to redeem

the outstanding perpetual subordinated loans Hybrone I (partially) and Nitsh II (entirely) to Ageas Hybrid Financing S.A.

On 18 December 2013, AG Insurance issued EUR 450 million Fixed-to-Floating Rate Callable Subordinated Notes (30,5 NC 10,5), maturing 18 June 2044. The Notes bear interest at a rate of 5,25% per annum until 18 June 2024 (the first call date), payable annually in arrears and thereafter at a floating interest rate (3 month EURIBOR + 4,136%) to be reset on the first call date and every three months thereafter, payable quarterly in arrears, subject to deferral as described below. We used the net proceeds of the issue in priority to fully redeem the outstanding EUR 150 million subordinated sub-loan to ageas sa-nv and used the remaining net proceeds for general business purposes in order to improve our overall cost of capital and competitive position.

Interest payments on the two Notes issues described above are subject to deferral as follows:

- We must pay interest upon the occurrence of certain specified events such as the declaration of a dividend or a share repurchase.
- We must defer interest upon the occurrence of certain other specified events such as a regulatory deficiency event or failure to satisfy the solvency condition.
- If none of the foregoing circumstances applies, we may elect to defer any interest payment at our sole discretion.

At our option, we may redeem the Notes, in whole but not in part, on their respective first call date or on any interest payment date thereafter. All Notes constitute direct, unsecured and subordinated obligations. Payment obligations related to the dated instrument (30,5 NC 10,5) rank in priority to the claims of junior creditors (e.g. claims related to undated instruments). The Notes are listed on the Luxembourg Stock Exchange.

Hybrone I bears interest at a rate of 5,16% per annum until its first call date on 20 June 2016, and thereafter the three-month EURIBOR plus 2,03%.

3.4 Supervision and Solvency

As the insurance regulatory authority, the National Bank of Belgium (NBB) is responsible for the prudential supervision of our activities. Among other checks and balances, prudential supervision includes a quarterly review ensuring we meet our solvency requirements. Accordingly, based on the rules and regulations for insurance companies applicable in Belgium, we report, on a quarterly basis, our available regulatory capital and required solvency to the NBB. Both are assessed on a non-consolidated basis based on local accounting principles. The figures below reflect the results of a similar assessment on a consolidated basis.

	31 December 2013	31 December 2012 <i>restated</i>
Solvency capital available	4.716,0	4.118,2
Less : minimum solvency requirements	-2.450,2	-2.379,5
Solvency surplus	2.265,8	1.738,7
Solvency ratio	192,5 %	173,1 %

Shareholders' equity reconciles to solvency capital available as follows:

	31 December 2013	31 December 2012
		<i>restated</i>
Shareholders' equity	4.902,0	5.299,1
Plus:		
Non-controlling interests	123,0	129,5
Subordinated liabilities	1.177,1	896,5
Revaluation of real estate to fair value (90%), net of tax	751,9	748,6
Less:		
Revaluation of debt securities AFS, net of tax and shadow accounting	-1.702,1	-2.142,9
Revaluation of debt securities HTM, net of tax	10,9	11,1
10 % of revaluation of equity securities, net of tax and shadow accounting	-31,0	-11,7
Intangible assets	-351,9	-364,9
Equalisation Reserve	-181,5	-148,7
Unrealised gains and losses on Cash flow hedges, net of tax	18,1	26,1
Solvency capital available	4.716,0	4.442,7

Regulatory asset pledge

Belgian Insurance Control legislation requires the insurer's assets to be pledged in order to secure policyholder liabilities. Accordingly, we formally assigned EUR 59 144 million in assets to this regulatory pledge at year end.

4 Treasury and liquidity

Treasury management occurs at three levels:

- the insurance entity, AG Insurance, which also coordinates the global treasury position
- the real estate entity, AG Real Estate
- the car park management entity, Interparking

We pool the cash management of the other subsidiaries into one of these three levels.

4.1 Cash and cash equivalents

Cash and cash equivalents include current bank account balances, cash on hand and other financial instruments with a term of less than three months from the date on which they were acquired. Cash on hand represents car park cash receipts between successive collection rounds.

	31 December 2013	31 December 2012
Current bank accounts	671,5	881,3
Cash on hand	2,5	2,1
Other	11,8	5,6
Total	685,9	889,0

4.2 Cash flows

Premiums received and investment income represent sources of cash, which we use to pay for insurance benefits, claims and operating costs, investing the balance for the longer term in financial assets or real estate. The cash-flow statement highlights these elements, in particular those relating to Life insurance and to long-term Non-Life insurance, short-term Non-Life insurance usually completing its cash cycle (premium receipt and claim disbursement) within one year. Timing differences may occur, depending upon financial markets, between the receipt of the premiums and the related investments. Usually, such timing differences are absorbed within a few weeks or months after the closing date. Such timing differences may cause some volatility in year-end cash balances.

Financing activities are usually limited to dividend pay-outs. We have resumed dividend payments in 2013, which effect is partly offset by the issuance of subordinated Notes in the same year.

<i>Changes in Cash and cash equivalents</i>	2013	2012
Cash and cash equivalents on 1 January	889,0	1.871,2
Net cash flows for the year from:		
Operating activities	670,9	1.572,8
Investing activities	-501,2	-2.551,2
Financing activities	-372,8	-3,7
Total Net cash flows for the year	-203,1	-982,1
Cash and cash equivalents on 31 December	685,9	889,0

4.3 Liquidity

Assets and liabilities generally have a maturity of more than twelve months, except for Cash and Cash Equivalents, Reinsurance and other receivables, Current tax assets, Accrued Interests and other assets, Other liabilities and Current tax liabilities.

The following table shows all undiscounted expected asset and liability cash flows, other than for unit-linked related contracts, segmented by relevant maturity buckets. As liquidity risk is a short-term concern, the table only shows the net expected cash flows generated by assets and liabilities for the next three years.

Aside from the sale of investments, potential liquidity sources that we may draw upon and that the table below does not reflect are:

- The starting cash position, end 2013, of EUR 686 million (EUR 889 million end 2012);
- New business premiums;
- The expected roll-over of existing one-year repurchase agreements;
- Credit line facilities available at real estate entity level for a global amount of EUR 261,5 million.

Expected changes in cash position	31 December 2013			31 December 2012*		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
	2014	2015	2016	2013	2014	2015
Expected cash-flows arising from:						
Investments (excl. unit linked):						
Financial investments	4.569,9	4.667,1	4.522,3	4.211,9	4.301,4	4.654,9
Loans	219,4	161,0	149,0	225,1	164,4	157,7
Investment property	190,5	189,9	209,2	173,4	162,7	144,1
Property held for own use (IPK)	102,8	108,6	114,2	100,0	100,0	100,0
Other assets	652,8	17,7	17,7	595,7	14,7	14,7
Total assets	5.735,4	5.144,3	5.012,4	5.306,1	4.743,2	5.071,5
Policyholder liabilities (excl. unit linked):						
Premiums, net of reinsurance	2.956,0	1.831,3	1.716,4	2.945,3	1.966,6	1.868,2
Benefits, net of reinsurance	-6.222,2	-5.403,3	-4.647,7	-6.328,2	-5.726,5	-5.492,1
Financial liabilities:						
Subordinated liabilities	-68,5	-68,5	-63,4	-53,1	-53,6	-54,6
Borrowings – repurchase agreements	-1.167,4	-30,6		-868,7	-29,7	-32,1
Other financial liabilities	-106,1	-68,5	-68,5	-159,8	-58,9	-58,9
Other liabilities	-774,4	-5,4	-5,4	-684,2	-6,2	-6,2
Total liabilities	-5.382,6	-3.744,9	-3.068,6	-5.148,7	-3.908,3	-3.775,7
Total expected cash flows for the year, net	352,8	1.399,4	1.943,9	157,4	834,9	1.295,8

* restated to allow cross-reference with statement of financial position

4.4 Currency exposure

The U.S. dollar (USD), through the amounts invested in financial assets and, to a lesser extent, real estate, represents the main foreign currency exposure. We use FX forward contracts to hedge our net USD currency risk other than in equity securities.

The currency exposures in the table below are expressed in EUR millions.

<i>On 31 December 2013</i>	<i>USD</i>	<i>GBP</i>	<i>RON</i>	<i>PLN</i>	<i>HUF</i>	<i>CHF</i>	<i>AUD</i>
Total assets	1.350,3	139,3	19,5	5,2	0,9	2,2	
Total liabilities	425,1	6,6	1,6	1,6		1,9	
Total assets, net	925,2	132,7	17,9	3,6	0,9	0,3	
Off balance	-717,2					0,0	
Net position	208,0	132,7	17,9	3,6	0,9	0,3	
<i>On 31 December 2012</i>							
Total assets	1.193,0	121,6	11,7	4,9	2,8	2,5	
Total liabilities	31,0	6,8	0,4	1,0		1,4	0,5
Total assets, net	1.162,0	114,8	11,3	3,9	2,8	1,1	-0,5
Off balance	-1.050,2						
Net position	111,8	114,8	11,3	3,9	2,8	1,1	-0,5

Operating segments represent the primary format for reporting segment information to management. Reportable operating segments consist of groups of assets and operations that provide financial products or services subject to different levels of risk and return. Our current operating segments are as follows:

- Individual Life and Health
- Non-Life (other than Health Care)
- Employee Benefits and Health Care

Individual Life & Health includes insurance contracts covering risks related to the life and death of individuals as well as individual health care insurance. Additionally, it includes individual investment contracts with and without discretionary participation features (DPF) as well as individual unit-linked contracts.

Non-Life comprises four lines of business: Accident (including Workers' Compensation), Motor, Fire and Other (including Third Party Liability).

Employee Benefits & Health Care includes group insurance and health care contracts with employers as well as a small group insurance unit-linked portfolio.

We use the concepts of technical result and operating margin to analyse our insurance results.

The technical result includes premiums, fees and allocated financial income, less claims and benefits and less operating expenses. Realised capital gains and losses on investments backing insurance liabilities, such as separate accounts, are part of financial income and are thus included in the technical result. We allocate financial income, net of the related investment costs, to the various product lines based on the investment portfolios backing the insurance liabilities of these product lines.

The operating margin includes realised capital gains and losses on investments backing other insurance liabilities.

The reconciliation of the operating margin to the profit before taxation includes income and expenses not allocated to insurance or investment contracts (and thus not recognised in the operating margin).

The tables on the following pages detail technical results by operating segment and reconcile them to profit before taxation.

2013	Retail Life & Health	Non-life	Employee Benefits & Health Care	Total
Gross inflow Life	2.994,2		1.107,1	4.101,4
Gross inflow Non-life	34,2	1.565,1	255,4	1.854,8
Operating costs	-125,1	-261,5	-109,1	-495,7
Life technical result	245,7		84,2	329,9
Accident & Health	10,5	12,5	15,8	38,8
Motor		25,4		25,4
Fire and other damage to property		30,8		30,8
Other		-5,7		-5,7
Non-Life technical result	10,5	63,1	15,8	89,3
Total technical result	256,2	63,1	100,0	419,2
Capital gains (losses) allocated to operating margin	55,1	15,9	51,1	122,1
Operating margin	311,2	79,0	151,1	541,3
Other result	46,8	7,6	17,8	72,2
Profit before taxation	358,0	86,6	168,9	613,5
Key performance indicators				
Expense ratio	46,3 %	39,4 %	19,2 %	36,7 %
Claims ratio	22,1 %	61,9 %	76,3 %	63,2 %
Combined ratio	68,4 %	101,3 %	95,5 %	99,9 %
Life cost ratio	0,32 %		0,51 %	0,37 %
Policyholder liabilities	39.055,5	3.020,4	14.645,4	56.721,4

The table introduces the following key performance indicators:

- Expense ratio: expresses expenses as a percentage of net earned premiums, net of reinsurance. Expenses include claim handling costs and net commissions, and exclude asset management costs.
- Claims ratio: expresses the cost of claims, net of reinsurance and excluding claim handling costs, as a percentage of net earned premiums.
- Combined ratio: represents the sum of the expense ratio and the claims ratio.
- The Life cost ratio: expresses expenses as an annualised percentage of (Life) policyholder liabilities

2012	Retail Life & Health	Non-life	Employee Benefits & Health Care	Total
Gross inflow Life	4.022,7		1.103,9	5.126,6
Gross inflow Non-life	34,5	1.494,4	230,2	1.759,1
Operating costs	-118,3	-250,4	-102,2	-471,0
Life technical result	273,1		80,9	354,0
Accident & Health	6,3	12,7	23,1	42,1
Motor		26,8		26,8
Fire and other damage to property		31,7		31,7
Other		-4,8		-4,8
Non-Life technical result	6,3	66,3	23,1	95,7
Total technical result	279,5	66,3	103,9	449,7
Capital gains (losses) allocated to operating margin	65,5	22,2	40,7	128,4
Operating margin	344,9	88,5	144,6	578,1
Other result	54,8	8,3	19,8	82,9
Profit before taxation	399,7	96,8	164,4	661,1
Key performance indicators				
Expense ratio	44,4 %	39,4 %	19,3 %	36,8 %
Claims ratio	36,8 %	61,8 %	72,4 %	62,7 %
Combined ratio	81,2 %	101,2 %	91,7 %	99,5 %
Life cost ratio	0,31 %		0,52 %	0,36 %
Policyholder liabilities	39.230,0	2.914,3	13.964,2	56.108,6

As an active provider of both Life and Non-Life insurance in the Belgian market, we are exposed to a number of risks, whether internal or external, that may affect the achievement of our objectives.

The *Enterprise Risk Management* approach provides an integrated approach for managing current and emerging risks, thus supporting long-term stability and growth. It ensures that the strategic planning and limit setting conform to the risk appetite and tolerance as set by the Board.

Risk management encompasses the processes of:

- identifying risks we are or we may be exposed to
- measuring the exposure to these risks
- monitoring the risk profile and corresponding capital needs on an on-going basis
- taking the necessary and appropriate steps to control or mitigate the risk position
- reporting to senior management and to the Board on the solvency and capital position

Sound risk governance is the foundation of an effective risk management framework. Accordingly, we have adopted the industry standard 'Three Lines of Defence' model which recognises responsibility for risk management within the business lines, the independent risk management function and internal audit. The other key components of our risk management framework are risk appetite standards, risk policies and procedures, risk models and methodologies, and risk reporting protocols.

6.1 The objectives of risk management

Risk Management is an integral part of the business and a key concern throughout the company. The mission of the Risk Management Function is to promptly identify, measure, manage, report and monitor risks potentially affecting the achievement of strategic, operational and/or financial objectives.

Risk management therefore focuses on achieving the following objectives:

- to understand the key risks taken and maintain a solvency and liquidity position such that no plausible scenario would cause the company to default on its obligations to policyholders and debt holders
- to define risk appetite and ensure that the risk profile is kept within set limits
- to support the company's decision-making process by ensuring that consistent, reliable and timely risk information is available to the decision makers, and by using that information to provide a risk opinion
- to encourage a strong risk awareness culture where managers are aware of the risks to their business, manage them effectively and report them transparently

6.2 Organisation and governance

We have designed the Risk Management Function to provide:

- clearly defined and delegated responsibility and accountability regarding risk management while promoting risk awareness
- independent risk controlling with dedicated specialised risk units monitoring the risk-taking activities
- consistent risk-related decision-making encompassing the full range of risks
- risk transparency, knowledge sharing and best practices
- high standards of risk management and responsiveness to change
- a consistent approach enabling aggregate risk reporting and oversight at the central level

To this end, we have put a structure in place which features:

- a Chief Risk Officer who has overall responsibility for the Risk Management Function at the company level and who is a member of the Management Committee, of the Risk and Audit Committee, and of the Board
- a two-layered organisation of the Risk Management Function with a Central Risk department keeping risk oversight while delegating risk responsibilities to Decentralised Risk Managers at the level of the business and support units. This operating model ensures greater proximity to the business and operations in view of better reflecting their needs, hence fostering the necessary embedding of risk management throughout the company.
- the Actuarial Function, Internal Control and Compliance, all integral parts of the Central Risk Management department. The Actuarial Function provides independent assessments of technical provisions, pricing, reinsurance and profit sharing. Internal Control ensures, to the extent possible, that the internal controls are in place so that company activities are efficient and effective, information is reliable, timely and complete, and that the company complies with applicable laws and regulations. Compliance is primarily responsible for overseeing our compliance with applicable laws, regulations and internal policies, as well as for managing compliance risk.
- several risk committees operating at different levels of the organisation, including an Audit and Risk Committee at the level of the Board, a Business Risk Committee at the level of the Management Committee, a Risk Function Committee (supported by different business line risk committees) as well as a Model Control Board at the level of the Risk Management Function

With our robust 'Three Lines of Defence' model, responsibility for risk management lies at individual and committee levels as well as board, management and staff levels. With the involvement of business line management, an independent corporate Risk Management Function (and Compliance Function) and an independent review by Internal Audit, we provide a significant level of additional control through systematic and ad hoc assessments of management processes including risk management.

6.3 The risk management framework

We have designed our risk management framework to support the mission and objectives of the Risk Management Function. It incorporates a number of core components that form a consistent and effective risk management framework, in accordance with the principles of 'Enterprise Risk Management (ERM)', underlying the process of systematically and comprehensively identifying material risks, assessing their impact and implementing integrated strategies to achieve the company's objectives.

6.3.1 Risk Appetite

In a set of Risk Appetite statements, we have expressed the amount, type and tenor of risk we are willing to take or allow and are able to afford in pursuit of our objectives, taking into account the expectations of our different stakeholders. Through a formal Risk Appetite Policy approved by the Board, we have defined a clear Risk Appetite Framework, setting formal boundaries for risk-taking. This framework sets out two types of criteria to limit risk exposure within acceptable boundaries:

- quantitative criteria which are primarily based on our stand-alone ability and willingness to accept volatility in the key areas of solvency, earnings, value and liquidity
- qualitative criteria for monitoring all material risks with a certain level of concern

Regarding Solvency, a key component in our quantitative criteria, we strive to maintain at all times a capital position such that no plausible scenario would cause the company to default on its obligations to policyholders. To accomplish this, we closely monitor the solvency and capital position within a framework based on the current Solvency I rules and which defines a target level of capital of 200% of the minimum required solvency together with a minimum acceptable level of capital set at 125% of the minimum required solvency. We use stress testing to test the resilience of the available capital buffer (available capital minus minimum acceptable capital). The framework triggers appropriate actions depending on the level of the solvency ratio. In the meantime, until the Solvency II rules come into effect, we already monitor the solvency and capital position based on the current status of this Solvency II framework completed with our best view as to the risk-based assessment of our capital needs.

An earnings-at-risk statement with reference to the year-end budgeted IFRS results, a value at risk statement with respect to our net asset value together with a liquidity statement are also part of the risk appetite.

We further cascade down the risk appetite into workable risk limits at the level of the different risk takers. We monitor it on a quarterly basis.

6.3.2 Policy framework

We have designed an ERM Policy Framework as a core element for formalising the Enterprise Risk Management. It sets standards, principles, processes and business practices that we need to implement throughout the life cycle of the policies. This framework defines minimum requirements on how we organise risk management activities within our company and sets the boundaries within which our business lines have to act from a risk perspective.

6.3.3 Risk Taxonomy

We offer a wide range of insurance products and, like other insurance companies, face a variety of risks, such as underwriting, operational and financial risks. We have developed a risk taxonomy to provide a consistent and comprehensive approach to risk identification, highlighting and defining the risks we are exposed to.

This taxonomy cannot be considered as exhaustive: it is the responsibility of business management and risk management to identify all risks the company faces or may face on an on-going basis. While the objective is to



maintain a high degree of stability and consistency over time in this taxonomy, we nevertheless review it annually and adjust it if needed.

6.3.4 Risk process

We perform risk management following the well-known risk management cycle including risk identification, risk assessment and measurement, monitoring and reporting and management (control and mitigation).

6.3.5 Risk systems

Risk processes are rather complex and hence require appropriate systems and supporting technologies to allow us to manage them. We dispose of appropriate risk modelling systems to carry out complex calculations, to quantify the risk exposures, to assess the impact of stress tests and to aggregate risks. Risk monitoring systems are present to analyse risk exposures, monitor any changes in the risk profile of the company and to check that risk exposures remain within the risk appetite that the Board has defined.

6.4 Risk assessment

6.4.1 Financial Risk

Financial risk encompasses all risks relating to the value and performance of financial assets and, accordingly, represents the most significant risk that we are exposed to. The risk framework in place in all operations combines investment policies, limits, stress tests and regular monitoring to control the nature and level of financial risks and to ensure that risks being taken are appropriate for both customers and shareholders and are appropriately rewarded.

We use asset mix research to identify the appropriate strategic asset allocation, and monitor on a regular basis the market situation and prospects to decide on the tactical asset allocation. Our decision process balances risk appetite, capital requirements, long-term risks and return, policyholder expectations, profit-sharing requirements, tax and liquidity aspects to achieve an appropriate target asset mix.

Financial risk includes:

- market and ALM risk
- default risk
- liquidity risk

6.4.1.1 Market and ALM risk

Market and ALM risk refers to the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.

Market and ALM risk includes the following subtypes that are further discussed below:

- interest rate risk
- equities risk
- property risk
- (credit) spread risk
- currency risk
- inflation risk

Interest rate risk

The level of and volatility in interest rates may adversely affect our business. To be able to meet future liabilities, insurers invest in a variety of assets that typically include a large portfolio of fixed income securities. Interest rate volatility may adversely affect our businesses by reducing the returns earned and reducing the market value of portfolios. Interest rates are highly sensitive to many factors, including governmental, monetary and tax policies, domestic and internal economic and political considerations, inflation, governmental debt, the regulatory environment, and other factors that are beyond our control.

In particular, sustained low interest rates may adversely affect the achievement of our objectives. In times of low interest rates, bond yields typically decrease for the same amount of risk. Consequently, reinvestment occurs at lower yields, which in turn may decrease investment income in the absence of adequate matching (especially for long-term business). Low interest rates also make it difficult to maintain the required profitability to remunerate shareholders and to continue to offer attractive life investment and savings products to policyholders, which may hamper new business inflow (and thus may represent a business risk).

To reduce the interest rate risk of our life insurance business, we attempt to match our liabilities with assets that have the same, or a similar, sensitivity to interest rates, thereby offsetting the interest rate risk. We closely monitor interest rate risk using a number of indicators including mismatch analysis and stress testing. Investment policies usually require close matching unless specifically approved otherwise. If deemed appropriate, we also use derivative instruments such as interest rate swaps and swaptions to mitigate our exposure to interest rate sensitivity.

Equities risk

Stock market volatility may significantly affect the market prices for equities or their yield, hence affecting our objectives. Volatility and declines in market indices may reduce unrealised capital gains in the investment portfolio and hence adversely affect the solvency margin. Volatility may negatively affect the demand for certain insurance products such as unit-linked products. Stock market downturns and high volatility occur not only because of the economic cycle, but also because of war, acts of terrorism, natural disasters or other events that are beyond our control.

We manage equity risk through limit setting in line with the strategic asset allocation and risk appetite, as well as through an investment policy that requires a range of controls to be in place including actions required in the event of significant decreases in value (e.g. CPPI⁸ mechanism).

⁸ Constant Proportion Portfolio Insurance: a mechanism designed to protect liabilities by realising at all times or on a set future date a predefined minimum yield on related assets.

The table below identifies what we consider as economic exposure to equities and how it compares to the figures reported under IFRS.

<i>Equities</i>	<i>2013</i>		<i>2012</i>	
	<i>IFRS</i>	<i>Economic</i>	<i>IFRS</i>	<i>Economic</i>
Direct equity investments	1.476,8	1.476,8	1.078,6	1.078,6
Equity funds	80,6	80,6	70,2	70,2
Private equity	46,0		34,1	34,1
Structured funds	11,3		40,4	
Bond funds	527,9		17,7	
Money market funds			189,5	
Real estate funds (SICAFI/REITS)	386,7		359,0	
Other equity funds		14,0		19,8
Total equities (fair value)	2.529,3	1.571,5	1.789,4	1.202,6

Property risk

Property risk arises from the level or volatility of property market prices or their yield. We have significant exposure to property risk. However, our real estate portfolio is well-diversified and includes investments in offices, retail, logistics and, more recently, nursing homes as well as car parks across Europe (through a participation in Interparking). The investments are also geographically diversified over Belgium, France and Luxembourg. Interparking is further diversified over Spain, Germany, Italy, the Netherlands and other European countries. The value of the property portfolio of AG Real Estate, our real estate subsidiary, is subject to risks related to, amongst others, rent levels, property prices, occupancy levels, consumer spending and interest rates. Due to the financial crisis and the related economic downturn, the property market, especially the office market, faces deteriorating occupancy levels and non-core retail properties are adversely affected by the related low consumer spending which, in turn, reduces returns on those property investments. Occupancy levels, mainly in the office market, suffer from this gloomy economic environment. For instance, short term contracts or provisions entitling customers to terminate contracts early may reduce occupancy. The economic downturn has an impact on the real estate market and has clearly split it into core and non-core properties. The liquidity of non-core properties is under pressure, while the desirability of core properties increases their value.

We have the necessary tools in place to closely monitor the real estate risk to which we are exposed. For risk management purposes, we base our definition of real estate exposure on the market value of the properties, and include property held for own use. This differs from the exposure reported under IFRS that excludes unrealised gains and separately reports property held for own use.

The table below identifies what we consider as economic exposure to real estate and how this compares to the figures reported under IFRS.

Real estate	2013		2012	
	IFRS	Economic	IFRS	Economic
Carrying amount:				
Investment property	2.332,3	2.332,3	2.391,6	2.391,6
Land and buildings held for own use	921,6	921,6	971,8	971,8
Buildings held for resale	155,0	155,0	107,5	107,5
Real estate funds		459,8		438,5
Other investment charges		600,5		355,2
Unrealised capital gains:				
Investment properties		946,7		862,3
Property held for own use		318,9		397,7
Total real estate (fair value)	3.408,9	5.734,9	3.470,9	5.524,7

Spread risk

We own a significant fixed income portfolio where investments match the Life policyholder liabilities. The exposure to spread risk primarily relates to market price and cash flow variability associated with changes in credit spreads. Spread widening will, for example, reduce the value of fixed income securities held while increasing the investment income associated with acquisitions of fixed income securities. Conversely, spread tightening will generally increase the value of fixed income securities in the portfolio and will reduce the investment income associated with acquisitions of fixed income securities. A number of factors may cause a change in spread of an individual asset or a whole class of assets, including a perception or fear in the market of an increased likelihood of default.

We generally aim to hold credit fixed income investments until maturity. Because a great portion of our insurance liabilities is illiquid, this helps reduce the impact of spread risk significantly. As a result, we will unlikely be in a position of needing to sell at distressed prices, but may nevertheless choose to sell if we consider this a better course of action.

Currency risk

Currency risk arises from changes in the level or volatility of relevant currency exchange rates when there is a mismatch between the relevant currency of the assets and liabilities. Through our investments, we carry foreign currency exposures, to the U.S. dollar in particular.

Our investment policy limits this risk by requiring hedging currency mismatches between assets and liabilities. In most cases, hedging entirely eliminates the risk. We further use a range of instruments and strategies to hedge against residual currency risks.

Inflation risk

Our direct exposure to inflation risk mainly arises from the index-linked payroll expenses. Our exposure to inflation is also indirect, for example inducing changes in interest rates. A sustained increase in the inflation rate may result in an increase in market interest rates which may, in turn, decrease the estimated fair value of certain fixed income securities we hold in our investment portfolio. In addition, in the context of certain property and casualty risks we have underwritten (particularly "long-tail" risks), a sustained increase in inflation may result in (i) claims inflation (i.e. an increase in the amount ultimately paid to settle claims several years after the

policy coverage period or event giving rise to the claim), coupled with (ii) an underestimation of corresponding claims reserves at the time of establishment due to a failure to fully anticipate increased inflation and its effect on the amounts ultimately payable to policyholders, and, consequently, (iii) actual claims payments significantly exceeding associated insurance reserves. In addition, a failure to accurately anticipate higher inflation and factor it into the product pricing assumptions may result in a systemic mispricing of products.

We closely monitor the development of our expenses through the periodic analysis of cost ratios. To the extent possible, premium rates in non-life as well as reserving parameters take fluctuations in inflation into account.

Sensitivities to Market risk

The table below shows the (net of income tax) impact, as determined at year-end, of stress testing on the income statement and on shareholders' equity using scenarios that may occur once every 30 years:

- Interest rate: increase and decrease of around 50% on the short end of the yield curve to over 20% on the long end
- Equity securities: decrease in fair value by 30% (non-listed equities by 40%)
- Real estate: decrease in fair value by 18%
- Spread risk: factor times duration. The factor ranges from 70bp for AAA to almost 2% for BBB corporates.

<i>Increase (decrease)</i>	<i>Income statement</i>	<i>Shareholders' equity</i>
Interest rate risk – down	-14,4	228,6
Interest rate risk – up		-1.128,8
Equity securities market risk	-72,8	-426,8
Real estate risk	-171,9	-217,6
Spread risk	-10,4	-447,7

6.4.1.2 Default risk

Default risk arises directly from our investment activities as well as from default exposure to counterparties and debtors.

Investment default risk includes the risk of actual default of the issuer of debt. There is a risk that the debt issuer may be unable or unwilling to repay principal or pay interest when due in accordance with the terms of such debt, and we may have limited recourse to compel payment in the event of a default. This risk includes exposure to issuers of sovereign bonds and corporate bonds.

Given the large proportion of sovereign bonds in our investment portfolio, we are exposed to the risk of potential sovereign debt default. Investing in such instruments creates exposure to the direct or indirect consequences of political, social or economic changes (included changes in governments) and to the creditworthiness of the sovereign nation. Different factors (such as the relative size of the debt service burden to the economy as a whole) that are beyond our control may affect a sovereign debtor's willingness or ability to repay principal and to pay interest timely. Periods of economic uncertainty may affect the volatility of market prices of sovereign debt to a greater extent than the volatility inherent in debt obligations of other types of issues. Concerns about the quality of sovereign debt issued by certain European countries and the sustainability of some sovereign credit ratings are still present. This also raised questions about the continued viability of the Euro as a common currency and whether certain Euro zone countries may withdraw from the currency union. As a result of this turbulence within the Euro zone, the government bond market for certain jurisdictions has experienced increased spreads and price volatility, credit downgrade events and increased probability of default. In past years, we have reduced a major part of our exposure to the Euro zone periphery,

leading to an increase of the share of Belgian government bonds that now constitutes a substantial part of our investment portfolio. Hence, we are significantly exposed to the risks associated with the Belgian political and economic situation.

We manage investment default risk through limits, which take the type of credit exposure, credit quality and maturity into account. Regular monitoring and early warning systems are in place.

We recognise impairment losses for specific credit risk if there is objective evidence that we will not be able to collect all amounts due in accordance with contractual terms. The amount of the impairment loss is the difference between the carrying amount and the recoverable amount. For market-traded securities, the recoverable amount is the fair value.

Counterparty default risk reflects possible losses due to the unexpected default of third parties involved with risk-mitigating contracts, such as reinsurance arrangements, securitisations and derivatives. Assets exposed to counterparty risk further include receivables from intermediaries and clients, private loans to intermediaries, mortgage loans to clients and policy loans to policyholders.

We have the necessary tools in place to closely monitor the creditworthiness of the reinsurers we deal with based on periodic reviews of their financial statements, reputation and rating. A dedicated team manages relations with intermediaries and has a procedure in place for selecting the appropriate intermediaries. Strict acceptance criteria (including account limits) apply when granting private loans and we have a mortgage loan acceptance policy in place.

The next table summarises our total credit risk exposure.

	31 December 2013	31 December 2012
Cash and cash equivalents	685,9	889,0
Derivatives held for trading (assets)	7,6	23,2
Loans	4.725,3	3.759,1
Impairments	-13,3	-10,8
Total Loans, net	4.712,0	3.748,2
Interest-bearing investments	46.730,4	48.306,1
Impairments	-2,3	-2,3
Total Interest bearing investments, net	46.728,1	48.303,9
Reinsurance and other receivables	787,4	741,4
Impairments	-4,6	-4,7
Total Reinsurance and other receivables, net	782,8	736,6
Credit commitments	659,7	456,3
Total credit risk exposure, gross	53.596,3	54.175,1
Impairments	-20,2	-17,8
Total credit risk exposure, net	53.576,1	54.157,3

Impaired credit risk exposure	31 December 2013			31 December 2012		
	Impaired outstanding	Impaired credit risk	Coverage ratio	Impaired outstanding	Impaired credit risk	Coverage ratio
Loans	128,4	-12,5	9,7 %	128,8	-9,8	7,6 %
Interest-bearing investments	3,7	-2,3	62,2 %	3,7	-2,3	62,2 %
Other receivables	4,6	-4,6	100,0 %	4,7	-4,7	100,0 %
Total impaired credit exposure	136,7	-19,4	14,2 %	137,2	-16,8	12,2 %

6.4.1.3 Liquidity risk

Liquidity risk is the inability to meet cash obligations when payment is due. We consider two categories of liquidity risk:

- *Funding liquidity risk* is the inability to meet the expected and unexpected cash demands of policyholders or other contract holders without suffering unacceptable losses or without endangering the business franchise.
- *Market liquidity risk* is the inability to realise assets due to inadequate market depth or market disruption. As such, it relates to market risk.

Liquidity risk in our business stems from the liquidity characteristics of assets and liabilities. Some liabilities arising from life insurance products are subject to surrender while others, such as liabilities arising from pension insurance, term insurance and annuities, are highly illiquid. Tax legislation and built-in penalties in case of surrender strengthen the illiquidity of some life insurance products. Non-life liabilities are also considered illiquid by nature. Assets are characterised by a different degree of liquidity, ranging from highly liquid (cash) to a low degree of liquidity (real estate). Additionally, protracted market declines may reduce the liquidity of markets that are typically liquid. Traditionally, however, liquidity risk has not been significant (even in the stressed and illiquid market conditions of 2008).

Liquidity risk management at the AG Insurance level involves determining the net cash position, i.e. cash resources minus cash drain in normal and stressed situations. Actions depend on the level of the liquidity ratio obtained.

6.4.2 Insurance Liability Risk

The results of our life and non-life businesses depend significantly upon the extent to which our actual claim experience remains consistent with the assumptions used in the *pricing* of our products. We calculate Life insurance premiums using assumptions about mortality, interest rates, lapses and expenses used to project future liabilities. In non-life insurance, we use claim frequency, claim severity, expense and inflation assumptions to determine our rates. Although we closely monitor experience (i.e. the claims and expenses that we presently experience), there is no guarantee that actual experience matches the assumptions that we used in initially establishing the future policyholder benefits and related premium levels.

Our *technical provisions* cover the current and future liabilities towards our policyholders. We set up technical provisions with respect to both our life and non-life businesses. They include, *inter alia*, mathematical provisions, claims provisions (for reported and unreported claims), unearned premium provisions and ageing provisions. These technical provisions (and the assets backing them) represent the major part of our balance sheet. Depending on the actual realisation of the assumptions underlying the estimated future liabilities (mortality, morbidity, expenses, lapses, etc...) the current technical provisions may prove to be inadequate. Reserving inadequacy may also occur due to other factors that are beyond the control of insurers, such as unexpected legal developments, advances in medicine and changes in social attitudes.

We are also exposed to *catastrophic risk* arising from pandemics, natural catastrophic events (such as hurricanes, windstorms, hailstorms, floods, earthquakes) and man-made disasters (such as acts of terrorism).

Each business manages insurance risk through a combination of a number of policies such as an insurance risk policy, an underwriting policy, a product approval policy, a claims policy, a reserving policy and a reinsurance policy.

In managing insurance risk, we give particular attention to the *underwriting process* and the risk selection this involves in order to ensure that the customer segment purchasing the product is consistent with the underlying assumptions made about the customers when the product was designed and priced. Underwriting involves review procedures by actuarial staff examining the actual loss experience. We employ a range of indicators and statistical analysis tools to further refine underwriting standards in order to improve the loss experience and/or ensure that we adjust pricing appropriately.

Business lines set *premiums* at levels that will ensure that the premiums received and the investment income earned exceed the total value of claims, plus handling and management costs. We test pricing appropriateness using a range of techniques and key performance indicators appropriate for a particular portfolio, on both an *a priori* (e.g. profit testing) and a *posteriori* (e.g. embedded value, combined ratios) basis.

We closely monitor reserving risk, i.e. the risk that the technical provisions prove to be inadequate, through Liability Adequacy Testing (LAT), which we perform on each reporting date and which, if necessary, requires recognition of additional liabilities that we charge to the income statement. Certified actuaries (internal and external) express their independent opinion on the overall adequacy of the liabilities arising from the insurance contracts.

In the normal course of business, we further transfer exposure to certain risks in our life and non-life insurance business to reinsurers through appropriate *reinsurance* arrangements (treaties). Under these arrangements, reinsurers assume a portion of our losses and expenses associated with reported and unreported claims in exchange for a share of the premiums. We primarily use external reinsurance to mitigate the impact of natural catastrophes (e.g. hurricanes, earthquakes and floods), large single claims from policies with high limits, and multiple claims triggered by a single man-made event. We select reinsurers primarily on pricing and counterparty risk considerations (see above).

6.4.3 Operational Risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people or systems risk, or external events. It includes compliance risk as well as financial reporting risk, where a material misstatement may cause significant reputational damage.

We have a sound operational risk management in place for administering our portfolio of products, activities, processes and systems. Risk procedures include business continuity management, information security management, anti-fraud management, outsourcing management and internal control.

6.4.4 Other risks

'Other risks' groups risks such as strategic risk, business risk and reputational risk. *Strategic risk* represents the risk that poor decision-making, execution, or response to industry changes or competitor actions harm our competitive position. *Business risk* is the risk that represents the volatility in the realisation of business objectives due to potential economical, societal, technological, environmental and legal changes. *Reputational risk* is the risk of loss resulting from a decrease in the number of clients, transactions and funding opportunities arising from the adverse perception of the image of the company on the part of clients, counterparties, employees, shareholders, investors or regulators. It can also stem from individual business transactions, and operational failures may also affect our reputation.

The responsibility of managing *strategic risk* lies with the Board of Directors. We address strategic risk by examining multi-year scenarios, considering the related risks, as well as by monitoring the implementation of the chosen strategy through the multi-year business plan. Monitoring *business risk* requires pre-emptive risk management, anticipating possible developments in the landscape we are operating in. We dispose of a structured horizon-scanning process of threats and opportunities surrounding our activities, information which we exploit in the strategic and multi-year planning process. As for *reputational risk*, we have a tradition of long-standing commitment to sustainable business practices and good governance. We mitigate reputational risk through clear corporate values, a business code of conduct, robust internal controls and a clear dialogue with our stakeholders.

7 Governance

7.1 Remuneration of the members of the Board of Directors

Total consideration paid to executive and non-executive members of the Board of Directors in 2013 amounted to EUR 4,7 million. On 31 December 2013, outstanding loans to the Board members amounted to EUR 0,3 million.

7.2 Related parties

Parties related to AG Insurance include associates, Ageas companies and their key personnel, and minority shareholder BNP Paribas Fortis nv-sa.

We frequently enter into transactions with related parties in the course of our business operations. Such transactions mainly concern distribution agreements and regular financial operations with BNP Paribas Fortis, service level agreements with Ageas, and other regular business operations that we enter into under similar commercial and market terms that would apply to non-related parties:

Bankinsurance distribution agreement with BNP Paribas Fortis

AG Insurance has a historical partnership with BNP Paribas Fortis relating to the distribution of its products through the retail channel of BNP Paribas Fortis. The existing agreements provide for the practical and legal aspects of the distribution strategy and operations with BNP Paribas Fortis. They regulate the parties' mutual obligations in terms of marketing, sales management, sales support, distribution channels, liabilities, compliance, products offering, trademark use, complaints management, etc. The agreements also stipulate that BNP Paribas Fortis will distribute AG Insurance products exclusively. The global partnership agreement runs until at least 31 December 2020. However, until 31 December 2017, either party can terminate the agreement by giving the other party at least three years' prior notice.

Service agreement with BNP Paribas Fortis

Following the dismantling of the Fortis group, AG Insurance and BNP Paribas Fortis entered into a long-term mainframe outsourcing service agreement that allows AG Insurance to use BNP Paribas Fortis's mainframe to conduct its business. As of 1 January 2012, either party can terminate the agreement for convenience by giving the other 30 days' prior notice.

Real estate transaction with BNP Paribas Fortis

In December 2012, we sold an office building to current tenant BNP Paribas Fortis through a financial lease, for a total consideration of EUR 51 million.

Real estate transactions with DTH Partners LLC

DTH Partners LLC is an entity affiliated with the late Mr Ronny Brückner, a member of the Ageas Board of Directors. Accordingly, the transactions with and commitments made to DTH Partners LLC as detailed below qualify as related party transactions. Although these are unique circumstances, management considers that it concluded the transactions at arm's length. The tables further below include the relevant amounts under the heading Ageas.

In December 2011, we granted DTH Partners LLC and NB 70 Pine LLC (joint and several borrowers), both real estate investment companies in the U.S.A., a convertible bridge loan of USD 70 million (EUR 53,1 million) to help finance the acquisition of a landmark building located on 70 Pine Street in Manhattan (New York).

This loan matured on 26 April 2013, when we subscribed to:

- a USD 102,9 million (EUR 78,9 million) capital contribution for DTH Partners LLC, representing a 33% equity stake;
- two tranches of Mezzanine loans to DTH Partners LLC granting it a total nominal amount of USD 117,5 million (EUR 90,0 million) at initial interest rates between 10,5% and 15%;
- a bridge loan of USD 23 million (EUR 17,6 million) to Eastbridge SARL.

The mezzanine loans benefit from a security package that features (i) pledges over all shares of DTH Partners LLC, (ii) guarantee agreements and (iii) pledges over receivables.

The tables below detail the amounts in the income statement and the balances in the statement of financial position relating to related parties.

2013	Associates	Ageas	BNP Paribas Fortis	Total
Income and expense				
Interest income	7,4	8,6	8,8	24,8
Interest expense		-36,3	-5,9	-42,2
Premiums				
Dividends and other investment income			21,3	21,3
Fee and commission income	11,0		18,8	29,8
Realised gains			10,4	10,4
Other income	0,7	14,7	0,7	16,1
Fee and commission expenses			-222,0	-222,0
Realised losses			-10,1	-10,1
Operating, administrative and other expenses	-18,3	-2,9		-21,2
Statement of financial position				
Cash and cash equivalents			187,2	187,2
Trading assets			0,1	0,1
Due from banks			177,5	177,5
Investments	57,7	79,5	161,9	299,1
Due from customers	136,1	103,7		239,8
Other assets	1,1	-3,9		-2,8
Reinsurance share, trade and other receivables	4,4	4,0	0,8	9,2
Accrued income and deferred charges	0,1	7,4	8,0	15,5
Investments on behalf of policyholders			2.066,4	2.066,4
Trading liabilities			4,4	4,4
Due to banks			932,0	932,0
Liabilities arising from insurance and investment contracts				
Debt certificates, subordinated liabilities and other borrowings	4,7	684,9	100,0	789,6
Deferred revenues and accrued interest and expenses	1,4	9,8	14,1	25,3
Other liabilities	1,5	-2,3	3,8	3,0

2012	Associates	Ageas	BNP Paribas Fortis	Total
Income and expense				
Interest income	3,1	6,7	9,2	19,0
Interest expense		-55,0	-3,2	-58,2
Premiums				
Dividends and other investment income			23,4	23,4
Fee and commission income	12,6		19,8	32,4
Realised gains			44,9	44,9
Other income	0,5	16,8	1,0	18,3
Fee and commission expenses			-234,9	-234,9
Realised losses			-2,6	-2,6
Operating, administrative and other expenses	-18,0	-4,0		-22,0
Statement of financial position				
Cash and cash equivalents			418,9	418,9
Trading assets			-0,3	-0,3
Due from banks			161,1	161,1
Investments	8,0		152,1	160,1
Due from customers	47,4	53,1	39,4	139,9
Other assets	1,0	73,4		74,4
Reinsurance share, trade and other receivables	56,8	4,0	53,1	113,9
Accrued income and deferred charges		4,5	10,4	14,9
Investments on behalf of policyholders			1.610,8	1.610,8
Trading liabilities			-0,1	-0,1
Due to banks			315,0	315,0
Liabilities arising from insurance and investment contracts				
Debt certificates, subordinated liabilities and other borrowings	4,9	896,5		901,4
Deferred revenues and accrued interest and expenses	1,7	27,1	15,7	44,5
Other liabilities	5,2	73,4	1,0	79,6

7.3 Remuneration of auditors

Fees paid to AG Insurance's auditors KPMG include:

- audit fees for auditing the statutory and consolidated financial statements as well as the quarterly reports, the embedded value report and other reports;
- audit-related fees such as assurance certification on prospectuses and other certifications required from the statutory auditor;
- fees for tax advice;
- other non-audit fees for services and advice in areas other than tax.

	2013	2012
Audit fees	1,5	1,4
Audit-related fees	0,1	0,1
Tax fees		
Other non-audit fees		
Total	1,6	1,4

* 2012 restated showing KPMG only

8 Employee benefits

This note covers post-employment benefits, other long-term employee benefits and termination benefits.

Post-employment benefits cover retirement benefits and post-employment medical care. They fall due after employment ends.

Other long-term employee benefits include long-service awards and long-term disability benefits. They do not fall due wholly within twelve months after the period of service has been rendered.

Termination benefits result from early termination of the employee's employment contract.

IAS 19 R came into effect on 1 January 2013 (Note 1.2) affecting the reporting of post-employment benefits as follows:

- Remeasurements of defined benefit liabilities are now recognised in other comprehensive income; the 'corridor' method has been eliminated.
- Pension cost includes net interest expense, now calculated by discounting the net pension liability. The discount rate remains a high quality corporate bond rate, when there is a deep market in such bonds, and a government bond rate in other markets.
- Defined Benefit Obligation now includes a tax liability resulting from recognising taxes and social security contributions on future premiums.

Accordingly, we have restated the 2012 figures, increasing defined benefit liabilities on 31 December 2012 by EUR 108,9 million as compared to the amounts initially reported.

<i>Defined benefit liabilities</i>	<i>31 December 2013</i>	<i>31 December 2012</i>
Post-employment benefits – defined benefit pension plans	364,8	379,3
Post-employment benefits – other	88,6	91,8
Other long-term employee benefits	12,0	12,0
Termination benefits	10,7	14,7
Total Defined benefit liabilities	476,0	497,7

We classify defined benefit liabilities in the Statement of financial position under the heading 'Other liabilities' (Note 24).

8.1 Post-employment benefits

Defined benefit pension plans and other post-employment benefits

Under defined benefit pension plans, years of service and salary level determine the level of benefits. Mortality tables, employee turnover, wage drift and economic assumptions such as inflation and discount rate are other parameters determining the level of pension obligations. The yield (at closing date) of debt securities of similar duration issued, in the absence of a representative corporate market, by blue-chip companies or by the government sets the basis for the discount rate.

In addition to pensions, post-employment benefits include other expenses such as (partial) reimbursement of health insurance premiums that we continue to grant to employees after retirement.

The defined benefit liability is the present value of the defined benefit obligation, less plan assets measured at fair value.

The present value of the defined benefit obligation is the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods. Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current year.

As we are both employer and insurer, we insure most of our own employee pension plans ourselves. Under IFRS, the assets backing such self-insured pension plans are non-qualifying and, accordingly, plan assets exclude such amounts. Plan assets shown in this section relate to external plans.

We determine defined benefit liabilities and the related current service cost in accordance with the Projected Unit Credit Method. Under this method, we charge each participant's benefits to the income statement as they accrue, taking into account future compensation increases and the plan's benefit allocation principles.

<i>Components of net defined benefit liabilities</i>	<i>Defined benefit pension plans</i>		<i>Other post-employment benefits</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
Present value of unfunded obligations	362,3	374,4	88,6	91,8
Present value of funded obligations	26,5	26,2		
Defined benefit obligation	388,8	400,6	88,6	91,8
Fair value of plan assets	-24,0	-21,4		
Defined benefit liabilities, net	364,8	379,3	88,6	91,8

The following tables further detail the changes in net defined benefit liabilities and their components.

<i>Changes in net defined benefit liabilities</i>	<i>Defined benefit pension plans</i>		<i>Other post-employment benefits</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
Balance on 1 January, as previously reported	308,2	291,3	54,0	51,8
IAS 19 R restatement	71,0	38,9	37,8	19,8
Balance on 1 January, restated	379,3	330,2	91,8	71,6
Defined benefit expense	31,1	28,4	5,0	4,0
Employers' contributions	-2,5	-2,0		
Benefits directly paid by the employer	-18,3	-9,5	-2,2	
Remeasurement	-17,9	32,1	-6,1	18,1
Settlements	-6,9			
Other				-1,8
Balance on 31 December, restated	364,8	379,3	88,6	91,8

<i>Changes in defined benefit obligation</i>	<i>Defined benefit pension plans</i>		<i>Other post-employment benefits</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
Balance on 1 January, as previously reported	388,0	339,6	79,5	62,0
IAS 19 restatement	12,6	9,2	12,3	9,6
Balance on 1 January, restated	400,6	348,8	91,8	71,6
Current service cost	23,3	17,9	2,5	1,4
Interest cost	9,1	11,9	2,5	2,4
Past service cost - vested benefits				
Settlements	-0,6	-0,8		
Remeasurement	-17,8	32,5	-6,1	18,0
Participants' contributions	0,1	0,1		
Benefits paid	-0,8	-0,6		
Benefits directly paid by the employer	-18,3	-9,5	-2,2	-1,8
Settlements	-6,9			
Other		0,3		0,2
Balance on 31 December, restated	388,8	400,6	88,6	91,8

<i>Changes in fair value of plan assets</i>	<i>Defined benefit pension plans</i>		<i>Other post-employment benefits</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
Balance on 1 January	21,4	18,8		
Settlements	0,1			
Interest income	0,6	0,9		
Remeasurement	0,1	0,4		
Employers' contributions	2,5	1,9		
Participants' contributions	0,1	0,1		
Benefits paid	-0,8	-0,6		
Transfer				
Balance on 31 December	24,0	21,4		

The following table details the components that we recognise in the income statement.

	<i>Defined benefit pension plans</i>		<i>Other post-employment benefits</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
Current service cost	23,3	17,9	2,5	1,4
Interest cost	9,1	11,9	2,5	2,4
Settlements	-0,7	-0,8		
Other	-0,6	-0,6		0,2
Total defined benefit expense	31,1	28,4	5,0	4,0

We classify current service cost as well as gains and losses on settlements in the income statement under 'Staff expenses' (Note 38), and other defined benefit expenses in 'Finance costs' (Note 35).

The following table details the remeasurement that we recognise in other comprehensive income.

	<i>2013</i>	<i>2012</i>
Actuarial gains (losses) on DBO arising from changes in financial assumptions	24,8	-46,1
Actuarial gains (losses) on DBO arising from changes in demographic assumptions		
Actuarial gains (losses) on DBO arising from experience adjustments	-0,9	-4,4
Return on plan assets, excluding unwinding of discount	0,1	0,4
Remeasurement of net defined benefit liability	24,0	-50,2

Assumptions and sensitivities

The next tables highlight the major actuarial assumptions we use when determining the defined benefit obligation as well as the sensitivity of the defined benefit obligations to changes of selected parameters.

	Defined benefit pension plans				Other post-employment benefits			
	2013		2012		2013		2012	
	Low	High	Low	High	Low	High	Low	High
Discount rate	2,4 %	3,3 %	2,1 %	2,8 %	3,2 %	3,3 %	2,8 %	2,8 %
Future salary increases *	2,5 %	4,3 %	2,5 %	4,3 %				
Future pension increases *	2,0 %	2,0 %	2,0 %	2,0 %				
Medical cost trend rates					3,8 %	3,8 %	3,8 %	3,8 %
* including inflation								

Defined benefit pension plans	100 bp increase	100 bp decrease
Discount rate	-44,6	53,9
Future salary increase	86,6	-48,8
Future pension increase	42,2	-35,2

Other post-employment benefits	100 bp increase	100 bp decrease
Discount rate	-13,6	17,8
Medical cost trend increase	-0,8	0,6

Plan assets

Plan assets are primarily investment contracts with insurance companies, equity securities, and fixed-income securities. In accordance with our internal investment policy, we do not invest in derivatives or emerging markets for funding pension plans. We gradually adjust the asset allocation policy to ensure a close match between the duration of plan assets and related pension liabilities.

Plan assets: asset mix	31 December 2013	31 December 2012
Insurance contracts	45,3 %	43,6 %
Debt securities	30,6 %	36,9 %
Equity securities	18,6 %	15,4 %
Cash	3,8 %	1,1 %
Other	1,6 %	3,0 %

Non-qualifying assets: asset mix	31 December 2013	31 December 2012
Debt securities	86,4 %	89,1 %
Real estate	8,7 %	7,3 %
Equity securities	4,7 %	3,3 %
Other	0,2 %	0,3 %

Next year, we expect following employer's contributions to post-employment benefit plans:

<i>Expected employer's contribution for next year</i>	<i>Defined benefit pension plans</i>
To plan assets	2,2
To non-qualified plan assets	19,9

Defined contribution plans

We also set up and manage defined contribution plans. The employer's commitment to a defined contribution plan is limited to the payment of contributions calculated as per the plan's regulations. We classify employer contributions to defined-contribution plans in the income statement under 'Staff expenses' (Note 38).

8.2 Other long-term employee benefits

Other long-term employee benefits include long-service awards.

We classify other long-term employee benefits liabilities in the statement of financial position under 'Other liabilities' (Note 24).

<i>Changes in net defined benefit liabilities</i>	2013	2012
Net liability on 1 January	12,0	10,9
Total expense	0,9	1,9
Benefits directly paid by the employer	-0,9	-0,8
Net liability on 31 December	12,0	12,0

The following table details the range of actuarial assumptions we apply when calculating the liabilities for other long-term employee benefits. Sensitivities to these assumptions are not significant.

	2013		2012	
	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>
Discount rate	2,5 %	2,6 %	2,2 %	2,3 %
Future salary increases	2,5 %	4,3 %	2,5 %	4,3 %

8.3 Termination benefits

Termination Benefits are employee benefits payable as a result of either a company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits.

We classify liabilities related to termination benefits in the Statement of financial position under 'Other liabilities' (Note 24).

<i>Changes in net defined benefit liabilities</i>	2013	2012
Net liability on 1 January	14,7	20,3
Total expense	-0,1	-0,5
Employers' contributions		
Benefits directly paid by the employer	-3,9	-5,1
Transfer		
Net liability on 31 December	10,7	14,7

Notes to the consolidated statement of financial position

9 Financial investments

We classify financial investments into four different categories:

- Held-to-maturity investments, consisting of Belgian government bonds that we have both the ability and the intent to hold until maturity. We measure these at amortised cost.
- Available-for-sale financial assets, consisting of listed debt and equity securities. We measure these at fair value and recognise changes in fair value in other comprehensive income.
- Held-at-fair value investments, consisting primarily of structured products pending disposal that we have transferred from unit-linked investment portfolios. We recognise changes in fair value in the income statement.
- Held-for-trading instruments, consisting of derivatives. We recognise changes in fair value in the income statement.

31 December 2013	Held to maturity	Available for sale	Held at fair value	Held for trading	Total
Government	4.361,9	25.004,6			29.366,5
Corporate - Bank and Finance		9.520,1	188,0		9.708,1
Corporate - Other		7.305,5			7.305,5
Structured credit instruments		297,7	50,3		348,0
Total Debt securities	4.361,9	42.128,0	238,3		46.728,1
Equity securities		2.444,9	31,9		2.476,8
Private equities		50,2			50,2
Other investments		5,3			5,3
Total Equity securities & other		2.500,4	31,9		2.532,3
Derivatives				7,6	7,6
Total Financial investments	4.361,9	44.628,3	270,2	7,6	49.268,0

31 December 2012	Held to maturity	Available for sale	Held at fair value	Held for trading	Total
Government	4.367,8	25.961,6			30.329,4
Corporate - Bank and Finance		10.547,7	152,1		10.699,8
Corporate - Other		6.959,6			6.959,6
Structured credit instruments		266,0	49,0		315,1
Total Debt securities	4.367,8	43.734,9	201,1		48.303,9
Equity securities		1.732,0	21,8		1.792,0
Private equities		34,1			34,1
Other investments		4,1			4,1
Total Equity securities & other		1.770,2	21,8		1.792,0
Derivatives				23,2	23,2
Total Financial investments	4.367,8	45.505,1	222,9	23,2	50.118,9

The following tables provide the split of debt security holdings by country.

<i>31 December 2013</i>	<i>Government</i>	<i>Corporate – Bank and Finance</i>	<i>Corporate – Other</i>	<i>Structured Credit Instruments</i>	<i>Total</i>
Belgium	18.056,7	240,1	424,4	11,8	18.733,0
France	4.303,1	2.091,9	1.879,5	16,0	8.290,5
Germany	1.103,4	1.898,1	726,2	94,8	3.822,6
Austria	2.423,3	546,3	424,2		3.393,9
Supranational	178,0	2.208,4			2.386,4
Netherlands	362,9	480,0	404,8	64,7	1.312,4
Italy	970,2	90,3	181,9	43,0	1.285,4
Spain	298,4	616,3	161,7		1.076,4
United States	31,8	441,0	406,3	45,4	924,5
UK		167,9	604,7	10,1	782,7
Ireland	527,1	16,4	74,3		617,8
Australia		189,1	282,0		471,0
Sweden		192,1	273,3		465,5
Slovakia	320,2		94,1		414,3
Finland	196,7	68,1	95,1		359,9
Czech Republic	273,1		48,8		321,9
Switzerland		91,0	140,9		231,9
Poland	196,7	1,7	11,2		209,6
Norway		116,5	88,8		205,3
Luxembourg	19,9		147,1		167,1
Denmark		22,3	113,3		135,6
Mexico			127,1		127,1
Brazil		11,3	89,4		100,7
Asia	10,3	66,5	178,0		254,8
Other European countries	55,8	4,1	40,1		100,0
Other Countries	38,7	148,4	288,6	62,2	537,9
Total Debt securities	29.366,5	9.708,1	7.305,5	348,0	46.728,1

31 December 2012	Government	Corporate – Bank and Finance	Corporate – Other	Structured Credit Instruments	Total
Belgium	18.306,9	74,5	274,5	16,5	18.672,3
France	4.312,4	2.312,7	1.845,2	41,6	8.511,9
Germany	1.357,4	2.139,5	735,9	110,1	4.342,9
Austria	2.642,9	663,1	404,7		3.710,7
Supranational	195,0	2.470,4			2.665,4
Netherlands	547,3	602,8	399,4	74,5	1.624,1
Italy	1.120,2	128,9	205,1		1.454,2
United States	35,3	392,9	723,0	44,2	1.195,5
Spain	273,3	649,3	136,1		1.058,7
UK		228,3	658,3	9,5	896,1
Ireland	391,8	26,4	36,4	6,9	461,5
Sweden		176,0	279,8		455,8
Australia		201,9	211,8		413,7
Finland	234,3	69,8	103,9		408,1
Czech Republic	278,3		51,0		329,3
Slovakia	244,8				244,8
Switzerland		109,4	111,3		220,7
Norway		134,2	82,2		216,4
Poland	203,6		11,7		215,3
Denmark		48,1	95,4		143,5
Canada	50,2	21,7	28,3		100,1
Other European countries	125,0	137,6	137,0	11,7	411,4
Asia	10,7	77,5	170,1		258,3
Other Countries		34,8	258,5		293,3
Total Debt securities	30.329,4	10.699,8	6.959,6	315,1	48.303,9

The following tables segment debt security holdings by investment grade.

2013	Government	Corporate - Bank and Finance	Corporate - Other	Structured Credit Instruments	Total
AAA	4.265,0	4.307,6		166,6	8.739,2
AA	22.454,0	3.344,5	996,1	23,7	26.818,2
A	796,0	1.407,5	3.016,7	93,8	5.313,9
BBB	1.788,2	587,4	2.998,9	1,7	5.376,2
Investment grade	29.303,2	9.647,0	7.011,6	285,8	46.247,5
BB or lower	63,1	26,9	214,9		304,9
Unrated	0,2	34,3	79,0	62,2	175,7
Non-investment grade and unrated	63,3	61,1	293,9	62,2	480,6
Total	29.366,5	9.708,1	7.305,5	348,0	46.728,1

2012	Government	Corporate - Bank and Finance	Corporate - Other	Structured Credit Instruments	Total
AAA	4.977,3	4.980,7		210,4	10.168,5
AA	22.729,1	3.612,3	1.057,1	35,1	27.433,6
A	1.102,8	1.284,8	3.168,9	1,9	5.558,4
BBB	1.426,1	645,8	2.423,1	49,0	4.543,9
Investment grade	30.235,3	10.523,6	6.649,0	296,4	47.704,4
BB or lower	93,8	35,4	243,3		372,5
Unrated	0,2	140,8	67,3	18,6	226,9
Non-investment grade and unrated	94,1	176,2	310,6	18,6	599,4
Total	30.329,4	10.699,8	6.959,6	315,1	48.303,9

* 2012 restated for comparative purposes

9.1 Investments held to maturity

This heading includes Belgian government bonds that we have reclassified at an earlier date from the heading 'Available for sale'.

The (level one) fair value of these bonds amounts to EUR 5.159,4 million on 31 December 2013 (EUR 5.510,6 million on 31 December 2012).

9.2 Investments available for sale

31 December 2013	Amortised cost before impairments	Impairment allowance	Amortised cost net of impairments	Unrealised gains	Unrealised losses	Fair value
Government bonds	22.801,4		22.801,4	2.233,1	-29,9	25.004,6
Corporate debt securities	15.736,3		15.736,3	1.154,2	-64,8	16.825,7
Structured credit instruments	289,6	-2,3	287,3	13,5	-3,0	297,7
Debt securities	38.827,3	-2,3	38.825,0	3.400,7	-97,7	42.128,0
Equity securities	2.224,8	-197,7	2.027,1	435,0	-17,2	2.444,9
Private equities and venture capital	49,9		49,9	0,3		50,2
Other investments	5,3		5,3			5,3
Equity securities and other	2.280,0	-197,7	2.082,3	435,3	-17,2	2.500,4
Total investments available for sale	41.107,3	-200,0	40.907,3	3.836,0	-114,9	44.628,3

31 December 2012	Amortised cost before impairments	Impairment allowance	Amortised cost net of impairments	Unrealised gains	Unrealised losses	Fair value
Government bonds	22.824,5		22.824,5	3.206,1	-69,0	25.961,6
Corporate debt securities	15.905,6		15.905,6	1.629,6	-27,9	17.507,3
Structured credit instruments	259,0	-2,3	256,7	15,7	-6,4	266,0
Debt securities	38.989,1	-2,3	38.986,8	4.851,4	-103,3	43.734,9
Equity securities	1.755,9	-208,6	1.547,3	205,2	-20,5	1.732,0
Private equities and venture capital	33,5		33,5	0,6		34,1
Other investments	4,1		4,1			4,1
Equity securities and other	1.793,5	-208,6	1.584,9	205,8	-20,5	1.770,2
Total investments available for sale	40.782,6	-210,9	40.571,7	5.057,2	-123,8	45.505,1

Our investments in structured credits relate mainly to asset or mortgage backed securities or similar instruments. Apart from our EUR 50 million investment in the real estate certificate Rue Royale where we also act as fund and asset manager, we are not further involved with the emittents of those instruments. Accordingly, the maximum loss exposure we have on those instruments is limited to their carrying value.

The fair value hierarchy described in Note 1 'Summary of significant accounting policies' determines the classification of fair value measurements shown below.

31 December 2013	Level 1	Level 2	Level 3	Total
Government bonds	25.004,6			25.004,6
Corporate debt securities	16.776,8	48,8		16.825,6
Structured credit instruments	156,2	44,5	97,0	297,7
Private equities and venture capital			50,2	50,2
Equity securities	1.816,6	543,2	85,0	2.444,8
Other investments		5,3		5,3
Total fair values	43.754,2	641,8	232,2	44.628,3

31 December 2012	Level 1	Level 2	Level 3	Total
Government bonds	25.961,6			25.961,6
Corporate debt securities	17.498,8	8,5		17.507,3
Structured credit instruments	152,3	45,9	67,8	266,0
Private equities and venture capital			34,1	34,1
Equity securities	1.418,9	311,3	1,5	1.732,0
Other investments		2,4	1,8	4,1
Total fair values	45.031,6	368,1	105,2	45.505,1

Changes in Level 3	2013	2012
Balance on 1 January	105,2	91,0
Maturity / Redemption		
Acquisitions/divestment of subsidiaries		
Acquired	85,6	23,0
Proceeds from sales	-22,2	-5,1
Realised losses (gains)		
Reversal of impairments		
Impairments	-0,5	
Unrealised gains	2,3	-3,0
Transfers between valuation categories	61,8	
Foreign exchange differences		-0,7
Balance on 31 December	232,2	105,2

Level 3 valuations for valuing asset-backed securities use a discounted cash flow methodology. Expected cash-flows take into account original underwriting criteria, borrower attributes (such as age and credit scores), loan-to-value ratios, expected house price movements and expected prepayment rates, among other. Next, we discount expected cash flows at risk-adjusted rates. Market participants often use such discounted cash flow technique to price asset-backed securities on which quotes we also rely to a certain extent when valuing these instruments. These techniques are subject to inherent limitations, such as estimation of the appropriate risk-adjusted discount rate, and different assumptions and inputs would yield different results.

Level 3 positions are mainly sensitive to a change in the level of credit spreads. For each increase of the general level of credit spreads by one basis point, we expect the market value of these positions to decrease by three basis points. This translates into a loss of value by approximately EUR 3 million. We recognise changes in fair value of the level 3 instruments in 'Other comprehensive income'.

Transfers between valuation categories relate to unlisted Dutch real estate funds. We have transferred these investments to level 3 as the number of observed transactions in the Netherlands declined significantly and that valuations significantly depend on management judgment.

Government bonds

31 December 2013	Amortised cost before impairments	Impairments	Unrealised gains (losses)	Fair value
Belgium	12.525,2		1.169,6	13.694,8
France	3.949,4		353,7	4.303,1
Austria	2.194,2		229,2	2.423,3
Germany	928,5		175,0	1.103,4
Italy	921,2		49,0	970,2
Ireland	481,4		45,7	527,1
The Netherlands	321,8		41,1	362,9
Slovakia	288,6		31,7	320,2
Spain	287,5		10,9	298,4
Czech Republic	243,4		29,7	273,1
Poland	165,9		30,8	196,7
Finland	177,9		18,8	196,7
Supranational	168,1		10,0	178,0
Slovenia	45,1		0,7	45,9
Canada	36,0		2,7	38,7
United States of America	28,2		3,6	31,8
Other	39,0		1,2	40,2
Total	22.801,4		2.203,2	25.004,6

31 December 2012	Amortised cost before impairments	Impairments	Unrealised gains (losses)	Fair value
Belgium	12.178,8		1.760,3	13.939,1
France	3.756,1		556,2	4.312,4
Austria	2.284,6		358,3	2.642,9
Germany	1.093,1		264,3	1.357,4
Italy	1.121,2		-1,0	1.120,2
The Netherlands	489,5		57,8	547,3
Ireland	370,5		21,3	391,8
Czech Republic	243,8		34,5	278,3
Spain	296,2		-22,8	273,3
Slovakia	213,3		31,5	244,8
Finland	203,7		30,6	234,3
Slovenia	62,0		-0,2	61,7
United States of America	29,9		5,4	35,3
Portugal	14,1		-2,0	12,2
Other	467,7		42,9	510,6
Total	22.824,5		3.137,1	25.961,6

Impairments of investments available for sale

	<i>Debt securities</i>	<i>2013 Equity securities</i>	<i>Total</i>	<i>Debt securities</i>	<i>2012 Equity securities</i>	<i>Total</i>
Balance on 1 January	2,3	208,6	210,9	1.215,6	193,2	1.408,8
Acquisitions/divestment of subsidiaries						
Increase in impairments		17,3	17,3	2,3	94,1	96,4
Release of impairments						
Reversal on sale/disposal		-26,8	-26,8	-1.215,5	-78,4	-1.294,0
Other		-1,3	-1,3		-0,2	-0,2
Balance on 31 December	2,3	197,7	200,0	2,3	208,6	210,9

9.3 Investments held at fair value through profit or loss

This heading mainly accumulates securities awaiting disposal that have been reclassified from the heading 'Investments related to unit-linked contracts' upon redemption of the related contracts.

	<i>31 December 2013</i>	<i>31 December 2012</i>
Corporate debt securities	188,0	152,1
Structured credit instruments	50,3	49,0
Debt securities	238,3	201,1
Equity securities and other	31,9	21,8
Total Investments held at fair value through profit or loss	270,2	222,9

The fair value hierarchy described in Note 1 — Summary of significant accounting policies determines the classification of fair value measurements shown below.

<i>31 December 2013</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Government bonds				
Corporate debt securities		188,0		188,0
Structured credit instruments			50,3	50,3
Private equities and venture capital				
Equity securities		31,9		31,9
Other investments				
Total fair values		219,9	50,3	270,2

<i>31 December 2012</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Government bonds				
Corporate debt securities		152,1		152,1
Structured credit instruments			49,0	49,0
Private equities and venture capital				
Equity securities		21,8		21,8
Other investments				
Total fair values		173,9	49,0	222,9

<i>Changes in Level 3</i>	<i>2013</i>	<i>2012</i>
Balance on 1 January	49,0	85,7
Acquisitions/divestment of subsidiaries		
Acquired		
Maturity / Redemption		-50,0
Proceeds from sales		
Realised losses (gains)		0,6
Reversal of impairments		
Impairments		
Unrealised gains	1,3	12,8
Transfers between valuation categories		
Foreign exchange differences and other adjustments		
Balance on 31 December	50,3	49,0

Level 3 positions are mainly sensitive to a change in the general level of credit spreads. For every basis point increase of the general level of credit spreads, the market value of these positions is expected to decrease by three basis points, which translates into a loss of value by approximately EUR 1,5 million.

9.4 Derivatives held for trading (assets)

This heading includes over-the-counter derivatives, the fair value of which is based on a level 2 valuation. Note 10 further analyses derivative positions.

10 Derivatives

We use derivatives to manage market and investment risks by hedging selected portfolio segments against adverse market movements. Derivative financial instruments such as swaps and options hedge our investment portfolios against undesired changes in equity prices and interest rates.

Derivatives classified as held for trading

We assess the fair value of derivative assets held for trading from observable market data (level 2).

31 December 2013	Assets	Liabilities	Notional to receive	Notional to deliver
Inflation swaps		4,5	239,2	239,2
Equity-linked swaps	2,6		13,0	13,0
Equity call options				
Swaptions	1,6		1.170,0	1.170,0
FX forwards	3,5	0,1	1,5	687,0
Total derivatives held for trading	7,6	4,5	1.423,7	2.109,2

31 December 2012	Assets	Liabilities	Notional to receive	Notional to deliver
Inflation swaps	1,4		266,1	266,1
Equity linked swaps	1,2		8,0	8,0
Equity call options			0,6	
Swaptions	1,3		2.014,0	2.014,0
FX forwards	19,2	0,1	5,2	1.050,2
Total derivatives held for trading	23,2	0,1	2.293,9	3.338,3

Inflation swaps allow the holder to exchange, on predetermined dates, cash flows based on floating inflation rates for cash flows based on pre-defined fixed rates. They protect specific policyholder liabilities against future inflation rate fluctuations. We show inflation swaps net, both legs being subject to a master netting agreement and meeting the offsetting criteria:

	31 December 2013	31 December 2012
Gross carrying amounts:		
Receiving legs	242,8	283,1
Paying legs	-247,3	-281,7
Net amounts presented in the statement of financial position	-4,5	1,4

Equity-linked swaps give the holder the right to exchange cash-flows based on a fixed return for cash-flows based on an equity index. They allow the holder to benefit from favourable equity price movements.

Equity call options give the holder the right to exercise an option and to sell or buy shares or indices at a future date at a pre-defined price. They protect the holder against adverse equity price movements.

Swaptions are call option agreements that allow the holder to acquire interest rate swap contracts at a future date at pre-defined rates. Swaptions protect against future market interest rate increases.

Foreign currency forward contracts are binding obligations to buy or sell a certain amount of foreign currency at a pre-agreed exchange rate, on a specified date in the future. We use forward contracts to protect our USD investments against adverse currency fluctuations.

Most derivatives classified as held for trading other than inflation swaps and swaptions have maturities of less than one year.

31 December 2013	Notional to receive	Notional to deliver
Less than 1 year	697,2	1.382,7
1 to 5 years	480,5	480,5
More than 5 years	246,0	246,0
Total notional amounts	1.423,7	2.109,2

31 December 2012	Notional to receive	Notional to deliver
Less than 1 year	847,7	1.788,5
1 to 5 years	1.174,1	1.222,4
More than 5 years	271,5	327,4
Total notional amounts	2.293,9	3.338,3

Derivatives subject to hedge accounting

We determined the fair values of the instruments listed below based on observable market data (level 2).

31 December 2013	Assets	Liabilities	Notional to receive	Notional to deliver
Interest rate swaps	0,1	19,5	329,0	329,0
Interest rate caps	1,1		82,2	

31 December 2012	Assets	Liabilities	Notional to receive	Notional to deliver
Interest rate swaps		28,1	324,7	324,7
Interest rate caps	0,7		82,2	

Interest rate swaps limit our exposure to interest rate risk on floating rate bank loans. We entered into pay fixed/receive floating interest rate swaps for maturities matching those of the underlying borrowings. Interest rate caps provide a ceiling on interests payments related to forecasted loan renewals.

31 December 2013	Notional to receive	Notional to deliver
Less than 1 year	4,1	4,1
1 to 5 years	148,0	148,0
More than 5 years	259,3	177,0
Total notional amounts	411,3	329,0

<i>31 December 2012</i>	<i>Notional to receive</i>	<i>Notional to deliver</i>
Less than 1 year	3,8	3,8
1 to 5 years	146,3	146,3
More than 5 years	256,8	174,5
Total notional amounts	406,9	324,7

Under hedge accounting, we account for the swaps as cash flow hedges. We recognise them under the following headings in the consolidated financial statements:

<i>Other comprehensive income</i>	<i>2013</i>	<i>2012</i>
Unrealised gains or losses on January 1:		
gains		
losses	-27,8	-17,3
Unrealised net gains (losses) on January 1	-27,8	-17,3
Changes in fair values arising during the year	8,9	-10,4
Amounts reclassified to the income statement:		
to interest income		
to interest expense		
Amounts removed upon hedge discontinuation		
Unrealised gains or losses on 31 December:		
gains		
losses	-18,9	-27,7
Unrealised net gains (losses) on 31 December	-18,9	-27,7
<i>Income statement</i>	<i>2013</i>	<i>2012</i>
Income (expense) resulting from hedge ineffectiveness	0,4	-0,6

11 Investment property

Investment property consists primarily of office buildings and retail space.

Changes in investment property	2013	2012
Acquisition cost on 1 January	2.988,4	2.585,2
Acquisitions of subsidiaries	64,3	48,3
Divestment of subsidiaries	-224,2	
Construction work and capital expenditure	44,3	108,4
Acquisitions	167,4	161,0
Disposals	-93,9	-96,1
Transfer from (to) property held for own use	116,7	
Transfer from (to) buildings held for resale	14,2	187,4
Other	14,1	-5,8
Acquisition cost on 31 December	3.091,3	2.988,4
Accumulated depreciation on 1 January	-564,7	-530,4
Divestment of subsidiaries	4,7	
Depreciation expense	-82,1	-72,2
Disposals	10,5	38,1
Transfers from (to) property held for own use	-66,9	-0,2
Transfer from (to) buildings held for resale		
Other	-16,7	
Accumulated depreciation on 31 December	-715,2	-564,7
Impairments on 1 January	-32,2	-33,9
Increases	-11,6	-0,5
Reversals		1,1
Disposals		1,1
Transfer from (to) property held for own use		
Transfer from (to) buildings held for resale		
Other		
Impairments on 31 December	-43,8	-32,2
Net investment property on 31 December	2.332,3	2.391,6

Until 2012, we conducted independent external appraisals every five years, on a rotating basis, to assess the fair value of investment property, covering about 20% of the property portfolio every year. From 2013 onwards, annual appraisals cover about half of our investment property.

Between successive appraisals, we use in-house models to regularly adjust the fair value (of which 80% level 2 and 20% level 3), of our investment property, based on available market data and/or transactions reported annually. We base level 3 valuation techniques primarily on discounted cash-flows. Expected property cash flows take into account expected rental income growth rates, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. We then discount the expected net cash flows using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary, tenant credit quality and lease terms).

As the fair value of investment property under construction is not reliably measurable, we measured it at cost, as per the table below.

	31 December 2013	31 December 2012
Total fair value	3.278,7	3.253,9
Less : total carrying amount	-2.332,3	-2.391,6
Gross unrealised gain/loss	946,7	862,3
Taxation	-321,8	-293,1
Net unrealised gain	624,9	569,2
Cost of investment property under construction	40,5	106,9

We do not recognise unrealised gains in the Statement of financial position, in contrast to unrealised gains on financial assets that we recognise in other comprehensive income.

We lease out investment property under operating lease agreements. The table below details expected minimum payments receivable under irrevocable lease agreements.

	2013	2012
Less than 1 year	213,4	197,9
1 year to 5 years	669,4	629,2
More than 5 years	927,6	940,1
Total	1.810,4	1.767,2

Interests in unconsolidated structured entities

In prior years, we sponsored a number of real estate certificates that represent a market capitalisation of EUR 556,7 million on 31 December 2013. Such certificates are investment property-backed securitisation vehicles that are self-funding through debt certificate issues. Certificates may or may not be listed on the stock exchange and offer a variable return, i.e. the net income from the property as well as the proceeds upon sale. We do not consolidate these securitisation vehicles, having transferred all risk and rewards to the certificate holders. We only provide asset management or property management services, earning a market-consistent fee for providing such services.

We sponsor Ascencio SCA, a listed REIT (hereafter 'the fund'), through our 49% equity interest in Ascencio SA, the statutory manager of the fund. The statutory manager of the fund bears unlimited responsibility for the commitments taken by the fund and earns a fee amounting to 4% of the gross dividend paid by the fund. We

account for our 49% ownership in Ascencio SA using the equity method, classified under investments in associates. Additionally, we own 14,8% of the shares in the fund, classified under investments available for sale.

Other than those listed below, we do not hold any significant interest in the certificates we have issued. As equity or bond holders, our maximum loss exposure to these certificates is limited to the carrying value of those instruments in our Statement of financial position.

	<i>31 December 2013</i>		<i>31 December 2012</i>	
	<i>Ownership</i>	<i>Amount</i>	<i>Ownership</i>	<i>Amount</i>
Woluwe extension	19,4 %	12,3	19,4 %	11,6
Ascencio SCA	14,8 %	34,6	14,8 %	32,6

12 Loans

This heading covers the following types of loans:

- loans to governments and official institutions
- residential mortgages
- loans to banks: include term deposits for terms longer than three months, received as collateral on open derivative positions
- commercial loans: real estate loans, infrastructure loans and other commercial loans
- policyholder loans, reflecting advances on future Life benefits

	31 December 2013	31 December 2012 <i>restated</i>
Governments and official institutions	1.875,2	1.309,1
Residential mortgages	1.546,6	1.527,3
Loans to banks	620,8	520,9
Commercial loans	489,8	274,8
Policyholder loans	151,5	126,7
Financial lease receivables	41,4	0,3
Total loans	4.725,3	3.759,1
Less impairment allowance:		
Specific credit risk	-12,5	-9,8
Incurred but not reported (IBNR)	-0,8	-1,0
Total loans, net of impairment allowance	4.712,0	3.748,2

The table below details the major loan types by investment grade.

2013	Governments and official institutions	Loans to banks	Commercial loans
AAA	333,5	12,9	
AA	891,2	157,0	
A	635,5	323,3	
BBB			
Investment grade	1.860,2	493,1	
BB or lower		25,0	87,0
Unrated	15,0	102,7	402,8
Non-investment grade and unrated	15,0	127,7	489,8
Total	1.875,2	620,8	489,8

The following tables detail collateral received (measured at fair value) and other credit enhancements that reduce credit risk.

2013	Credit exposure	Financial instruments	Property	Other collateral	Total collateral	Excess collateral	Unsecured exposure
Governments and official institutions	1.875,2						1.875,2
Residential mortgages	1.546,6		2.381,1		2.381,1	834,5	
Loans to banks	620,8						620,8
Commercial loans	489,8	1,1	13,6	39,3	54,0		435,8
Policyholder loans	151,5	538,4			538,4	386,9	
Finance lease receivables	41,4						41,4
Total credit exposure, net	4.725,3	539,5	2.394,7	39,3	2.973,5	1.221,4	2.973,2

2012 restated	Credit exposure	Financial instruments	Property	Other collateral	Total collateral	Excess collateral	Unsecured exposure
Governments and official institutions	1.309,1						1.309,1
Residential mortgages	1.527,3		2.370,1		2.370,1	842,8	
Loans to banks	520,9						520,9
Commercial loans	274,8	1,1	9,0		10,1		264,7
Policyholder loans	126,7	520,2			520,2	393,5	
Finance lease receivables	0,3						0,3
Total credit exposure, net	3.759,1	521,3	2.379,1		2.900,4	1.236,3	2.095,0

Furthermore, infrastructure loans benefit from extensive security packages that feature, among other, (i) pledges over shares and bank accounts, (ii) guarantee agreements and (iii) step-in agreements.

The table below details the impaired credit exposure on the loan portfolios.

31 December 2013	Outstanding	Specific allowance	Coverage
Governments and official institutions			
Residential mortgages	122,6	11,8	9,7 %
Commercial loans	5,8	0,6	10,7 %
Policyholder loans			
Total impaired credit exposure	128,4	12,5	9,7 %

31 December 2012	Outstanding	Specific allowance	Coverage
Governments and official institutions			
Residential mortgages	123,9	9,1	7,3 %
Commercial loans	4,8	0,7	14,6 %
Policyholder loans			
Total impaired credit exposure	128,8	9,8	7,6 %

<i>Change in impairment allowance</i>	2013		2012	
	<i>Specific credit risk</i>	<i>IBNR</i>	<i>Specific credit risk</i>	<i>IBNR</i>
Balance on 1 January	9,8	1,0	7,2	0,7
Increases	5,4	0,1	5,6	0,3
Releases	-2,1	-0,3	-0,7	
Write-offs of uncollectible loans	-0,6		-2,3	
Foreign currency translation adjustments				
Balance on 31 December	12,5	0,8	9,8	1,0

13 Investments in associates

Associates are investments where we exercise a significant influence, without having control. Typically, these are real estate entities in which we hold an interest between 20 and 50%.

DTHP	33,0 %	79,4	
Predirec	29,4 %	39,0	0,9
Aviabel	24,7 %	26,5	25,3
North Light	40,0 %	22,5	
Pole Star	40,0 %	22,3	
BITM	50,0 %	20,4	27,4
Credimo	34,4 %	20,2	18,9
Frey SA	20,0 %	19,5	
Frey Retail Fund 2	33,3 %	10,6	2,8
Regatta-Lo	50,0 %	11,0	8,4
DBFM	37,5 %	6,6	4,8
Kanaalkom			5,5
Other (including Interparking associates)		27,8	33,4
Total		305,8	127,5

The tables below provide key figures for these associates (assets and liabilities as at 31 December):

Credimo	1.017,8	958,6	129,5	127,4
DTHP	977,1	652,3	34,3	38,2
Frey SA	329,2	220,1	5,7	11,0
Aviabel	215,0	107,7	41,9	36,6
Pole Star	169,9	114,1	0,5	0,3
DBFM	165,1	147,4	38,3	32,7
North Light	147,8	91,5	0,4	0,4
Predirec	132,8	0,5	1,6	1,7
Frey Retail Fund 2	103,8	71,9	5,0	5,6
BITM	96,4	55,6	17,2	10,9
Regatta-Lo	30,0	8,0	1,0	1,0
2012				
Credimo	977,9	922,4	127,0	126,0
Aviabel	213,8	111,2	10,9	
BITM	111,0	33,1	16,8	26,8
DBFM	101,4	88,6	21,9	24,2
Kanaalkom	29,3	13,9	0,8	0,8
Regatta-Lo	25,7	0,3		
Association Westland Shopping Center	6,9	0,7	3,9	6,2

14 Reinsurance and other receivables

The Statement of financial position lists the reinsurers' share of liabilities arising from insurance contracts as a separate asset. This relates primarily to Non-life contracts. The recognition and measurement of reinsurance assets follows the recognition and measurement of the gross policyholder liabilities ceded to reinsurers.

	31 December 2013	31 December 2012
Reinsurers' share of liabilities arising from insurance contracts	195,3	180,6
Receivables from policyholders	259,3	251,2
Receivables from intermediaries	88,7	82,6
Fees and commissions receivable	62,1	63,6
Reinsurance receivables	7,0	15,6
Operating lease receivables	1,8	2,0
Other	173,2	145,8
Total before impairments	787,4	741,3
Impairment allowance	-4,6	-4,7
Total Reinsurance and other receivables	782,8	736,6

At year-end, we had received from reinsurers EUR 60 million (previous year EUR 78 million) deposits (Note 22 – Borrowings), as well as bonds for a total value of EUR 101 million (previous year EUR 54 million), as collateral to guarantee their share in the liabilities arising from insurance contracts.

The line 'Other' primarily reflects outstanding receivables related to securities and real estate and pending settlement.

Balance on 1 January	180,6	173,6
Change in liabilities, current year	21,5	38,3
Change in liabilities, prior years	11,1	-7,5
Claims paid current year	-9,0	-7,6
Claims paid prior years	-8,9	-15,7
Other net additions through income statement	-0,1	-0,5
Balance on 31 December	195,3	180,6

The impairment allowance relates to receivables from intermediaries. It evolved as follows:

Balance on 1 January	4,7	4,9
Increase in impairments	0,3	0,2
Release of impairments	-0,2	-0,3
Write-offs of uncollectible amounts	-0,2	-0,1
Balance on 31 December	4,6	4,7

15 Accrued interest and other assets

	31 December 2013	31 December 2012 <i>restated</i>
Accrued interest	1.120,8	1.121,4
Deferred acquisition costs	158,1	158,8
Buildings held for sale	155,0	107,5
Other deferred charges	62,5	73,3
Derivatives held for hedging purposes	1,1	0,7
Other	30,6	27,3
Total Accrued interest and other assets, before impairment allowance	1.528,2	1.489,1
Impairment allowance	-5,9	
Total Accrued interests and other assets	1.522,3	1.489,1

Deferred acquisition costs represent the cost of acquiring insurance and investment contracts. We defer only the direct variable portion of the acquisition costs, determined on a contract basis. We amortise them over the average expected lifetime of the related contract portfolio.

<i>Changes in Deferred acquisition costs</i>	2013	2012
Balance on 1 January	158,8	162,5
Amounts capitalised during the year	317,0	301,3
Amortisation for the year	-317,6	-305,0
Balance on 31 December	158,1	158,8

16 Property held for own use

Property held for own use includes owner-occupied office buildings and owner-managed public car parks.

	31 December 2013	31 December 2012
Land and buildings	921,6	971,8
Equipment	61,5	49,7
Leasehold improvements	18,2	14,4
Total Property held for own use	1.001,2	1.035,8

Car parks appear under property held for own use rather than for investment as we manage them ourselves, thereby taking on the operational risk, rather than leasing them to a third-party operator. Accordingly, the Wiltcher's hotel appeared under this heading until the end of 2012 to reflect our exposure to operational risk. Starting 2013, the hotel is classified as investment property, as a new tenant bears the operational risk.

2013	Office buildings	Car parks	Hotel	Total
Acquisition cost on 1 January	254,5	1.096,2	112,2	1.462,9
Acquisitions/divestment of subsidiaries				
Capitalised construction expenditures		31,8		31,8
Acquisitions	0,6	1,7		2,3
Disposals	-0,2			-0,2
Transfer from (to) investment property	-4,5		-112,2	-116,7
Other	0,5			0,5
Acquisition cost on 31 December	250,9	1.129,7		1.380,6
Accumulated depreciation on 1 January	-139,9	-282,1	-63,4	-485,4
Depreciation expense	-6,1	-26,2		-32,3
Disposals				
Transfer from (to) investment property	3,5		63,4	66,9
Other		-0,2		-0,2
Accumulated depreciation on 31 December	-142,5	-308,5		-451,0
Accumulated impairment losses on 1 January		-5,7		-5,7
Increases		-2,3		-2,3
Reversals				
Disposals				
Transfer from (to) investment property				
Accumulated impairment losses on 31 December		-8,0		-8,0
Land and buildings on 31 December	108,4	813,2	0,0	921,6

2012	Office buildings	Car parks	Hotel	Total
Acquisition cost on 1 January	249,2	1.069,4	111,7	1.430,3
Acquisitions/divestment of subsidiaries				
Capitalised construction expenditures	5,4	23,5	0,5	29,4
Acquisitions		3,3		3,3
Disposals	-0,1			-0,1
Transfer from (to) investment property				
Other				
Acquisition cost on 31 December	254,5	1.096,2	112,2	1.462,9
Accumulated depreciation on 1 January	-132,1	-258,3	-61,8	-452,2
Depreciation expense	-7,8	-24,0	-1,6	-33,4
Disposals				
Transfer from (to) investment property		0,2		0,2
Other				
Accumulated depreciation on 31 December	-139,9	-282,1	-63,4	-485,4
Accumulated impairment losses on 1 January		-6,0		-6,0
Increases				
Reversals		0,3		0,3
Disposals				
Transfer from (to) investment property				
Accumulated impairment losses on 31 December		-5,7		-5,7
Land and buildings on 31 December	114,6	808,4	48,8	971,8

Until 2012, we conducted independent external appraisal every five years, on a rotating basis, to determine the fair values of properties other than car parks. Since 2013, we have increased the appraisal frequency to once every two years. Accordingly, about half of our properties other than car parks are externally appraised each year. Between successive appraisals, we update the fair value of properties other than car parks using in-house models that we regularly calibrate to reflect available market data and/or transactions (level 2).

We determine car park fair values using in-house models that also use unobservable market data (level 3). We nevertheless regularly calibrate the resulting fair values to reflect available market data and/or transactions. We base level 3 valuation techniques for measuring car parks primarily on discounted cash-flows. Expected car park cash flows take into account expected inflation, and economic growth in individual car park areas, among other factors. We next discount the expected net cash flows using risk-adjusted discount rates. The discount rate estimation considers the quality of the car park and its location, among other factors.

Unlike financial assets, we do not recognise unrealised gains in other comprehensive income.

<i>Office buildings</i>	<i>31 December 2013</i>	<i>31 December 2012</i>
Total fair value	228,7	303,8
Less : total carrying amount	-108,4	-163,4
Gross unrealised gain	120,3	140,5
Income taxes	-40,9	-47,7
Net unrealised gain	79,4	92,7

<i>Car parks</i>	<i>31 December 2013</i>	<i>31 December 2012</i>
Total fair value	1.011,8	1.065,7
Less : total carrying amount	-813,2	-808,4
Gross unrealised gain	198,6	257,3
Income taxes	-67,5	-87,5
Net unrealised gain	131,1	169,8

In addition to holding property for our own use, we also lease office space, office equipment, company cars and public car parks. The table below details the minimum future commitments resulting from non-cancellable operating leases, by remaining maturity.

Less than 1 year	48,9	48,3
1 year to 5 years	170,5	155,2
More than 5 years	294,6	228,1
Total	514,0	431,6
Annual lease expense	113,0	98,3

Intangible assets consist of public car park service concessions, mainly.

	31 December 2013	31 December 2012
Public car park service concessions	291,3	297,5
Goodwill	23,7	23,8
Software	1,1	2,4
Other	35,8	41,3
Total	351,9	364,9

As first-time adopters of IFRS in 2005, we chose not to restate earlier business combinations, an option available in IFRS 1. As a result, we recognised business combinations prior to 1 January 2004 on a previous reporting basis – charging acquisition goodwill to shareholders' equity as incurred – in our financial statements. The goodwill balance therefore only reflects acquisitions made since 2005: in almost equal proportions, a 5% share of Interparking acquired in 2005 and a 67,5% share of Devimo, a real estate management entity, acquired in 2008. There have been no significant changes in these balances in the current or previous year.

Changes in carrying value of public car park service concessions	2013	2012
Acquisition cost on 1 January	458,6	428,0
Acquisitions/divestment of subsidiaries		
Acquisitions	16,3	30,9
Additions		
Disposals		-0,3
Other		
Acquisition cost on 31 December	474,9	458,6
Accumulated amortisation on 1 January	-151,9	-139,0
Amortisation for the year	-16,6	-16,2
Disposals		0,2
Transfer		3,0
Accumulated amortisation on 31 December	-168,5	-151,9
Impairment allowance on 1 January	-9,2	-4,8
Increases	-6,4	-1,3
Reversals		
Transfer	0,5	-3,1
Impairment allowance on 31 December	-15,1	-9,2
Net car park service concessions on 31 December	291,3	297,5

We determine the fair value of car park service concessions using in-house models that we regularly calibrate to reflect available market data and/or transactions. The models also use unobservable market data (level 3). Unlike financial assets, we do not recognise unrealised gains in other comprehensive income.

<i>Fair value of public car park service concessions</i>	<i>31 December 2013</i>	<i>31 December 2012</i>
Total fair value	369,2	374,5
Less : total carrying amount	291,3	297,5
Gross unrealised gain	77,9	77,0
Income tax effect	-26,5	-26,2
Net unrealised gain	51,4	50,8

18 Liabilities arising from Life insurance contracts

	31 December 2013	31 December 2012
Liability for future policyholder benefits	21.606,9	21.110,5
Reserve for policyholder profit sharing	107,9	131,2
Shadow Accounting adjustment	357,0	644,6
Total liabilities arising from Life insurance contracts	22.071,8	21.886,3

<i>Changes in liabilities arising from Life insurance contracts</i>	2013	2012
Balance on 1 January	21.886,3	20.720,5
Reserved Premiums	1.202,0	1.362,6
Time value	785,1	705,8
Payments due to surrenders, maturities and other	-1.504,4	-1.425,4
Transfer of liabilities	73,5	22,4
Shadow accounting adjustment	-287,6	534,7
Other changes	-82,9	-34,3
Balance on 31 December	22.071,8	21.886,3

* 2012 restated for comparative purposes

19 Liabilities arising from Life investment contracts

	31 December 2013	31 December 2012
Liability for future policyholder benefits	24.154,4	23.832,5
Reserve for policyholder profit sharing	140,4	131,4
Shadow accounting adjustment	400,8	817,1
Total liabilities arising from Life investment contracts	24.695,5	24.781,1

<i>Change in liabilities arising from Life investment contracts</i>	2013	2012
Balance on 1 January	24.781,1	22.478,2
Reserved Premiums	1.818,6	2.579,6
Time value	706,2	697,4
Payments due to surrenders, maturities and other	-2.111,9	-1.873,1
Transfer of liabilities	-94,2	102,7
Shadow accounting adjustment	-416,3	778,9
Other changes	12,0	17,4
Balance on 31 December	24.695,5	24.781,1

* 2012 restated for comparative purposes

20 Liabilities arising from Unit-linked contracts

The liabilities related to unit-linked contracts are segmented into investment and insurance contracts.

	31 December 2013	31 December 2012
Investment contracts	5.535,6	5.261,7
Insurance contracts	864,2	773,5
Total	6.399,9	6.035,2
Balance on 1 January	5.261,7	5.210,6
Reserved Premiums	546,2	467,8
Change in fair value	286,5	495,6
Payments due to surrenders, maturities and other	-575,9	-782,8
Transfer of liabilities	38,0	-108,8
Other changes	-20,9	-20,7
Balance on 31 December	5.535,6	5.261,7

* 2012 restated for comparative purposes

Changes in liabilities related to unit-linked insurance contracts	2013	2012
Balance on 1 January	773,5	683,7
Reserved Premiums	73,8	72,3
Change in fair value	64,7	91,0
Payments due to surrenders, maturities and other	-18,5	-12,2
Transfer of liabilities	-32,2	-64,0
Other changes	3,0	2,7
Balance on 31 December	864,2	773,5

* 2012 restated for comparative purposes

21 Liabilities arising from Non-life insurance contracts

	31 December 2013	31 December 2012
Claims reserves	3.118,7	2.941,2
Unearned premiums	359,0	355,4
Reserve for policyholder profit sharing	10,9	8,3
Shadow accounting	63,7	100,8
Total Liabilities arising from Non-life insurance contracts	3.552,3	3.405,7

The reserve for policyholder profit sharing relates to group health care policies.

<i>Changes in liabilities arising from Non-life insurance contracts</i>	2013	2012
Balance on 1 January	3.405,7	3.195,9
Changes in liabilities current year	1.272,2	1.226,0
Claims paid current year	-589,5	-587,2
Change in liabilities, prior years	-118,2	-140,1
Claims paid prior years	-422,0	-431,9
Change in unearned premiums	3,6	7,5
Transfer of liabilities		
Shadow accounting adjustment	-37,1	100,8
Other changes	37,6	34,7
Balance on 31 December	3.552,3	3.405,7

* 2012 restated for comparative purposes

Loss reserve development table

The loss reserve development table shows changes in (gross) claims reserves⁹ arising from Non-life insurance contracts from 31 December 2004 until 31 December 2013.

The first column refers to 'development years', subsequent to the 'accident year', i.e. the year in which a particular claim originated. Claim assumptions and parameters further evolve over these development years. The following column headings refer to the 'accident year'.

The line "Claim reserves on initial recognition" represents the claim reserves arising from claims that originated in a certain accident year, measured on 31 December of the same year.

The section "Cumulative payments made" reports the cumulative amount of claim payments made for claims originating in the same accident year, by development year.

⁹ Claim reserves include IBN(E)R reserves and allocated claim handling expenses.

The second section of the table "Claim reserves as estimated" shows the ultimate cost of the claims in a certain accident year, by development year, remeasured on 31 December of that particular development year. The expected ultimate cost becomes increasingly reliable over time.

The line "Claim reserves analysed" represents the residual claim reserves by accident year as at 31 December 2013.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Claim reserves upon initial recognition	754,8	810,1	822,7	880,5	940,1	963,3	1.060,8	1.068,4	1.125,6	1.226,4
Cumulative payments made:										
One year later	159,9	168,1	188,0	216,7	237,9	258,9	316,6	296,8	285,4	
Two years later	231,8	242,0	271,8	312,8	332,6	361,7	427,7	416,1		
Three years later	285,2	299,4	338,7	377,0	406,3	438,5	514,5			
Four years later	330,2	352,7	387,9	432,4	466,8	505,0				
Five years later	372,8	390,7	430,4	481,2	520,4					
Six years later	402,7	424,5	470,8	523,6						
Seven years later	428,5	455,9	504,4							
Eight years later	454,0	483,7								
Nine years later	477,5									
Claim reserves estimated:										
One year later	740,1	750,7	797,9	884,0	896,5	939,7	1.033,1	1.073,6	1.139,3	
Two years later	698,7	736,2	803,1	853,7	894,2	933,4	1.075,4	1.104,1		
Three years later	687,9	744,2	774,9	842,4	880,0	967,3	1.090,1			
Four years later	693,4	716,9	761,8	832,3	911,0	981,7				
Five years later	668,4	704,1	756,5	859,7	924,5					
Six years later	658,1	700,4	777,1	870,2						
Seven years later	656,4	720,2	789,1							
Eight years later	673,8	726,1								
Nine years later	676,5									
Claim reserves analysed	199,0	242,4	284,7	346,7	404,1	476,7	575,5	688,0	853,9	1.226,4
Claim reserves arising from workers' compensation policies										1.199,0
Other claim reserves										693,3
Total Claim reserves on 31 December 2013										3.118,7

22 Borrowings

Repurchase agreements and bank loans represent the majority of our borrowings. Repurchase agreements are essentially secured short-term loans that we use to hedge specific investments with resettable interest rates and for cash management. Loans from banks finance property investments in specific group entities and also include debt related to cash collateral received (Note 12).

	31 December 2013	31 December 2012
Repurchase agreements	1.184,7	908,2
Loans and other	606,8	601,9
Due to banks	1.791,4	1.510,0
Funds held under reinsurance agreements	60,1	78,1
Finance lease obligations	22,8	27,6
Other borrowings	33,0	42,0
Total borrowings	1.907,3	1.657,7

Collateral given

The following table shows the carrying amount of the collateral given to secure bank borrowings. We have not provided collateral for any other purpose.

Collateral given on behalf of	Type	31 December 2013	31 December 2012
Repurchase agreements	debt securities	1.256,5	975,7
Loans and other	property	391,5	396,6

Remaining contractual maturities

The following tables detail the major outstanding amounts, segmented by remaining maturity term.

Repurchase agreements	31 December 2013	31 December 2012
Less than one year	1.162,4	850,2
1 year to 5 years	22,3	
More than 5 years		58,0
Total Repurchase agreements	1.184,7	908,2

<i>Due to banks - Loans and other</i>	31 December 2013	31 December 2012
Less than one year	257,0	226,3
1 year to 5 years	320,7	351,2
More than 5 years	29,1	24,4
Total	606,8	601,9

Finance lease obligations	31 December 2013	31 December 2012
Minimum lease payments		
Less than 1 year	2,4	5,7
1 year to 5 years	8,4	9,3
More than 5 years	57,6	60,0
Total Minimum lease payments	68,4	75,0
 Present value minimum lease payments		
Less than 1 year	1,4	3,7
1 year to 5 years	4,9	5,6
More than 5 years	16,4	18,3
Total	22,8	27,6
 Future finance charges	45,6	47,4

Fair values

The carrying value of the borrowings is a reasonable approximation of their fair value as contract maturities are less than one year (repurchase agreements) and/or contracts carry a floating rate (loans from banks). Accordingly, fair value is based upon observable market data (level 2).

23 Deferred tax assets and liabilities

Deferred tax assets (liabilities) are the amounts of income taxes recoverable (payable) in future periods in respect of taxable timing differences. Unused tax losses or credits carried forward generate additional deferred tax assets.

We offset deferred income tax assets and liabilities when we have a legally enforceable right to settle the amount payable and the amount receivable at the net amount, and when the deferred tax assets and liabilities relate to income taxes levied by the same tax authorities. Accordingly, we have offset some of the amounts shown in the table above in the Statement of financial position, leaving the following residual balances:

	31 December 2013	31 December 2012
Deferred tax assets	17,7	18,1
Less : deferred tax liabilities	-1.045,3	-1.249,3
Net deferred tax assets (liabilities)	-1.027,6	-1.231,3

We recognise deferred tax assets to the extent that we expect to earn sufficient taxable profit in the future against which we can use the deferred tax asset. We have therefore not recognised deferred tax assets on unused (claimed) tax losses and unused tax credits for an estimated tax value of EUR 95 million on 31 December 2013 (EUR 89 million on 31 December 2012). We can carry these amounts forward indefinitely.

The next table details:

- deferred tax assets and liabilities recognised in the Statement of financial position, and
- related deferred tax income and expense recognised in the income statement

We recognise in other comprehensive income rather than in the income statement the movements in deferred tax assets or liabilities arising from movements of items on the Statement of financial position that we record in other comprehensive income.

	Statement of financial position		Income statement	
	2013	2012	2013	2012
Financial investments (available for sale)		92,1	-92,1	2,5
Investment property	20,5	11,6	8,9	-7,8
Property held for own use	33,6	44,1	-10,4	3,5
Intangible assets (excluding goodwill)	5,9	6,1	-0,2	
Insurance policy and claim reserves	399,4	754,4	-103,1	1,8
Provisions for pensions and post-retirement benefits	138,5	78,6	68,2	-0,9
Other provisions	6,1	5,7	0,4	0,9
Accrued expenses and deferred income	0,2	1,5	-1,2	-1,1
Unused tax losses	9,7	15,9	-6,0	-66,3
Other	39,0	38,5	0,5	6,7
Total deferred tax assets	653,1	1.048,3	-135,1	-60,8
Derivatives held for trading (assets)	0,1	0,5	0,5	1,4
Financial investments (available for sale)	1.155,4	1.725,9	91,5	-5,9
Unit-linked investments	1,9	3,4	1,5	-0,7
Investment property	82,2	122,2	26,0	1,3
Loans to customers	1,5	1,4	-0,2	1,6
Property held for own use	185,3	179,0	-6,2	11,2
Intangible assets (excluding goodwill)	76,4	76,4		
Other provisions				
Deferred policy acquisition costs	31,8	32,3	0,5	
Deferred expense and accrued income	1,4	1,5		0,1
Tax exempt reserves	64,3	39,9	-24,4	2,5
Other	80,4	97,0	17,2	-18,2
Total deferred tax liabilities	1.680,7	2.279,6	106,5	-6,7
Deferred tax income (expense)			-28,6	-67,5
Net deferred tax assets (liabilities)	-1.027,6	-1.231,3		

24 Other liabilities

	31 December 2013	31 December 2012 <i>restated</i>
Defined benefit pension liabilities	364,8	379,3
Due to policyholders and intermediaries	307,5	343,8
Accounts payable	110,7	91,8
Deferred revenues	92,6	54,2
Defined benefit liabilities other than pension	88,6	91,8
Short-term employee benefit liabilities	86,6	87,8
VAT and other taxes payable	69,1	75,4
Accrued finance costs	35,6	46,1
Derivatives held for hedging purposes	19,5	28,1
Termination benefits	10,7	14,7
Other long-term employee benefit liabilities	12,0	12,0
Other accrued expenses	4,0	10,0
Due to reinsurers	7,2	7,9
Dividends payable	0,1	2,5
Other liabilities	288,8	326,8
Total Other liabilities	1.497,7	1.572,1

We provide further details on some of these items in the following Notes:

- defined benefit liabilities in Note 8 – Employee Benefits
- derivatives held for trading in Note 10 – Derivatives

Other liabilities primarily include payables pending completion of securities transactions, receipts pending allocation and advance premium payments received.

Due to the nature of our recurrent operations, we are engaged in various stages of legal proceedings initiated by policyholders or other business parties. We have provided for these contingent liabilities when we are of the opinion that settling the obligation is likely to require an outflow of resources and we can reliably estimate the amount of the obligation. There are no other contingent liabilities of significance.

Provisions for litigations reflect best estimates that are based on management judgement and, in most cases, the opinion of our legal counsel and other specialists. The timing of the related cash outflow is by nature uncertain considering the unpredictability of the outcome and the time required concluding litigation.

<i>Changes in Provisions</i>	2013	2012
Balance on 1 January	23,5	15,6
Acquisition and divestment of subsidiaries		
Increase in provisions	1,0	7,7
Reversal of unused provisions		-0,9
Used during the year	-0,1	1,1
Other	-7,9	
Balance on 31 December	16,5	23,5

In 2013, we have reclassified a net amount of EUR 7,9 million to other liability accounts.

26 Fair value of financial assets and financial liabilities

This note discloses the fair value of financial assets and financial liabilities that we do not measure at fair value in the Statement of financial position.

	<i>Fair value</i>		31 December 2013		31 December 2012	
	<i>Hierarchy Level</i>	<i>Carrying value</i>	<i>Fair value</i>	<i>Carrying value</i>	<i>Fair value</i>	
Financial assets						
Cash and cash equivalents	2	685,9	685,9	889,0	889,0	
Financial investments - held to maturity	1	4.361,9	5.159,4	4.367,8	5.510,6	
Loans	2	4.712,0	4.898,4	3.748,2	4.036,5	
Reinsurance and other receivables	2	782,8	782,8	736,6	736,6	
Total financial assets		10.542,6	11.526,6	9.741,7	11.172,7	
Financial Liabilities						
Subordinated liabilities	2	1.177,1	1.221,1	896,5	823,5	
Borrowings	2	1.907,3	1.907,1	1.657,7	1.661,0	
Total financial liabilities		3.084,4	3.128,2	2.554,3	2.484,5	

Most of these financial instruments are not actively traded on financial markets. In forthcoming case, we measure their fair value in accordance with the following principles:

<i>Instrument Type</i>	<i>Products</i>	<i>Fair value methodology</i>
Instruments with no stated maturity	Current and savings accounts, Reinsurance and other receivables, etc.	Nominal value
Instruments with a stated maturity	Deposits	Nominal value
Instruments without option features	Straight loans, repos, etc.	Discounted cash flow methodology; we use the swap curve plus an illiquidity premium as the discounting yield curve
Instruments with option features	Mortgage loans and other instruments with option features	We split the product and value <ul style="list-style-type: none"> the linear (non-optional) component using a discounted cash flow methodology, and the option component based on an option-pricing model
Subordinated liabilities	Subordinated liabilities	Valuation based on broker quotes

Notes to the consolidated income statement

27 Insurance premiums

Insurance premiums are shown net of reinsurance.

<i>Earned premiums</i>	2013	2012
Life	3.534,4	4.639,9
Non-life	1.785,1	1.698,2
Total Earned premiums	5.319,5	6.338,2

We recognise earned premiums in the income statement, but apply deposit accounting to premiums arising from investment contracts without DPF, primarily unit-linked contracts, and we record them as liabilities upon recognition.

As IFRS restricts the definition of premiums to insurance contracts and investment contracts with discretionary participation features (DPF) only, we use the alternative concept of 'gross inflow' as the sum of gross premiums written for insurance and investment contracts.

<i>Gross inflow</i>	2013	2012
Written premiums, gross, for Life insurance contracts	1.635,1	1.946,1
Written premiums, gross, for Life investment contracts	2.466,3	3.180,5
Total Gross inflow -- Life	4.101,4	5.126,6
Written premiums, gross, for Non-life insurance contracts	1.854,8	1.759,1
Total Gross inflow	5.956,1	6.885,7

Life

In Life, earned premiums equal written premiums.

<i>Earned premiums</i>	2013	2012
Insurance contracts, excluding unit-linked		
Single premiums	342,7	335,3
Periodic premiums	690,6	696,3
Total Group	1.033,3	1.031,7
Single premiums	280,5	559,1
Periodic premiums	246,9	282,3
Total Retail	527,3	841,5
Total insurance contracts, excluding unit-linked	1.560,6	1.873,1
Unit-linked insurance contracts		
Single premiums	10,6	7,7
Periodic premiums	63,2	64,6
Total Group	73,8	72,3
Single premiums	0,6	0,7
Periodic premiums		
Total Retail	0,6	0,7
Total unit-linked insurance contracts	74,5	73,0
Investment contracts with DPF		
Single premiums	1.572,7	2.346,0
Periodic premiums	330,9	352,0
Total investment contracts with DPF	1.903,7	2.698,0
Earned Life premiums, gross	3.538,8	4.644,1
Ceded reinsurance premiums	-4,4	-4,3
Earned Life premiums, net of reinsurance	3.534,4	4.639,9
Investment contracts without DPF		
Single premiums	545,2	434,2
Periodic premiums	17,4	48,3
Total investment contracts without DPF	562,6	482,5
Total gross inflow Life	4.101,4	5.126,6

Non-life

2013	<i>Accident & Health</i>	<i>Property & Casualty</i>	<i>Total</i>
Written premiums, gross	516,2	1.338,5	1.854,8
Change in unearned premiums, gross	-0,2	-3,4	-3,6
Earned Non-life premiums, gross	516,0	1.335,1	1.851,1
Ceded reinsurance premiums	-8,8	-57,2	-66,0
Reinsurers' share of unearned premiums			
Earned Non-life premiums, net of reinsurance	507,2	1.277,9	1.785,1

2012	<i>Accident & Health</i>	<i>Property & Casualty</i>	<i>Total</i>
Written premiums, gross	483,5	1.275,6	1.759,1
Change in unearned premiums, gross	-0,3	-7,2	-7,5
Earned Non-life premiums, gross	483,1	1.268,4	1.751,6
Ceded reinsurance premiums	-3,1	-50,1	-53,2
Reinsurers' share of unearned premiums		-0,1	-0,1
Earned Non-life premiums, net of reinsurance	480,0	1.218,2	1.698,2

28 Interest and other investment income

	2013	2012
Interest income:		
Investments	1.686,7	1.703,7
Loans	156,6	133,6
Cash and cash equivalents	2,3	5,5
Other interest income	8,7	10,0
Total interest income	1.854,3	1.852,8
Car park revenues	292,0	277,1
Rental income	222,7	189,1
Dividend income	83,2	67,6
Other investment income	45,9	78,7
Total Interest and other investment income	2.498,1	2.465,2

29 Realised and unrealised gains and losses

We disclose changes in fair value related to unit-linked contract investments in a separate note (see Note 30).

Subsidiaries	53,5	17,1
Equity securities classified as available for sale	46,2	38,4
Investment property	32,9	66,1
Debt securities classified as available for sale	16,3	127,3
Financial assets held at fair value through profit or loss, other than unit-linked	3,3	26,4
Hedging results	0,4	-0,6
Property held for own use	0,2	0,3
Derivatives held for trading	-0,9	-7,5
Other	10,3	1,1
Total Realised and unrealised gains and losses	162,2	268,7

Hedging results contain the changes in fair value attributable to the hedged risk – mainly interest-rate risk – of hedged assets and liabilities and the changes in fair value of the hedging instruments. Hedging results reflect the ineffective portion of the hedges (see Note 10).

30 Investment income arising from unit-linked contracts

	2013	2012
Changes in fair value of underlying investments :		
Investment contracts	286,5	495,6
Insurance contracts	64,7	91,0
Total changes in fair value of underlying investments	351,1	586,5
Realised investment yield :		
Investment contracts	21,2	17,4
Insurance contracts	4,8	4,5
Total realised investment yield	26,0	21,9
Total investment income related to unit-linked contracts	377,1	608,4

31 Share of result of associates

2013	Net profit (loss) at 100%	Participation	Share of result of associates
DTHP	-3,9	33,0 %	-1,2
Predirec	-0,1	29,4 %	
Aviabel	5,3	24,7 %	2,4
North Light		40,0 %	
Pole Star	0,2	40,0 %	0,1
BITM	-12,0	50,0 %	-6,0
Credimo	2,1	34,4 %	0,9
Frey SA	-5,3	20,0 %	-1,1
Frey Retail Fund 2	-0,5	33,3 %	-0,2
Regatta-Lo		50,0 %	
DBFM	5,7	37,5 %	2,1
Other (including Interparking associates)			1,3
Total share of result of associates			-1,7

2012		0 %	
Credimo	0,4	34,2 %	0,1
Aviabel	10,9	24,7 %	2,7
BITM	-10,0	50,0 %	-5,0
DBFM	-2,4	37,5 %	-0,9
Kanaalkom		50,0 %	
Regatta-Lo		50,0 %	
Association Westland Shopping Center	-2,4	45,9 %	-1,1
Other (including Interparking associates)			3,9
Total share of result of associates			-0,3

32 Fee and commission income

	2013	2012
Insurance and investment fees	64,3	64,4
Asset management fees	14,6	18,3
Reinsurance commissions	1,5	1,7
Guarantees and commitment fees	1,9	1,5
Other service fees	13,6	15,0
Total fee and commission income	95,9	100,9

Insurance and investment fees relate to unit-linked contracts while asset management fees relate to investment property.

Other service fee income originates primarily from real estate development fees and commissions that our brokerage entities receive for distributing insurance policies.

33 Other income

Other income mainly includes the re-invoicing of service costs related to rental activities and the recovery of staff and other expenses from third parties.

34 Insurance claims and benefits

	2013	2012
Life	4.530,5	5.595,8
Non-life	1.161,7	1.102,1
Total Insurance claims and benefits, net of reinsurance	5.692,1	6.697,9

<i>Life</i>	2013	2012
Benefits and surrenders	3.685,8	3.559,3
Change in liabilities arising from insurance and investment contracts	845,1	2.037,5
Total Life insurance claims and benefits	4.530,9	5.596,8
Reinsurers' share of claims and benefits	-0,4	-1,0
Total Life insurance claims and benefits, net of reinsurance	4.530,5	5.595,8

<i>Non-life</i>	2013	2012
Claims paid	1.018,3	1.025,9
Change in liabilities arising from insurance contracts	169,2	107,4
Total Non-life insurance claims and benefits	1.187,5	1.133,3
Reinsurers' share of change in liabilities	-8,0	-7,8
Reinsurers' share of claims paid	-17,8	-23,4
Total Non-life insurance claims and benefits, net of reinsurance	1.161,7	1.102,1

35 Finance costs

	2013	2012
Subordinated liabilities	58,5	55,0
Borrowings	22,4	29,1
Derivatives	3,4	0,3
Other liabilities	13,2	16,0
Total finance costs	97,5	100,3

Other liabilities mainly relate to interest charges on provisions for post-employment pension and termination benefits.

36 Change in impairments

<i>Additions to (reversals from) impairment allowances</i>	2013	2012
Investments in equity securities and other	17,3	94,1
Investment property	11,6	-0,6
Intangible assets	6,8	1,3
Accrued interest and other assets	5,9	
Loans	3,0	5,2
Property held for own use	1,9	-0,8
Reinsurance and other receivables	0,1	-0,1
Investments in debt securities		2,3
Total change in impairments	46,6	101,3

37 Fee and commission expenses

Fee and commission expenses are primarily commissions paid to brokers. Other fee and commission expense represent retrocessions of fee and commission income, mainly.

	2013	2012
Intermediaries	582,3	589,0
Other fee and commission expenses	42,4	44,8
Total fee and commission expenses	624,7	633,8

38 Staff expenses

	2013	2012
Salaries and wages	325,2	308,9
Social security charges	91,6	87,8
Pension expenses relating to defined benefit plans	22,7	17,3
Defined contribution plan expenses	9,6	8,2
Other	24,9	25,2
Total staff expenses	474,0	447,4

Additional details on pension expenses relating to defined benefit plans are provided in Note 8 on Employee Benefits.

Other staff expenses include the cost of leased cars, meal allowances and non-monetary benefits such as medical expenses.

39 Other expenses

	2013	2012
Depreciation on investment property	82,1	72,4
Depreciation on property held for own use	52,8	52,4
Amortisation of intangible assets	22,0	24,2
Operating leases	10,3	7,7
Operating and other direct expenses relating to investment property	55,0	76,9
Professional fees	50,9	47,5
Capitalised deferred acquisition costs	-317,0	-301,3
Depreciation on deferred acquisition costs	317,6	305,0
Marketing and public relations costs	11,5	11,2
Information technology costs	67,4	66,7
Other investment charges	156,5	170,9
Maintenance and repair expenses	6,7	6,4
Cost of sale of buildings held for sale		
Other charges	123,4	123,3
Total Other expenses	639,1	663,3

Other charges include expenses for travel, postal services, telephone communications, temporary staffing needs and training.

Amounts recognised in the income statement

	2013	2012
Current tax expenses arising from:		
Current year	133,6	148,8
Previous years	-0,9	7,3
Total current tax expense	132,8	156,1
Deferred tax expense arising from		
Current year	26,0	77,4
Previous years	2,6	-9,8
Total deferred tax expense	28,7	67,5
Total income tax expense	161,5	223,6

The table below reconciles the expected income tax expense, calculated based on the nominal tax rate, with the actual income tax expense.

	2013	2012
Profit before taxation	613,5	661,1
Nominal income tax rate	34,0 %	34,0 %
Expected income tax expense (income)	208,5	224,7
Notional interest deduction	-21,4	-23,5
Taxation of undistributed earnings of subsidiaries	3,9	17,6
Previously unrecognised tax losses and temporary differences	2,6	-9,8
Disallowed expenses	8,5	7,8
Adjustments for tax payable in respect of previous years	-0,9	7,3
Tax exempt income including capital losses	-30,8	3,3
Foreign tax rate differential	-0,4	-0,4
Other	-8,7	-3,4
Actual income tax expense	161,5	223,6

Amounts recognised in other comprehensive income

	2013			2012		
	<i>Before tax</i>	<i>Tax</i>	<i>After tax</i>	<i>Before tax</i>	<i>Tax</i>	<i>After tax</i>
Changes in revaluation of investments available for sale	-1.212,4	479,3	-733,1	4.037,1	-1.337,8	2.699,3
Changes in shadow accounting	741,0	-251,9	489,1	-1.414,4	480,8	-933,6
Changes in revaluation of cash-flow hedges	8,9	-0,8	8,1	-10,4	0,9	-9,5
Changes in revaluation originating at associates	1,4		1,4	3,8		3,8
Changes in revaluation of investments held to maturity	0,4	-0,2	0,2	0,4		0,4
Other changes				0,3	-0,1	0,2
Total	-460,7	226,3	-234,3	2.616,8	-856,3	1.760,5

41 Share of results of non-controlling interests

Non-controlling interests represent the relative share of a third party – the minority shareholder – in the shareholders' equity of a consolidated group entity.

Current non-controlling interests relate to real estate subsidiaries. The following table details their share in the net profit or loss of the group entity to which they relate.

2013	Net profit (loss) at 100%	Non-controlling interest	Share of result of non-controlling interests
Interparking	25,6	10,1 %	3,4
Venti M	4,7	40,0 %	1,9
Cortenbergh le Corrège	0,5	38,8 %	0,2
Total	30,8		5,5

2012	Net profit (loss) at 100%	Non-controlling interest	Share of result of non-controlling interests
Interparking	32,6	10,1 %	3,4
Venti M	3,5	40,0 %	1,3
B.G.1	-0,1	10,0 %	
Cortenbergh le Corrège	0,1	38,8 %	
Total	36,1		4,8

Notes to items not recognised on the consolidated statement of financial position

42 Collateral and commitments given

The table below details collateral (at carrying value) and commitments given as a part of the normal course of business.

Repurchase agreements	1.256,5	975,7
Loans to banks	391,5	396,6
Inward reinsurance	15,1	17,0
Credit insurance	1,4	2,9
Total Collateral given	1.664,5	1.392,3

<i>Commitments</i>	<i>31 December 2013</i>	<i>31 December 2012</i>
Real estate commitments	162,8	307,7
Credit lines given	321,2	273,5
Capital commitments	118,7	233,0
Outstanding credit bids	225,5	137,0
Guarantees and financial letters of credit	113,0	45,8
Total Commitments	941,3	996,9

Statutory auditor's report to the Board of Directors of AG Insurance SA/NV on the consolidated annual financial statements of the Issuer for the financial year ended 31 December 2013



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Statutory auditor's report to the general meeting of AG Insurance SA/NV as of and for the year ended 31 December 2013

In accordance with the legal requirements, we report to you in the context of our statutory auditor's mandate. This report includes our report on the consolidated financial statements as of and for the year 2013, as defined below, as well as our report on other legal and regulatory requirements.

Report on the consolidated financial statements- unqualified opinion

We have audited the consolidated financial statements of AG Insurance SA/NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to EUR 67.432,3 million, the consolidated income statement shows a net profit attributable to shareholders of EUR 446,6 million and the consolidated statement of comprehensive income shows a total comprehensive income for the year attributable to shareholders of EUR 228,0 million.

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises, a Belgian civil
CVBA/SCRL and a member firm of the KPMG network of independent
member firms affiliated with KPMG International Cooperative (KPMG
International), a Swiss entity.

Maatschappelijke zetel - Siège social:
Bourgetlaan - Avenue du Bourget 40
1130 Brussel - Brussels
België - Belgique

KPMG Bedrijfsrevisoren -
Réviseurs d'Entreprises
CVBA/SCRL
Burgerlijke vennootschap met
handelsvorm - Société civile à
forme commerciale
Ondernemingsnummer - Numéro
d'entreprise 0419172540
RPR Brussel - RPM Bruxelles



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the company's officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified opinion.

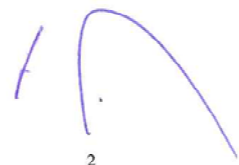
Unqualified Opinion

In our opinion, the consolidated financial statements give a true and fair view of the group's equity and consolidated financial position as at 31 December 2013 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the annual report on the consolidated financial statements.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not modify our opinion on the consolidated financial statements:



2



*Statutory auditor's report to the general meeting of
AG Insurance SA/NV for the year ended 31 December 2013*

- The annual report on the consolidated financial statements includes the information required by law, is consistent, in all material respects, with the consolidated financial statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Brussels, 13 March 2014

KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren
Statutory Auditor
represented by


Michel Lange
Réviseur d'Entreprises / Bedrijfsrevisor


Karel Tanghe
Réviseur d'Entreprises / Bedrijfsrevisor

**Audited consolidated annual financial statements of the Issuer for the financial year ended
31 December 2014**



Consolidated Financial Statements

for the year ended 31 December 2014

(in EUR millions)

Contents

Consolidated statement of financial position	F-134
Consolidated income statement	F-135
Consolidated statement of comprehensive income	F-136
Consolidated statement of changes in equity	F-137
Consolidated cash flow statement	F-138

General Notes

1	Summary of significant accounting policies	F-140
1.1	Basis of presentation	F-140
1.2	New accounting standards and accounting changes	F-140
1.3	Forthcoming changes in IFRS	F-141
1.4	Use of estimates	F-142
1.5	Basis of consolidation	F-142
1.6	Measurement bases	F-143
1.7	Fair value of financial instruments	F-149
1.8	Changes in foreign exchange rates	F-151
1.9	Revenue recognition	F-151
2	Reporting entity	F-153
2.1	Shareholders	F-153
2.2	Acquisitions and disposals	F-153
3	Capital management	F-157
3.1	Shareholders' equity	F-157
3.2	Non-controlling interests	F-159
3.3	Subordinated liabilities	F-160
3.4	Supervision and Solvency	F-161
4	Treasury and liquidity	F-162
4.1	Cash and cash equivalents	F-162
4.2	Cash flows	F-162
4.3	Liquidity	F-163
4.4	Currency exposure	F-164
5	Information on segments	F-165

6	Risk management	F-168
6.1	The objectives of risk management	F-168
6.2	Organisation and governance	F-169
6.3	The risk management framework	F-170
6.4	Risk assessment	F-172
7	Governance	F-180
7.1	Remuneration of the members of the Board of Directors	F-180
7.2	Related parties	F-180
7.3	Remuneration of auditors	F-183
8	Employee benefits	F-184
8.1	Post-employment benefits	F-185
8.2	Other long-term employee benefits	F-189
8.3	Termination benefits	F-189

Notes to the consolidated statement of financial position

9	Financial investments	F-190
9.1	Investments held to maturity	F-193
9.2	Investments available for sale	F-194
9.3	Investments held at fair value through profit or loss	F-197
9.4	Derivatives held for trading (assets)	F-198
10	Derivatives	F-199
11	Investment property	F-202
12	Loans	F-205
13	Investments in associates	F-208
14	Reinsurance and other receivables	F-209
15	Accrued interest and other assets	F-210
16	Property held for own use	F-211
17	Intangible assets	F-214
18	Liabilities arising from Life insurance contracts	F-216
19	Liabilities arising from Life investment contracts	F-217
20	Liabilities arising from Unit-linked contracts	F-218
21	Liabilities arising from Non-life insurance contracts	F-219
22	Borrowings	F-221
23	Deferred tax assets and liabilities	F-223
24	Other liabilities	F-225

25	Provisions	F-226
26	Fair value of financial assets and financial liabilities	F-227
	Notes to the consolidated income statement	
27	Insurance premiums	F-228
28	Interest and other investment income	F-231
29	Realised and unrealised gains and losses	F-232
30	Investment income arising from unit-linked contracts	F-233
31	Share in result of associates	F-234
32	Fee and commission income	F-235
33	Other income	F-236
34	Insurance claims and benefits	F-237
35	Finance costs	F-238
36	Change in impairments	F-239
37	Fee and commission expenses	F-240
38	Staff expenses	F-241
39	Other expenses	F-242
40	Income taxes	F-243
41	Share in results attributable to non-controlling interests	F-245
	Notes to items not recognised on the consolidated statement of financial position	
42	Collateral and commitments given	F-246

The Board of Directors has approved these 2014 Consolidated Financial
Statements for distribution on 27 February 2015

Consolidated statement of financial position

	Note	31 December 2014	31 December 2013
Assets			
Cash and cash equivalents	4	798,7	685,9
Financial investments	9	54.840,3	49.268,0
Investment property	11	2.607,6	2.332,3
Loans	12	5.269,3	4.712,0
Investments related to unit-linked contracts		6.713,3	6.399,9
Investments in associates	13	342,2	305,8
Reinsurance and other receivables	14	789,1	782,8
Current tax assets		6,8	52,6
Deferred tax assets	23	24,6	17,7
Accrued interest and other assets	15	1.445,2	1.522,3
Property held for own use	16	1.040,4	1.001,2
Intangible assets	17	382,3	351,9
Assets held for sale			
Total Assets		74.259,9	67.432,3
Liabilities			
Liabilities arising from life insurance contracts	18	24.423,2	22.071,8
Liabilities arising from life investment contracts	19	26.448,5	24.695,5
Liabilities arising from unit-linked contracts	20	6.713,3	6.399,9
Liabilities arising from non-life insurance contracts	21	3.710,0	3.552,3
Subordinated liabilities	3	1.233,1	1.177,1
Liabilities held for trading		48,9	4,5
Borrowings	22	1.978,2	1.907,3
Current tax liabilities		35,1	39,3
Deferred tax liabilities	23	1.418,2	1.045,3
Other liabilities	24	1.743,1	1.497,7
Provisions	25	20,2	16,5
Liabilities related to assets held for sale			
Total Liabilities		67.771,7	62.407,2
Shareholder's equity	3	6.251,5	4.902,0
Non-controlling interests			123,0
Total Equity		6.488,2	5.025,1
Total Liabilities and Equity		74.259,9	67.432,3

The accompanying Notes are an integral part of these Consolidated Financial Statements

Consolidated income statement

	Note	2014	2013
Income			
Gross written premiums		5.444,1	5.393,5
Change in unearned premium reserve		-5,8	-3,8
Ceded earned premiums		-77,0	-70,3
Earned premiums, net of reinsurance	27	5.361,3	5.319,5
Interest and other investment income	28	2.551,1	2.498,1
Realised and unrealised gains and losses	29	264,1	162,2
Investment income related to unit-linked contracts	30	541,8	377,1
Share in result of associates	31	-1,0	-1,7
Fee and commission income *	32	134,3	138,0
Other income	33	112,2	125,9
Total income		8.963,8	8.619,1
Expenses			
Insurance claims and benefits, gross		-5.955,6	-5.718,3
Insurance claims and benefits, ceded		127,9	26,2
Insurance claims and benefits, net of reinsurance	34	-5.827,7	-5.692,1
Charges related to unit-linked contracts *		-577,1	-430,6
Finance costs	35	-120,4	-97,5
Change in impairments	36	-20,9	-46,6
Change in provisions	25	-3,3	-1,0
Fee and commission expense	37	-630,3	-624,7
Staff expenses	38	-491,2	-474,0
Other expenses	39	-662,5	-639,1
Total expenses		-8.333,2	-8.005,6
Profit before income taxes		630,6	613,5
Income tax expense	40	-101,0	-161,5
Net profit for the period		529,6	452,1
Less: net profit attributable to non-controlling interests	41	-7,4	-5,5
Net profit attributable to shareholders		522,2	446,6

* restated for comparative purposes

The accompanying Notes are an integral part of these Consolidated Financial Statements

Consolidated statement of comprehensive income

	Note	2014	2013
Net profit for the period		529,6	452,1
Items that subsequently will not be reclassified to profit or loss:			
Remeasurement of defined benefit liabilities	8	-73,2	24,0
Income tax		24,9	-8,2
Items that subsequently will not be reclassified to profit or loss, net		-48,3	15,8
Items that subsequently may be reclassified to profit or loss:			
Changes in revaluation of investments available for sale	9	4.326,0	-1.212,4
Changes in shadow accounting	18-19-21	-2.914,1	741,0
Changes in revaluation of cash-flow hedges	10	-1,6	8,9
Changes in revaluation originating at associates		-19,6	1,4
Changes in revaluation of investments held to maturity	9	0,3	0,4
Other changes		4,8	
Income tax	40	-455,9	226,3
Items that subsequently may be reclassified to profit or loss, net		939,9	-234,3
Other comprehensive income for the period		891,6	-218,5
Total comprehensive income for the period		1.421,2	233,6
Less: comprehensive income attributable to non-controlling interests		-8,7	-5,6
Total comprehensive income for the period, attributable to shareholders		1.412,5	228,0

The accompanying Notes are an integral part of these Consolidated Financial Statements

Consolidated statement of changes in equity

	Share capital	Share premium reserve	Retained earnings	Unrealised gains and losses	Shareholders' equity	Non-controlling interests	Total equity
Balance on 1 January 2013	526,6	231,5	2.381,4	2.159,7	5.299,1	129,5	5.428,6
Net profit			446,6		446,6	5,5	452,1
Other comprehensive income				-218,6	-218,6	0,2	-218,5
Total comprehensive income			446,6	-218,6	228,0	5,6	233,6
Dividends			-624,5		-624,5	-5,7	-630,2
Acquisitions and other changes			-0,6		-0,6	-6,3	-6,9
Total contributions by (distributions to) owners			-625,1		-625,1	-12,0	-637,1
Balance on 31 December 2013	526,6	231,5	2.202,9	1.941,0	4.902,0	123,0	5.025,1
Net profit			522,2		522,2	7,4	529,6
Other comprehensive income				890,3	890,3	1,3	891,6
Total comprehensive income			522,2	890,3	1.412,5	8,7	1.421,2
Dividends			-223,3		-223,3	-21,5	-244,8
Acquisitions and other changes			160,2		160,2	126,5	286,7
Total contributions by (distributions to) owners			-63,1		-63,1	105,0	41,9
Balance on 31 December 2014	526,6	231,5	2.662,1	2.831,2	6.251,5	236,7	6.488,2

The accompanying Notes are an integral part of these Consolidated Financial Statements

Consolidated cash flow statement

	Note	2014	2013
Profit before taxation		630,6	613,5
Adjustments to non-cash items included in profit before taxation:			
(Un)realised gains (losses)	29	-293,4	-152,7
Share in result of associates	31	1,0	1,7
Depreciation, amortisation and accretion	39	592,4	587,2
Impairments	36	20,9	46,6
Provisions	25	3,3	1,0
Changes in operating assets and liabilities:			
Derivatives held for trading (assets and liabilities)	10	49,5	31,5
Loans	12	-373,5	-805,8
Reinsurance and other receivables	14	33,9	-42,5
Investments related to unit-linked contracts	20	-313,5	-364,7
Borrowings	22	-27,8	250,4
Liabilities arising from insurance and investment contracts *	18-19-21	1.310,3	997,9
Liabilities related to unit-linked contracts	20	307,1	340,6
Net changes in all other operational assets and liabilities *		-323,6	-688,2
Dividend received from associates		6,0	6,8
Income tax paid		-175,6	-152,4
Cash flow from operating activities		1.447,6	670,9
Purchases of financial investments	9	-5.893,3	-5.012,6
Proceeds from sales and redemptions of financial investments	9	5.183,5	4.778,4
Purchases of investment property	11	-107,0	-212,0
Proceeds from sales of investment property	11	29,3	116,3
Purchases of property, plant and equipment	16	-91,8	-69,9
Proceeds from sales of property, plant and equipment	16	0,7	3,0
Acquisition of subsidiaries and associates	2	-221,5	-204,8
Divestments of subsidiaries and associates	2	88,4	118,2
Purchases of intangible assets	17	-24,3	-17,8
Proceeds from sales of intangible assets		0,3	
Cash flow from investing activities		-1.035,6	-501,2
Proceeds from the issuance of subordinated liabilities	3		869,6
Payment of subordinated liabilities	3		-562,2
Proceeds from the issuance of other borrowings	22	4,4	4,7
Payment of other borrowings	22	-58,8	-54,7
Dividends paid to parent company shareholders		-223,3	-624,5
Dividends paid to non-controlling interests		-21,5	-5,7
Cash flow from financing activities		-299,1	-372,8
Net increase (decrease) of cash and cash equivalents		112,8	-203,1
Cash and cash equivalents on 1 January	4	685,9	889,0
Cash and cash equivalents on 31 December	4	798,7	685,9

<i>Supplementary disclosure of operating cash flow information</i>	<i>Note</i>	<i>2014</i>	<i>2013</i>
Interest received	28	1.970,4	1.966,8
Dividend received from financial investments	28	91,2	83,2
Interest paid	28	-112,0	-107,1

* restated for comparative purposes

General Notes

The accompanying Notes are an integral part of these Consolidated Financial Statements

1 Summary of significant accounting policies

We have prepared these Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS) applicable as at 31 December 2014, as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU).

We did not need using the carve-out option set by the EU, which would have allowed us to exclude certain hedge accounting principles required by IAS 39.

1.1 Basis of presentation

We have prepared the Consolidated Financial Statements on a going concern basis. We present the Consolidated Financial Statements in (millions of) euros, our functional currency.

The following IFRS are particularly relevant to our activities:

- IFRS 4 for insurance contract liabilities
- IAS 39 (as endorsed by the EU) for financial instruments
- IFRS 7 for the disclosure of financial instruments
- IAS 23 for loans
- IAS 40 for investment property
- IAS 16 for property held for own use
- IAS 38 for intangible assets
- IAS 36 for impairments
- IFRS 13 for fair values

Current year accounting policies are consistent with those applied last year.

1.2 New accounting standards and accounting changes

In the following paragraphs, we provide an overview of new or revised standards, interpretations and amendments endorsed by the EU that became effective as of 1 January 2014 and that may have implied a potential impact on these Consolidated Financial Statements:

IFRS 10 Consolidated Financial Statements

IFRS 10 Consolidated Financial Statements outlines the requirements for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It defines the principle of control and establishes control as the determining factor in whether an entity should be included within the financial statements of the parent company.

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation — Special Purpose Entities.

We have analysed the impact of this IFRS on our consolidation scope and we concluded that no adjustments were required.

IFRS 11 Joint Arrangements

IFRS 11 Joint Arrangements establishes financial reporting principles for investors in joint arrangements. The core principle is that a party to a joint arrangement determines the type of arrangement in which it is involved by assessing its rights and obligations, and accounts for those rights and obligations accordingly.

IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers.

We have analysed the impact of this IFRS on our Consolidated Financial Statements and we concluded that no adjustments were required.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the disclosure requirements for interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities. Its objective is to require an entity with any such interests to disclose information that enables users of financial statements to evaluate:

- the nature of, and risks associated with, its interests in other entities;
- the effect of those interests on its financial position, financial performance and cash flows.

This standard replaces and integrates the disclosure requirements on interests in other entities, as previously included in several standards.

This IFRS enhanced disclosure requirements to a limited extent.

IFRIC Interpretation 21 – Levies

This interpretation addresses how an entity should account for liabilities to pay levies imposed by governments (other than income taxes), particularly when the entity should recognise a liability for a levy.

This interpretation did not have any effect on these Consolidated Financial Statements.

Other amendments or clarifications

Other, less significant amendments or clarifications to existing IFRS have had no impact on these Consolidated Financial Statements.

1.3 Forthcoming changes in IFRS

There are no relevant new or revised standards that we need to apply starting 1 January 2015.

We do not expect the final version and EU endorsement of relevant new or revised IFRS standards, such as IFRS 4 on insurance contracts, IFRS 9 on financial instruments and IAS 17 on leases, to become applicable in the next two years.

1.4 Use of estimates

The preparation of our Consolidated Financial Statements in accordance with IFRS requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the reported amounts of revenues and expenses during the reporting period. In general, we have used consistent estimates and methods since the introduction of IFRS in 2005. Each estimate carries a significant risk of material adjustment (positive or negative) to the carrying amounts of assets and liabilities during the next year.

Significant estimates and assumptions affect the specific items listed below.

- Insurance contract liabilities:
 - Life:
 - actuarial assumptions
 - prospective yield curve used in liability adequacy test
 - Non-life:
 - liabilities for (incurred but not reported) claims
 - ultimate claim settlement expense
- Financial instruments:
 - Level 2 fair value:
 - valuation model
 - inactive markets
 - Level 3 fair value:
 - valuation model
 - unobservable inputs
 - inactive markets
- Property: useful life and residual value
- Deferred tax assets: amount and timing of future taxable income
- Defined benefit pension obligations
 - Actuarial assumptions
 - Discount rate
- Provisions: best estimate

The notes to the Consolidated Financial Statements provide a detailed description of these estimates and assumptions and their effect on reported figures.

1.5 Basis of consolidation

The Consolidated Financial Statements include the accounts of AG Insurance sa-nv, the parent company, and its subsidiaries.

Subsidiaries are entities which financial and operating policies AG Insurance substantively controls, either directly or indirectly. When assessing control, we consider the existence and effect of potential voting rights that are substantive in nature, even if we have yet to exercise these rights.

We consolidate subsidiaries as of the date that effective control transfers to us, until the date that control ceases.

We recognise any gains or losses on the sale of a portion of ownership interest in a subsidiary:

- as equity transaction (i.e. transaction with owners in their capacity as owner), if there is no change in control, or
- in the income statement, calculated on the total participation, if there is loss of control. We then measure the residual interest of the participation at fair value at the time we lose control.

We set up, market and manage investment funds that represent a significant share of our unit-linked business. We manage these funds according to narrowly defined parameters set out in the investment mandate, in compliance with all applicable laws, rules and regulations. While the interests we hold in these funds expose us to variable returns, our remuneration is commensurate with services rendered, and our fee structure is market-based. We nevertheless remain exposed to significant insurance risk resulting from the death covers we provide in these products. Accordingly, we recognise the investments in these funds on the Statement of financial position where we measure these funds at fair value.

Non-controlling interests in the net assets and net results of consolidated subsidiaries show up separately on the Statement of Financial Position and Income Statement. On the acquisition date, we measure non-controlling interests at the fair value of the non-controlling interests' share of net assets or the present ownership's instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. We make the most appropriate accounting policy choice on a transaction-by-transaction basis. Subsequent to the acquisition date, non-controlling interests include the amount calculated on the acquisition date and the non-controlling interests' share of changes in equity since the acquisition date.

Investments in entities in which we do not have full control are accounted for using the equity method.

We eliminate all significant intercompany transactions (balances and gains and losses on transactions between group entities).

1.6 Measurement bases

1.6.1 Financial assets

Classification

We determine the appropriate classification of financial assets on the acquisition date. Accordingly, we classify as:

- Held-to-maturity: debt securities that we intend and are able to hold until maturity and that we do not classify in another category.
- Available-for-sale: listed securities that we intend to hold for an indefinite period and which we nevertheless may sell in response to liquidity needs or changes in interest rates, exchange rates or equity prices.
- Loans and receivables: unquoted debt securities that we have, upon initial recognition, not designated as held-for-trading or as available-for-sale.
- Financial assets held at fair value through profit or loss:
 - Financial assets acquired for unit-linked contracts on behalf of policyholders. We designate these as held at fair value upon initial recognition.
 - Derivatives other than those we designate and that are effective as hedging instruments. We classify these as held-for-trading.

Measurement

We measure held-to-maturity investments at amortised cost less allowances for impairment. At initial recognition, we measure held-to-maturity investments at fair value including transaction costs and initial premiums or discounts. We record revenue using the effective interest rate method and recognise periodic amortisation and impairment losses in the income statement.

We measure available-for-sale investment securities at fair value. Changes in fair value appear in other comprehensive income until we dispose of the security, at which time we recycle the accumulated fair value changes through the income statement. We recognise revenue from debt securities using the effective interest rate method. We recognise periodic amortisation and impairment losses in the income statement and recognise dividends received as income upon receipt.

We carry loans and receivables at amortised cost less allowances for impairment. At initial recognition, we measure loans and receivables at fair value including transaction costs and initial premiums or discounts. We recognise revenue using the effective interest rate method. We recognise periodic amortisation and impairment losses in the income statement.

We carry held-for-trading assets (derivatives, mainly) and assets designated as held at fair value through profit or loss at fair value whereby we recognise changes in fair value in the income statement under the heading 'Realised and unrealised gains and losses'. Interest received on assets held for trading appears under the heading 'Interest income'.

We include transaction costs in the initial measurement of financial assets other than those we measure at fair value through profit or loss, in which case we immediately expense transaction costs. Transaction costs refer to incremental costs directly attributable to the acquisition or disposal of a financial asset. They include fees and commissions paid to agents, advisers, brokers and dealers, levies imposed by regulatory agencies and securities exchanges as well as transfer taxes and duties.

Impairments

We impair available-for-sale securities if:

- there is objective evidence of impairment as a result of one or more events (loss events or triggers, e.g. significant financial difficulty of the issuer) that have occurred after the initial recognition of the asset, and
- that loss event has an impact on the estimated future cash flows of the financial asset (or group of financial assets) that we can reliably estimate.

We transfer unrealised losses previously recognised in equity to the income statement when the impairment occurs.

For equity securities, the triggers for determining whether there is objective evidence of impairment include, amongst others, the consideration whether the fair value is significantly (25%) below the carrying value or has been below the carrying value for a prolonged period (four consecutive quarters) on the date of the Statement of financial position.

Subsequent decreases in the fair value of equity securities that we have impaired appear in the income statement, while we recognise in other comprehensive income subsequent increases in the fair value of equity securities we have impaired.

In a subsequent period, if the fair value of a debt instrument increases and we can objectively relate the increase to an event occurring after the recognition of an impairment loss, the impairment is reversed through impairments of investment (net) in the income statement. Other positive revaluations of debt instruments appear in other comprehensive income.

1.6.2 Investment property and property held for own use

Classification

Property classified as held for own use includes:

- office buildings that we occupy, and
- commercial buildings that we use to operate a business (such as car parks)

The heading 'Investment property' includes all other properties.

Measurement

For comparability purposes, we have selected the cost model for both investment property and property held for own use.

Accordingly, we carry all property at cost (including initial direct costs) less accumulated depreciation and accumulated impairments. As a result, changes in the fair value of property are neither recognised in the income statement (except for impairment losses) nor in other comprehensive income.

We do not depreciate land. We calculate depreciation of buildings using the straight-line method over the expected useful life of the individual components, as detailed below. We assume zero residual value by default.

- Structure: 50 years for offices, car parks and retail, 70 years for residential
- Envelope: 30 years for offices and retail, 40 years for residential
- Techniques and equipment: 15 years for car parks, 20 years for offices, 25 years for retail, 40 years for residential
- Major finishing: 15 years for car parks, 20 years for offices, 25 years for retail, 40 years for residential
- Light finishing: 10 years for offices, retail and residential

Impairments

We impair a property when its carrying amount exceeds its recoverable amount, which is the highest of fair value (based on observable or non-observable market data) less costs to sell, or its value in use based upon its highest and best use. At the end of each reporting period, we assess whether there is any indication that a property may be impaired, considering various external (e.g. significant changes in the economic environment) and internal (e.g. plans to dispose of the property) sources of information. If any such indication exists (and only then), we estimate the property's recoverable amount. Impairment losses appear in the income statement. After impairment recognition, we adjust the depreciation for future periods based on the revised carrying amount less its residual value over its remaining useful life. We determine the useful life of property for each significant part separately (component approach) and review it at year-end.

If, in a subsequent period, the impairment loss changes and we can objectively relate this change to an event occurring after the impairment was recognised, we reverse the previously recorded impairment loss in the income statement.

1.6.3 Investments in associates

Associates are investments where we have significant influence, but not control or joint control, over the financial and operating policy decisions of the entities.

We account for investments in associates using the equity method. We initially record the investment as our share of the associate's net assets. Subsequently, we recognise our share of net income for the year in the income statement under 'Share in results of associates', and our share in the associate's post-acquisition direct equity movements in other comprehensive income. Distributions received from associates reduce the carrying amount of the investment.

We eliminate gains on transactions between AG Insurance and investments accounted for using the equity method to the extent of our interest. We also eliminate losses unless the transaction provides evidence of impairment of the asset transferred. We recognise losses until the carrying amount of the investment is zero. We provide for any additional losses only to the extent that we have incurred legal or constructive obligations or made payments on behalf of the associate.

1.6.4 Intangible assets

An intangible asset is an identifiable non-monetary asset. We only recognise an intangible asset if, and only if, it will provide future economic benefits and we can measure the cost of the asset reliably.

We recognise car park service concessions as intangible assets when we have the right to charge for usage of the concession infrastructure. We measure an intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement at fair value on initial recognition. We determine fair value by reference to the fair value of the construction or upgrade services provided. Subsequent to initial recognition, we measure the intangible asset at cost less accumulated amortisation and impairment losses.

Licenses, intangible assets with definite lives (such as car park concessions), and internally developed software that is not an integral part of the related hardware are amortised over their useful life using the straight-line method. We recognise impairment losses in the income statement.

The estimated useful life of an intangible asset in a service concession arrangement is the period that starts at the time we are able to charge for the use of the infrastructure until the end of the concession period.

Impairment principles for car park concessions are the same as those applicable to investment properties, as described above.

As goodwill is an intangible asset with an indefinite useful life, it cannot be amortised. We test our goodwill for impairment at least annually.

1.6.5 Financial liabilities

Financial liabilities are measured initially at fair value less transaction costs, then subsequently carried at amortised cost using the effective interest method (corrected for any difference between net proceeds and the redemption value), with periodic amortisation recognised in the income statement.

We offset financial assets and liabilities and report the net amount in the Statement of financial position if we have a legally enforceable right of set-off and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.6.6 Repurchase agreements

We retain any securities sold subject to a commitment to repurchase them (a 'repo') on our balance sheet as substantially all the risks and rewards of ownership remain with us. We neutralise the proceeds received from such sales by recognising a corresponding financial liability, classified under the heading 'Borrowings' in the Statement of financial position.

1.6.7 Liabilities arising from insurance and investment contracts

Classification of contracts

We classify policyholder liabilities based on the underlying insurance contract features and the specific risks of these contracts:

- insurance contracts, that transfer significant insurance risk
- investment contracts with discretionary participation features (DPF), that transfer financial risk and include profit sharing
- investment contracts without DPF, that transfer financial risk but do not include any profit sharing

Life contracts may contain any of these three categories, while non-life contracts are generally insurance contracts.

We classify discretionary participation features pertaining to current and prior years as a liability (see shadow accounting below).

In rare cases where determining whether insurance risk is significant would be considered judgmental, we unbundle the insurance and investment components, allowing us to measure both separately. We do not unbundle insurance contract components for any other reason.

Measurement

We account for both insurance contracts and investment contracts with DPF in accordance with IFRS 4. Investment contracts follow IAS 39.

For Life insurance contracts, we calculate future policy benefit liabilities using the net level premium method (present value of future net cash flows) based on actuarial assumptions as determined by experience and in accordance with the Belgian accounting legislation applicable to insurance entities (RD of 17 November 1994).

We measure the financial component of insurance contracts with a guaranteed return at amortised cost. We further globally recognise additional liabilities on designated contracts when we are of the opinion that market interest rates, in combination with locked-in assumed investment returns, would fall short to cover the guaranteed return. In forthcoming cases, we calculate the additional liabilities as the difference between the present value and the carrying amount of the guaranteed amounts.

Participating policies also give rise to additional liabilities reflecting contractual dividends or other participation features.

Non-participating insurance and investment contracts are primarily unit-linked contracts where we hold the investments on behalf of the policyholder and measure them at fair value. We measure the liabilities for such contracts at unit value (i.e. fair value of the fund in which the unit-linked contracts are invested divided by the number of units in the fund) with changes in fair value recognised in the income statement. Fair value is never less than the amount payable on surrender (if applicable), discounted for the required notice period where applicable. We account for deposits and withdrawals directly in the statement of financial position as

adjustments to the liability, without affecting the income statement. Certain products contain embedded options or guarantees that we also measure at fair value and include in policyholder liabilities, with the change in fair value recognised in the income statement. We measure insurance risks based on actuarial assumptions.

For Non-Life insurance, we charge claims and claim adjustment expenses to the income statement as incurred. Unpaid claims and claim adjustment expenses include estimates for reported claims and provisions for claims incurred but not reported. Our estimates for claims incurred but not reported are based on experience, current claim trends and the prevailing social, economic and legal environments. We base the liability for Non-life insurance claims and claim adjustment expenses on estimates of expected losses (after taking into account reimbursements, recoveries, salvage and subrogation), reflecting management's judgement on anticipated levels of inflation, claim handling costs, legal risks and trends in compensatory damage awards. We do not discount claim liabilities other than for claims with determinable and fixed payment terms. In forthcoming cases, we base discounting on actuarial assumptions as determined by experience and industry standards.

Liability Adequacy Test

We perform 'Liability Adequacy Tests' at each reporting date to ensure that our insurance liabilities are adequate and above a set floor. For the purpose of the test, we aggregate products on a legal fungible level (asset pool level) for Life and on a homogeneous product group level for Non-Life. We determine contractual cash flows, including related cash flows such as (re)investment returns and expenses, based on current best estimates. For Life Insurance contracts, the tests include cash flows resulting from embedded options and guarantees. We determine the present value of these cash flows using a risk-free discount rate, allowing for an illiquidity premium, and further assume convergence to an ultimate forward rate ten years after the last liquid point (twenty years). We recognise shortfalls immediately, in the income statement, either as impairment of value of business acquired, deferred acquisition costs or as loss.

Deferred acquisition costs (DAC)

In order to match revenues and related charges, we defer and subsequently amortise the upfront costs of acquiring new Life insurance business, primarily variable commissions to brokers and other acquisition expenses. Periodically, we assess DAC recoverability based on estimates of future profits of the underlying contracts.

For Life insurance and investment products, both without discretionary participation features, we amortise DAC in proportion to expected premiums over the remaining lifetime of the policy. We estimate these future premiums at the time of policy issuance and consistently apply the same assumptions over the lifetime of the contract.

For Life insurance and investment products, both with discretionary participation features, we amortise DAC over the expected life of the contracts based on the present value of the estimated gross profit margin or profit amounts using the expected investment yield. Estimated gross profit margin includes expected premiums and investment results less benefits and administrative expenses, changes in net level premium reserves and expected policyholder benefits, as appropriate. When significant, we adjust DAC to reflect unrealised gains (losses) recognised in other comprehensive income (shadow DAC). We recognise the related adjustment also in other comprehensive income.

We recognise variances between projected and actual results in the income statement the year they occur.

Shadow accounting

We classify the majority of financial assets (debt and equity securities) as 'Available for sale' and measure them at fair value, recognising unrealised gains and losses in other comprehensive income. For contract portfolios where the realisation of gains and losses has a direct impact on the measurement of policyholder liabilities, we apply shadow accounting in order to provide for an adequate matching of unrealised gains and related charges. This means that unrealised gains and losses on available-for-sale financial assets affect the

measurement of policyholder liabilities in the same way that realised gains or losses would. We therefore recognise the related adjustments (deferred participation liabilities) to policyholder liabilities in other comprehensive income, to the extent that we recognise, in other comprehensive income, unrealised gains and losses on the related available-for-sale investments. We do not recognise net deferred participation assets, as the current legislation does not allow us to recover losses from policyholders unconditionally.

1.7 Fair value of financial instruments

Definition and principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The fair value presented is the 'clean' fair value, which excludes accrued interest and transaction costs. We classify accrued interest separately.

The fair value of a liability or own equity instrument reflects the effect of non-performance risk. Non-performance risk includes, but may not be limited to, the entity's own credit risk. If we initially measure an asset or a liability at fair value and the transaction price differs from this fair value, we will recognise the resulting gain or loss in profit or loss unless IFRS specify otherwise.

Our base principles for estimating fair value are as follows:

- Maximise relevant observable (market) inputs and minimise the use of unobservable inputs (such as internal estimates and assumptions).
- Change estimating techniques only if an improvement can be demonstrated or if a change is necessary because of changes in market conditions or in the availability of information.

Fair value hierarchy

We categorise fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements:

- Level 1: Fair values measured using quoted prices (unadjusted) in active markets, which means that quoted prices are readily and regularly available and reflect actual and regularly occurring market transactions on an arm's length basis.
- Level 2: Fair values measured using inputs other than quoted prices included within level 1 that are observable, either directly (i.e. prices) or indirectly (i.e. derived from prices, such as interest or exchange rates).
- Level 3: Fair values measured using inputs that are not (completely) based on observable data. We consider unobservable data to have a significant effect if the quantitative effect of all unobservable data combined represents more than 20% of the overall fair value.

When assigning a level in this hierarchy, we categorise the fair value measurement in its entirety based on the lowest level input that is significant to the entire measurement.

Level 2 and level 3 fair value measurements usually require the use of valuation techniques.

Quoted prices

When a financial instrument trades in an active and liquid market, its quoted (principal) market price or value provides the best evidence of fair value. We do not adjust the fair value of large holdings of shares, unless there is a binding agreement to sell the shares at a price other than the market price. The appropriate quoted market price for an asset is the current bid price, and for a liability the ask price. We use mid-market prices as a basis for establishing the fair value of assets and liabilities with offsetting market risks.

If there is a significant decrease in the volume or level of activity for the asset or liability, we review the transactions or quoted prices and may change to an alternative valuation technique or multiple valuation techniques (e.g. present value techniques) as a result.

Valuation techniques

If no active market price is available, we estimate fair values using present value or other valuation techniques based on market conditions existing on the reporting date. If market participants commonly use a certain valuation technique to price an instrument and that technique has demonstrated its ability to provide reliable estimates of prices obtained in actual market transactions, we apply that technique.

Well-established valuation techniques in financial markets include recent market transactions involving identical or comparable assets or liabilities, discounted expected cash flows (including option-pricing models) and current replacement cost. An acceptable valuation technique incorporates all factors that market participants would consider when setting a price, and should be consistent with accepted economic methodologies for pricing financial instruments.

Dealers or other intermediaries that provide market prices often trade in non-exchange-traded level 2 financial instruments in over-the-counter (OTC) markets. Various sources provide quotations for many financial instruments regularly traded in the OTC market. Those sources include the financial press, various publications and financial reporting services, and individual market makers.

Methods and assumptions

In determining the fair value of financial instruments for subsequent measurement or for disclosure purposes, we use the following methods and assumptions:

- Financial instruments classified as available-for-sale or held at fair value through profit or loss: we determine fair values using market prices from active markets. If no quoted prices are available from an active market, we determine fair value using discounted cash flow models. We base discount factors on the swap curve plus a spread reflecting the risk characteristics of the instrument. We determine fair values for financial instruments held to maturity (required for disclosure only) in the same way.
- Derivative financial instruments: we obtain fair values from active markets or we determine them using discounted cash flow models and option pricing models. Factors that influence the valuation of an individual derivative include the counterparty's credit rating and the complexity of the derivative. If these factors differ from the basic factors underlying the quote, an adjustment to the quoted price may be considered. Common valuation methodologies for an interest rate swap incorporate a comparison of the yield of the swap with the current swap yield curve. We derive the swap yield curve from quoted swap rates. Dealer bid and offer quotes are generally available for basic interest rate swaps involving counterparties whose securities are investment-grade.
- Unquoted private equity investments: we estimate fair values using applicable market multiples (e.g. price/earnings or price/cash flow ratios) adjusted to reflect the particularities of the issuer.
- Borrowings and issued subordinated loans: we determine fair values using discounted cash flow models based upon our current incremental lending rates for similar type loans. For variable-rate loans that re-price frequently and have no significant change in credit risk, we approximate fair values by using the carrying amount. We use option-pricing models to value caps and prepayment options embedded in loans that we have unbundled.
- We determine the fair value of off-balance sheet commitments and guarantees based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing.

The relevant notes to the Consolidated Financial Statements provide further information on these methods and assumptions.

1.8 Changes in foreign exchange rates

We account for foreign currency transactions using the exchange rate on the date of the transaction.

We translate monetary items at current exchange rates at the end of the reporting period, recognising exchange differences in the income statement. However, when we report gains or losses on monetary items in other comprehensive income, such as with securities classified as available-for-sale, we recognise the exchange component relating to these gains or losses in other comprehensive income as well.

We translate non-monetary items that we measure at fair value using the exchange rate on the date that we determine the fair values, usually at the end of the reporting period. We recognise the resulting exchange gains or losses in the income statement when we recognise the gain or loss in the income statement and in other comprehensive income when we recognise the gain or loss in other comprehensive income. We translate non-monetary items carried at historical cost using the historical exchange rate on the date of the transaction.

1.9 Revenue recognition

1.9.1 Gross premium income

Premium income when received

Premiums from Life insurance contracts and long-duration investment contracts with discretionary participation features are recognised as revenue when due. We recognise revenue over time, as the risk covered by the policy runs off. This is known as the 'deferral-matching approach', as it coordinates the timing of income and expense recognition so that both occur at the same time. We achieve this by establishing liabilities arising from insurance policies and investment contracts with discretionary participation features, and by deferring and subsequently amortising upfront expenses such as policy acquisition costs.

Premium income when earned

For short duration-type contracts (primarily Non-Life), we record premiums upon the inception of the policy. We recognise premiums in the income statement as earned on a pro-rata basis over the term of the related policy coverage. The unearned premium reserve represents the portion of the premiums written that relate to the unexpired terms of the coverage.

1.9.2 Interest income and expense

For all interest-bearing instruments, we recognise interest income and expense in the income statement on an accrual basis using the effective interest method. Interest income includes coupons earned on fixed and floating rate income instruments and the amortisation or accretion of the transaction costs, premium or discount.

Once we have written down a financial asset to its estimated recoverable amount, we subsequently recognise interest income based on the effective interest rate that we used to discount the future cash flows when measuring the recoverable amount, which is predominantly the effective yield at inception.

1.9.3 Realised and unrealised gains and losses

For financial instruments classified as available-for-sale, realised gains or losses on sales and divestments represent the difference between the proceeds received and the initial book value of the asset sold, minus any impairments recognised

in the income statement and after adjusting for the impact of any fair value hedge accounting. We record realised gains and losses on sales in the income statement under 'Realised and unrealised gains and losses'.

For financial instruments, including derivatives, measured at fair value through profit or loss, we recognise the difference between the carrying value at the end of the current reporting period versus the previous reporting period in the income statement under 'Realised and unrealised gains and losses'.

Upon derecognition or impairment of a financial asset, we remove the unrealised gains and losses previously recorded in other comprehensive income and recycle them through the income statement.

1.9.4 Fee and commission income

Contract revenues for unit-linked contracts consist of fees for providing investment and administration services. We recognise such fees over the period the related services are provided.

We treat loan-originating fees as an adjustment to the effective interest rate of the underlying financial instrument, measured at amortised cost.

We recognise fees relating to the issuance of a financial instrument measured at fair value through profit or loss as revenue upon initial recognition.

We recognise reinsurance commissions as earned, and reinsurance participation features as revenue upon receipt.

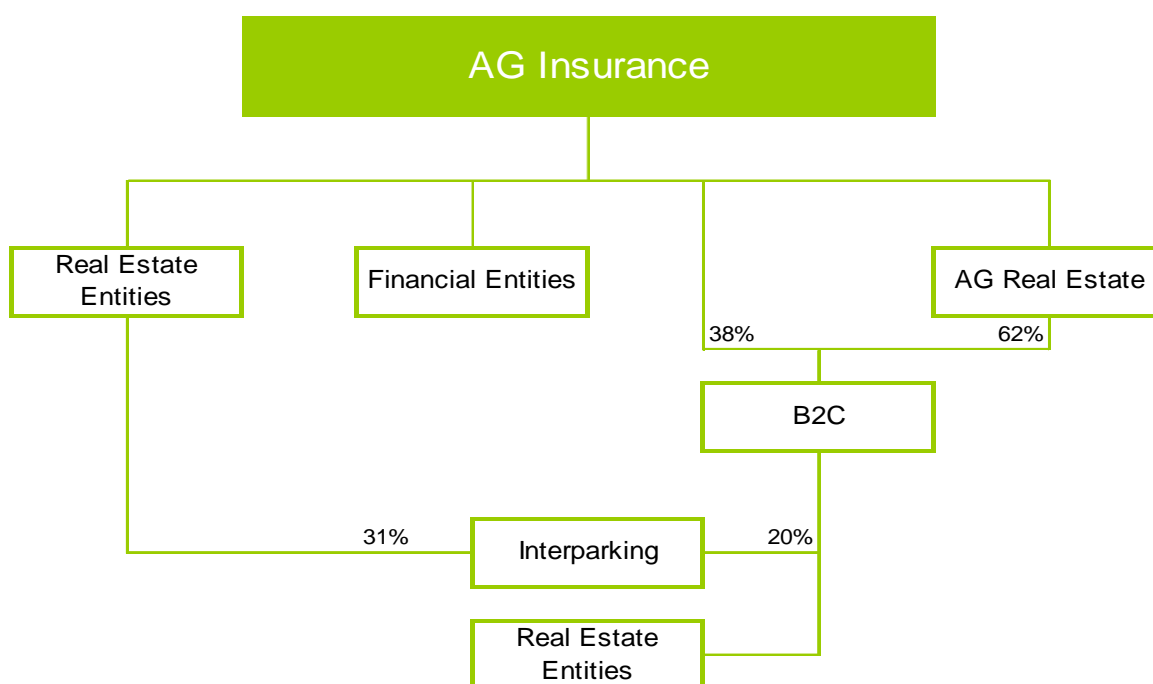
1.9.5 Rental income

We lease out investment property and certain properties held for own use under non-cancellable lease contracts that may contain renewal options. We nevertheless recognise rental income, net of lease incentives granted to lessees, on a straight-line basis over the initial lease term.

AG Insurance sa - nv (AG Insurance) is a Belgian regulated composite insurance company primarily active in providing life and non-life insurance solutions. Its headquarters are located at 53 boulevard Emile Jacqmain in Brussels (Belgium).

These consolidated financial statements include the financial statements of the parent company and all of its subsidiaries (Note 1.5 – Basis of consolidation).

In 2014, we slightly adapted the group structure when we reduced our share in Interparking (Note 3.2 – Non-controlling interests).



2.1 Shareholders

AG Insurance's ownership structure is as follows:

- Ageas International S.A./N.V., holding 75,00% of the company's total outstanding shares
- BNP Paribas Fortis S.A./N.V., holding 25,00% of the company's total outstanding shares.

No change in shareholders or in their shareholding occurred over the course of the year or in the previous year.

2.2 Acquisitions and disposals

The major acquisitions and disposals, detailed below, relate to real estate entities.

Current year acquisitions

On 15 April 2014, we acquired the Kievit group of real estate companies.

<i>Kievit</i>			
Assets		Liabilities	
Due from credit institutions	19,4	Borrowings	53,4
Investment property	195,0	Deferred tax liabilities	27,1
Other receivables	1,6	Other liabilities	4,1
Other intangibles	13,6	Total Liabilities	84,6
		Acquisition price	145,1
Total Assets	229,7	Total Liabilities and acquisition price	229,7

In December, we acquired Sofa Invest, a real estate entity.

<i>Sofa Invest</i>			
Assets		Liabilities	
Due from credit institutions	4,8	Borrowings	92,3
Investment property	143,2	Deferred tax liabilities	14,7
Other receivables	3,3	Other liabilities	2,3
Other intangibles	6,7	Total Liabilities	109,3
		Acquisition price	48,7
Total Assets	158,0	Total Liabilities and acquisition price	158,0

Current year disposals

On 23 July 2014 we concluded the sale of 80 % of Campus Cristal (Louvrèsse Development). We report the remaining 20% under the investments in associates.

<i>Louvrèsse</i>			
Assets		Liabilities	
Investment property	202,1	Borrowings	186,5
Other receivables	3,5	Deferred tax liabilities	0,8
Other assets	0,1	Other liabilities	7,7
		Total Liabilities	195,0
		Shareholders' equity	10,6
Total Assets	205,6	Total Liabilities and Shareholders' equity	205,6

Prior year acquisitions

<i>LaDolceVita</i>			
Assets		Liabilities	
Investment property	18,6	Borrowings	14,7
Other receivables	0,4	Deferred tax liabilities	0,6
Other intangibles	0,6	Other liabilities	0,2
		Total Liabilities	15,5
		Acquisition price	4,1
Total Assets	19,6	Total Liabilities and acquisition price	19,6

<i>Ceryx</i>			
Assets		Liabilities	
Investment property	46,4	Borrowings	34,6
Other receivables	2,6	Deferred tax liabilities	4,1
Other intangibles	2,4	Other liabilities	2,8
Other assets	0,1	Total Liabilities	41,5
		Acquisition price	10,0
Total Assets	51,5	Total Liabilities and acquisition price	51,5

Prior year disposals

While we have ceded control on both entities listed below, hence fully deconsolidating them, we have kept a 40% minority share that we report under the investments in associates.

<i>North Light</i>			
Assets		Liabilities	
Investment property	93,8	Borrowings	70,2
Other receivables	10,6	Deferred tax liabilities	10,0
Other intangibles	2,6	Other liabilities	0,8
Other assets	1,2	Total Liabilities	81,0
		Shareholders' equity	27,2
Total Assets	108,2	Total Liabilities and Shareholders' equity	108,2

<i>Pole Star</i>			
Assets		Liabilities	
Investment property	125,6	Borrowings	90,8
Other receivables	10,9	Deferred tax liabilities	12,5
Other intangibles	3,0	Other liabilities	5,0
		Total Liabilities	108,3
		Shareholders' equity	31,2
Total Assets	139,5	Total Liabilities and Shareholders' equity	139,5

Assets and liabilities from acquisitions and disposals

The table below highlights the changes in assets and liabilities, on the transaction date, resulting from the acquisition or disposal of subsidiaries.

<i>Net assets from acquisitions and disposals</i>	2014		2013	
	<i>Acquisition</i>	<i>Disposal</i>	<i>Acquisition</i>	<i>Disposal</i>
Cash and cash equivalents	24,6	0,6	0,8	0,1
Financial investments				
Investment property	341,2	202,1	64,4	219,5
Loans				
Investments related to unit-linked contracts				
Investments in associates	44,5	0,8	192,1	6,4
Reinsurance and other receivables	3,5	2,9	0,9	11,9
Current and deferred tax assets				
Accrued interest and other assets	2,8			10,6
Property held for own use	3,5	0,1		
Intangible assets	36,4		3,1	5,6
Borrowings	-153,9	-186,5	-49,2	-161,0
Current and deferred tax liabilities	-40,8	-4,3	-4,8	-23,2
Other liabilities	-15,5	-4,2	-1,6	-5,1
Provisions	-0,3			
Non-controlling interests				
Total net assets acquired/disposed of	246,0	11,5	205,7	64,8
Gain on disposals		77,5		53,4
Total purchase consideration/proceeds from sale	-246,0	89,0	-205,7	118,2
Less: Cash and cash equivalents acquired/disposed of	24,6	-0,6	0,8	-0,1
Cash used for acquisitions/received from disposals	-221,4	88,4	-204,9	118,1

We view a strong capital base as a source of competitive advantage and a key tool to support growth. Capitalisation levels must therefore appropriately reflect the specific characteristics of our lines of business, including commitments arising from agreements with partners.

Furthermore, to comply with current regulatory requirements, we must maintain a minimum level of qualifying capital relative to premiums collected for non-life insurance contracts and life insurance liabilities arising from insurance and investment contracts.

Under Solvency I, we target an aggregate solvency ratio of 200% of the minimum regulatory requirements at the total insurance level. Should available capital decrease below the target capital, earnings retention will assist in reaching the target. In the future, we will consider the latest solvency and capital projections (forward-looking view in the ORSA report) together with market parameters and alternative funding opportunities such as subordinated debt. Our Capital Management Policy documents the process required for achieving this goal.

3.1 Shareholders' equity

	31 December 2014	31 December 2013
Share capital	526,6	526,6
Share premium reserve	231,5	231,5
Retained earnings	2.662,0	2.202,9
Unrealised gains and losses	2.831,3	1.941,0
Shareholders' equity	6.251,4	4.902,0

AG Insurance's share capital amounts to EUR 526 604 028, represented by 631 286 fully paid ordinary shares with no par value. Share capital remained unchanged during this year as well as during last year.

Retained earnings represent accumulated earnings from prior years. Overall, the ability to distribute dividends is driven by the level of retained earnings as reported in the statutory accounts under Belgian accounting principles. In particular, retained earnings include the following amounts that are not available for dividend distribution:

- an unavailable reserve of EUR 233,2 million, incorporated into paid-up capital;
- a statutory legal reserve of EUR 52,7 million, capped at 10% of statutory capital, set up in accordance with Belgian Company Law.

Statutory retained earnings of consolidated subsidiaries also include EUR 109,1 million in statutory legal reserves that are not available for dividend distribution to their respective parent entities.

The consolidated statement of financial position is presented before profit attribution. The Board of Directors will propose a dividend of EUR 392,0 million at the General Assembly in 2015.

The next table segments unrealised gains and losses by component.

31 December 2014	Gross	Related income tax	Shadow accounting	Related income tax	Non-controlling interests	Total
Debt securities	7.549,3	-2.561,1	-3.505,0	1.191,3		2.674,5
Equity securities	497,8	-51,8	-230,6	78,4		293,8
Investments available for sale	8.047,1	-2.612,9	-3.735,6	1.269,7		2.968,3
Investments held to maturity	-16,2	5,5				-10,7
Cash flow hedges	-20,5	1,1			7,9	-11,5
Defined benefit liabilities	-158,1	53,7				-104,4
Associates	-10,6					-10,6
Total	7.841,7	-2.552,6	-3.735,6	1.269,7	7,9	2.831,1

31 December 2013	Gross	Related income tax	Shadow accounting	Related income tax	Non-controlling interests	Total
Debt securities	3.303,0	-1.122,0	-725,6	246,6		1.702,1
Equity securities	418,1	-44,3	-95,9	32,6		310,5
Investments available for sale	3.721,1	-1.166,2	-821,5	279,2		2.012,6
Investments held to maturity	-16,6	5,6				-10,9
Cash flow hedges	-18,9	0,9			9,2	-8,9
Defined benefit liabilities	-84,9	28,8				-56,0
Associates	4,2					4,2
Total	3.605,0	-1.130,9	-821,5	279,2	9,2	1.941,0

Note 9.2 – Investments available for sale analyses in more detail unrealised gains and losses on investments available for sale.

We have determined the unrealised losses on investments held to maturity (Note 9.1) at the time of their classification under this heading.

The line 'Cash flow hedges' accumulates changes in the fair value of derivatives that we designate and qualify as cash flow hedge. We nevertheless recognise any hedge ineffectiveness in the income statement.

The line 'Defined benefit liabilities' accumulates the remeasurement of defined benefit liabilities.

Changes in gross unrealised gains and losses	Available for sale investments	Held to maturity investments	Cash flow hedges	Defined Benefit Liabilities	Other	Total
Balance on 1 January 2013	4.933,4	-17,0	-27,7	-108,9	2,9	4.782,7
Changes during the year	-1.103,1		7,8	24,0	1,3	-1.070,0
Reversal due to sales	-113,0					-113,0
Reversal due to impairments	3,9					3,9
Other	-0,1	0,4	1,0			1,3
Balance on 31 December 2013	3.721,1	-16,6	-18,9	-84,9	4,2	3.605,0
Changes during the year	4.452,4		-3,5	-73,2	-14,8	4.360,9
Reversal due to sales	-126,9					-126,9
Reversal due to impairments	0,6					0,6
Other	-0,1	0,4	1,9			2,2
Balance on 31 December 2014	8.047,1	-16,2	-20,5	-158,1	-10,6	7.841,7

3.2 Non-controlling interests

Non-controlling interests represent the relative share of a third party – the minority shareholder – in the shareholders' equity of a consolidated group entity. The non-controlling interests under this heading relate to real estate subsidiaries, as this is a common feature in this sector.

On 18 November 2014, AG Real Estate finalised the sale of 39% of Interparking to CPP Investment Board European Holdings S.à.r.l.¹⁰ for a total consideration of EUR 380,0 million, hereby reducing its shareholding in Interparking to 50,95%. Retaining control of Interparking, we have recognized the net capital gain of EUR 183,7 million, realised on this transaction, directly in shareholders' equity.

At the same time, AG Real Estate granted an unconditional put option on its 10,05% ownership to Parkimo, the other minority shareholder of Interparking. Accordingly, we have measured the put option at fair value (EUR 88,1 million) and have classified the resulting liability under the heading 'Other liabilities' in the Statement of financial position. As a result of this reclassification, non-controlling interests decreased with EUR 62,2 million and shareholders' equity decreased with EUR 25,9 million.

In the table below, minority amounts may also include smaller minority shares at subsidiary level. Note 41 details the share in results attributable to non-controlling interests.

	31 December 2014		31 December 2013	
	Minority share	Minority amount	Minority share	Minority amount
Interparking	49,1 %	202,8	10,1 %	89,5
Venti M	40,0 %	29,2	40,0 %	30,0
Cortenbergh le Corrège	38,8 %	3,5	38,8 %	3,4
Centre 58	10,0 %	1,1		
Sicav RDT	0,1 %	0,1	0,1 %	0,1
Aperio	2,0 %		2,0 %	
Total		236,7		123,0

The table below provides summary financial information on Interparking, our more significant subsidiary with non-controlling interests.

<i>Interparking (consolidated)</i>	31 December 2014	31 December 2013
Non-Current Assets	1.234,9	1.184,4
Current Assets	72,6	72,8
Total assets	1.307,5	1.257,2
Shareholders' equity	530,1	651,2
Long term debt	374,7	226,0
Current liabilities	402,6	380,0
Total Liabilities and shareholders' equity	1.307,5	1.257,2
Total Revenues	373,7	345,9

¹⁰ A wholly owned subsidiary of Canada Pension Plan Investment Board

3.3 Subordinated liabilities

	31 December 2014	31 December 2013
Fixed-to-Floating Rate Callable Subordinated Notes	449,6	449,3
Fixed Rate Reset Perpetual Subordinated Notes	448,1	392,9
Hybrone I	335,4	334,9
Total Subordinated liabilities	1.233,1	1.177,1

On 18 December 2013, AG Insurance issued EUR 450,0 million Fixed-to-Floating Rate Callable Subordinated Notes (30,5 NC 10,5), maturing 18 June 2044. The Notes bear interest at a rate of 5,25% per annum until 18 June 2024 (the first call date), payable annually in arrears and thereafter at a floating interest rate (3 month EURIBOR + 4,136%) to be reset on the first call date and every three months thereafter, payable quarterly in arrears, subject to deferral as described below.

On 21 March 2013, AG Insurance issued USD 550,0 million in Fixed Rate Reset Perpetual Subordinated Notes (Perp NC 6). The Notes bear interest at a rate of 6,75% per annum until 21 March 2019 (the first call date), and thereafter at a fixed interest rate (the six-year USD mid swap rate plus 5,433%) to be reset on the first call date and on each sixth anniversary of the call date thereafter. Interest is payable semi-annually in arrears and in each year, subject to deferral as described below.

Interest payments on the two Notes issues described above are subject to deferral as follows:

- We must pay interest upon the occurrence of certain specified events such as the declaration of a dividend or a share repurchase.
- We must defer interest upon the occurrence of certain other specified events such as a regulatory deficiency event or failure to satisfy the solvency condition.
- If none of the foregoing circumstances applies, we may elect to defer any interest payment at our sole discretion.

At our option, we may redeem the Notes, in whole but not in part, on their respective first call date or on any interest payment date thereafter. All Notes constitute direct, unsecured and subordinated obligations. Payment obligations related to the dated instrument (30,5 NC 10,5) rank in priority to the claims of junior creditors (i.e. related to undated instruments). The Notes are listed on the Luxembourg Stock Exchange.

Hybrone I bears interest at a rate of 5,16% per annum until its first call date on 20 June 2016, and thereafter the three-month EURIBOR plus 2,03%.

3.4 Supervision and Solvency

As the insurance regulatory authority, the National Bank of Belgium (NBB) is responsible for the prudential supervision of our activities. Among other, prudential supervision includes a quarterly review ensuring we meet our solvency requirements. Accordingly, based on the rules and regulations for insurance companies applicable in Belgium, we report, on a quarterly basis, our available regulatory capital and required solvency to the NBB. Both are assessed on a non-consolidated basis based on local accounting principles. The figures below reflect the results of a similar assessment on a consolidated basis.

	31 December 2014	31 December 2013
Solvency capital available	5.277,3	4.716,0
Less : minimum solvency requirements	-2.516,0	-2.450,2
Solvency surplus	2.761,3	2.265,8
Solvency ratio	209,7 %	192,5 %

Shareholders' equity reconciles to solvency capital available as follows:

	31 December 2014	31 December 2013
Shareholders' equity	6.251,4	4.902,0
Plus:		
Non-controlling interests	236,7	123,0
Subordinated liabilities	1.233,1	1.177,1
Revaluation of real estate to fair value (90%), net of tax	789,7	751,9
Less:		
Revaluation of debt securities AFS, net of tax and shadow accounting	-2.674,5	-1.702,1
Revaluation of debt securities HTM, net of tax	10,7	10,9
10 % of revaluation of equity securities, net of tax and shadow accounting	-29,3	-31,0
Intangible assets	-382,3	-351,9
Equalisation Reserve	-177,7	-181,5
Unrealised gains and losses on Cash flow hedges, net of tax	19,5	18,1
Solvency capital available	5.277,3	4.716,0

Regulatory asset pledge

Belgian Insurance Control legislation requires the insurer's assets to be pledged in order to secure policyholder liabilities. Accordingly, we formally assigned EUR 61 820,6 million¹¹ in assets to this regulatory pledge at year-end.

¹¹ As measured under BGAAP on the unconsolidated balance sheet of the parent entity

Treasury management occurs at three levels:

- the insurance entity, AG Insurance, which also coordinates the global treasury position
- the real estate entity, AG Real Estate
- the car park management entity, Interparking

We pool the cash management of the other subsidiaries into one of these three levels.

4.1 Cash and cash equivalents

Cash and cash equivalents include current bank account balances, cash on hand and other financial instruments with a term of less than three months from the date on which they were acquired. Cash on hand represents car park cash receipts between successive collection rounds.

	31 December 2014	31 December 2013
Current bank accounts	763,1	671,5
Cash on hand	2,4	2,5
Other	33,2	11,8
Total	798,7	685,9

4.2 Cash flows

Premiums received and investment income represent sources of cash, which we use to pay for insurance benefits, claims and operating costs, investing the balance for the longer term in financial assets or real estate. The cash-flow statement highlights these elements, in particular those relating to Life insurance and to long-term Non-Life insurance, short-term Non-Life insurance usually completing its cash cycle (premium receipt and claim disbursement) within one year. Timing differences may occur, depending upon financial markets, between the receipt of the premiums and the related investments. Usually, such timing differences are absorbed within a few weeks or months after the closing date. Such timing differences may cause some volatility in year-end cash balances.

The acquisition, in the second quarter, of the Fidea group insurance portfolio representing EUR 445,7 million assets under management supported the increase in operating and induced investing activities. Financing activities are usually limited to dividend pay-outs. 2013 also saw a new emission of subordinated liabilities that more than offset a partial reimbursement of other subordinated liabilities.

Changes in Cash and cash equivalents	2014	2013
Cash and cash equivalents on 1 January	685,9	889,0
Net cash flows for the year from:		
Operating activities	1.447,6	670,9
Investing activities	-1.035,6	-501,2
Financing activities	-299,1	-372,8
Total Net cash flows for the year	112,8	-203,1
Cash and cash equivalents on 31 December	798,7	685,9

4.3 Liquidity

Assets and liabilities generally have a maturity of more than twelve months, except for Cash and Cash Equivalents, Reinsurance and other receivables, Current tax assets, Accrued Interests and other assets, Other liabilities and Current tax liabilities.

The following table shows all undiscounted expected asset and liability cash flows, other than for unit-linked related contracts, segmented by relevant maturity buckets. As liquidity risk is a short-term concern, the table only shows the net expected cash flows generated by assets and liabilities for the next three years.

Aside from the sale of investments, potential liquidity sources that we may draw upon and that the table below does not reflect are:

- The starting cash position, at the end of this year, of EUR 798,7 million (EUR 685,9 million at the end of previous year);
- New business premiums;
- The expected roll-over of existing one-year repurchase agreements;
- Credit line facilities available at real estate entity level for a global amount of EUR 431,5 million.

<i>Expected changes in cash position</i>	<i>31 December 2014</i>			<i>31 December 2013</i>		
	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>
	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>
Expected cash-flows arising from:						
Investments (excl. unit linked):						
Financial investments	4.648,3	4.704,7	5.124,3	4.569,9	4.667,1	4.522,3
Loans	211,0	156,0	150,4	219,4	161,0	149,0
Investment property	195,1	193,5	197,9	190,5	189,9	209,2
Property held for own use (IPK)	114,7	121,6	127,6	102,8	108,6	114,2
Other assets	598,6	35,5	35,5	652,8	17,7	17,7
Total assets	5.767,6	5.211,4	5.635,7	5.735,4	5.144,3	5.012,4
Policyholder liabilities (excl. unit linked):						
Premiums, net of reinsurance	3.140,0	1.942,8	1.915,0	2.956,0	1.831,3	1.716,4
Benefits, net of reinsurance	-6.605,0	-5.065,2	-5.653,2	-6.222,2	-5.403,3	-4.647,7
Financial liabilities:						
Subordinated liabilities	-71,5	-66,1	-61,3	-68,5	-68,5	-63,4
Borrowings – repurchase agreements	-1.055,4			-1.167,4	-30,6	
Other financial liabilities	-117,2	-123,6	-123,6	-106,1	-68,5	-68,5
Other liabilities	-828,1	-5,1	-5,1	-774,4	-5,4	-5,4
Total liabilities	-5.537,2	-3.317,2	-3.928,1	-5.382,6	-3.744,9	-3.068,6
Total expected cash flows for the year, net	230,4	1.894,2	1.707,6	352,8	1.399,4	1.943,9

4.4 Currency exposure

The U.S. dollar (USD), through the amounts invested in financial assets and, to a lesser extent, real estate, represents the main foreign currency exposure. We use FX forward contracts to hedge our net USD currency risk other than in equity securities.

The currency exposures in the table below are expressed in EUR millions.

<i>On 31 December 2014</i>	<i>USD</i>	<i>GBP</i>	<i>RON</i>	<i>PLN</i>	<i>MAD</i>	<i>HUF</i>	<i>CHF</i>
Total assets	1.891,0	118,0	23,6	5,8	2,3	1,0	0,2
Total liabilities	480,9	7,2	1,8	1,8			
Total assets, net	1.410,1	110,8	21,8	4,0	2,3	1,0	0,2
Off balance	-1.211,6						
Net position	198,5	110,8	21,8	4,0	2,3	1,0	0,2
<i>On 31 December 2013</i>							
Total assets	1.350,3	139,3	19,5	5,2		0,9	2,2
Total liabilities	425,1	6,6	1,6	1,6			1,9
Total assets, net	925,2	132,7	17,9	3,6		0,9	0,3
Off balance	-717,2						
Net position	208,0	132,7	17,9	3,6		0,9	0,3

Operating segments represent the primary format for reporting segment information to management. Reportable operating segments consist of groups of assets and operations that provide financial products or services subject to different levels of risk and return. Our current operating segments are as follows:

- Individual Life and Health
- Non-Life (other than Health Care)
- Employee Benefits and Health Care

Individual Life & Health includes insurance contracts covering risks related to the life and death of individuals as well as individual health care insurance. Additionally, it includes individual investment contracts with and without discretionary participation features (DPF) as well as individual unit-linked contracts.

Non-Life comprises four lines of business: Accident (including Workers' Compensation), Motor, Fire and Other (including Third Party Liability).

Employee Benefits & Health Care includes group insurance and health care contracts with employers as well as a small group insurance unit-linked portfolio.

We use the concepts of technical result and operating margin to analyse our insurance results.

The technical result includes premiums, fees and allocated financial income, less claims and benefits and less operating expenses. Realised capital gains and losses on investments backing insurance liabilities, such as separate accounts, are part of financial income and are thus included in the technical result. We allocate financial income, net of the related investment costs, to the various product lines based on the investment portfolios backing the insurance liabilities of these product lines.

The operating margin includes realised capital gains and losses on investments backing other insurance liabilities.

The reconciliation of the operating margin to the profit before taxation includes income and expenses not allocated to insurance or investment contracts (and thus not recognised in the operating margin).

The tables on the following pages detail technical results by operating segment and reconcile them to profit before taxation.

2014	Retail Life & Health	Non-life	Employee Benefits & Health Care	Total
Gross inflow Life	2.881,5		1.081,1	3.962,6
Gross inflow Non-life	33,9	1.594,3	265,2	1.893,4
Operating costs	-130,8	-272,3	-117,6	-520,6
Life technical result	227,4		59,7	287,2
Accident & Health	8,7	20,8	19,0	48,6
Motor		33,8		33,8
Fire and other damage to property		29,3		29,3
Other		-42,4		-42,4
Non-Life technical result	8,7	41,5	19,0	69,3
Total technical result	236,2	41,5	78,8	356,4
Capital gains (losses) allocated to operating margin	62,4	16,3	84,8	163,5
Operating margin	298,5	57,8	163,6	519,9
Other result	57,9	11,7	41,1	110,7
Profit before taxation	356,5	69,4	204,7	630,6
Key performance indicators				
Expense ratio	41,5 %	40,5 %	20,8 %	37,6 %
Claims ratio	31,9 %	62,5 %	73,7 %	63,5 %
Combined ratio	73,4 %	102,9 %	94,4 %	101,2 %
Life cost ratio	0,33 %		0,51 %	0,38 %
Policyholder liabilities	41.093,2	3.136,0	16.706,0	60.935,1

The table introduces the following key performance indicators¹²:

- Expense ratio: expresses expenses as a percentage of net earned premiums, net of reinsurance. Expenses include claim handling costs and net commissions, and exclude asset management costs.
- Claims ratio: expresses the cost of claims, net of reinsurance and excluding claim handling costs, as a percentage of net earned premiums.
- Combined ratio: represents the sum of the expense ratio and the claims ratio.
- The Life cost ratio: expresses expenses as an annualised percentage of (Life) policyholder liabilities

¹² The combined ratio and its components refer to the non-life components of the line of business only.

2013	Retail Life & Health	Non-life	Employee Benefits & Health Care	Total
Gross inflow Life	2.994,2		1.107,1	4.101,4
Gross inflow Non-life	34,2	1.565,1	255,4	1.854,8
Operating costs	-125,1	-261,5	-109,1	-495,7
Life technical result	245,7		84,2	329,9
Accident & Health	10,5	12,5	15,8	38,8
Motor		25,4		25,4
Fire and other damage to property		30,8		30,8
Other		-5,7		-5,7
Non-Life technical result	10,5	63,1	15,8	89,3
Total technical result	256,2	63,1	100,0	419,2
Capital gains (losses) allocated to operating margin	55,1	15,9	51,1	122,1
Operating margin	311,2	79,0	151,1	541,3
Other result	46,8	7,6	17,8	72,2
Profit before taxation	358,0	86,6	168,9	613,5
Key performance indicators				
Expense ratio	46,3 %	39,4 %	19,2 %	36,7 %
Claims ratio	22,1 %	61,9 %	76,3 %	63,2 %
Combined ratio	68,4 %	101,3 %	95,5 %	99,9 %
Life cost ratio	0,32 %		0,51 %	0,37 %
Policyholder liabilities	39.055,5	3.020,4	14.645,4	56.721,4

As an active provider of both Life and Non-Life insurance in the Belgian market, we are exposed to a number of risks, whether internal or external, that may affect the achievement of our objectives.

The *Enterprise Risk Management* approach provides an integrated approach for managing current and emerging risks, thus supporting long-term stability and growth. It ensures that the strategic planning and limit setting conform to the risk appetite and tolerance as set by the Board.

Risk management encompasses the processes of:

- identifying risks we are or we may be exposed to
- measuring the exposure to these risks
- monitoring the risk profile and corresponding capital needs on an on-going basis
- taking the necessary and appropriate steps to control or mitigate the risk position
- reporting to senior management and to the Board on the solvency and capital position

Sound risk governance is the foundation of an effective risk management framework. Accordingly, we have adopted the industry standard 'Three Lines of Defence' model which recognises responsibility for risk management within the business lines, the independent risk management function and internal audit. The other key components of our risk management framework are risk appetite standards, risk policies and procedures, risk models and methodologies, and risk reporting protocols.

6.1 The objectives of risk management

Risk Management is an integral part of the business and a key concern throughout the company. The mission of the Risk Management Function is to promptly identify, measure, manage, report and monitor risks potentially affecting the achievement of strategic, operational and/or financial objectives.

Risk management therefore focuses on achieving the following objectives:

- to understand the key risks taken and maintain a solvency and liquidity position such that no plausible scenario would cause the company to default on its obligations to policyholders and debt holders
- to define risk appetite and ensure that the risk profile is kept within set limits
- to support the company's decision-making process by ensuring that consistent, reliable and timely risk information is available to the decision makers, and by using that information to provide a risk opinion
- to encourage a strong risk awareness culture where managers are aware of the risks to their business, manage them effectively and report them transparently

6.2 Organisation and governance

We have designed the Risk Management Function to provide:

- clearly defined and delegated responsibility and accountability regarding risk management while promoting risk awareness
- independent risk controlling with dedicated specialised risk units monitoring the risk-taking activities
- consistent risk-related decision-making encompassing the full range of risks
- risk transparency, knowledge sharing and best practices
- high standards of risk management and responsiveness to change
- a consistent approach enabling aggregate risk reporting and oversight at the central level

To this end, we have put a structure in place with following features:

- a Chief Risk Officer (CRO) who has overall responsibility for the Risk Management Function at the company level and who is a member of the Management Committee, of the Risk and Audit Committee, and of the Board
- a two-layered organisation of the Risk Management Function with a Central Risk department keeping risk oversight while delegating risk responsibilities to Decentralised Risk Managers at the level of the business and support units. This operating model ensures greater proximity to the business and operations in view of better reflecting their needs, hence fostering the necessary embedding of risk management throughout the company.
- the Actuarial Function, Internal Control and Compliance, are integral parts of the CRO department. The *Actuarial Function* provides independent assessments of technical provisions, pricing, reinsurance and profit sharing. *Internal Control* ensures, to the extent possible, that the internal controls are in place so that company activities are efficient and effective, information is reliable, timely and complete, and that the company complies with applicable laws and regulations. *Compliance* is primarily responsible for overseeing our compliance with applicable laws, regulations and internal policies, as well as for managing compliance risk.
- several risk committees operating at different levels of the organisation, including an Audit and Risk Committee at the level of the Board, a Business Risk Committee at the level of the Management Committee, a Risk Function Committee (supported by different Business Line Risk Committees) as well as a Model Control Board at the level of the Risk Management Function

With our robust 'Three Lines of Defence' model, responsibility for risk management lies at individual and committee levels as well as board, management and staff levels. With the involvement of business line management, an independent corporate Risk Management Function (and Compliance Function) and an independent review by Internal Audit, we provide a significant level of additional control through systematic and ad hoc assessments of management processes including risk management.

6.3 The risk management framework

We have designed our risk management framework to support the mission and objectives of the Risk Management Function. It incorporates a number of core components that form a consistent and effective risk management framework, in accordance with the principles of 'Enterprise Risk Management (ERM)', underlying the process of systematically and comprehensively identifying material risks, assessing their impact and implementing integrated strategies to achieve the company's objectives.

6.3.1 Risk Appetite

In a set of Risk Appetite statements, we have expressed the amount, type and tenor of risk we are willing to take or allow and are able to afford in pursuit of our objectives, taking into account the expectations of our different stakeholders. Through a formal Risk Appetite Policy approved by the Board, we have defined a clear Risk Appetite Framework, setting formal boundaries for risk-taking. This framework sets out two types of criteria to limit risk exposure within acceptable boundaries:

- quantitative criteria which are primarily based on our stand-alone ability and willingness to accept volatility in the key areas of solvency, earnings, value and liquidity
- qualitative criteria for monitoring all material risks with a certain level of concern

Regarding Solvency, a key component in our quantitative criteria, we strive to maintain at all times a capital position such that no plausible scenario would cause the company to default on its obligations to policyholders. To accomplish this, we closely monitor the solvency and capital position within a framework based on the current Solvency I rules and which defines a target level of capital of 200% of the minimum required solvency together with a minimum acceptable level of capital set at 125% of the minimum required solvency. We use stress testing to test the resilience of the available capital buffer (available capital minus minimum acceptable capital). The framework triggers appropriate actions depending on the level of the solvency ratio. In the meantime, until the Solvency II rules come into effect, we already monitor the solvency and capital position based on the current status of this Solvency II framework completed with our best view as to the risk-based assessment of our capital needs.

An earnings-at-risk statement with reference to the year-end budgeted IFRS results, a value at risk statement with respect to our net asset value together with a liquidity statement are also part of the risk appetite.

We further cascade down the risk appetite into workable risk limits at the level of the different risk takers. We monitor it on a quarterly basis.

6.3.2 Policy framework

We have designed an ERM Policy Framework as a core element for formalising the Enterprise Risk Management. It sets standards, principles, processes and business practices that we need to implement throughout the life cycle of the policies. This framework defines minimum requirements on how we organise risk management activities within our company and sets the boundaries within which our business lines have to act from a risk perspective.

6.3.3 Risk Taxonomy

We offer a wide range of insurance products and, like other insurance companies, face a variety of risks, such as underwriting, operational and financial risks. We have developed a risk taxonomy to provide a consistent and comprehensive approach to risk identification, highlighting and defining the risks we are exposed to.

This taxonomy cannot be considered as exhaustive: it is the responsibility of business management and risk management to identify all risks the company faces or may face on an on-going basis. While the objective is



to maintain a high degree of stability and consistency over time in this taxonomy, we nevertheless review it annually and adjust it if needed.

6.3.4 Risk process

We perform risk management following the well-known risk management cycle including risk identification, risk assessment and measurement, monitoring and reporting and management (control and mitigation).

6.3.5 Risk systems

Risk processes are rather complex and hence require appropriate systems and supporting technologies to allow us to manage them. We dispose of appropriate risk modelling systems to carry out complex calculations, to quantify the risk exposures, to assess the impact of stress tests and to aggregate risks. Risk monitoring systems are present to analyse risk exposures, monitor any changes in the risk profile of the company and to check that risk exposures remain within the risk appetite that the Board has defined.

6.4 Risk assessment

6.4.1 Financial Risk

Financial risk encompasses all risks relating to the value and performance of financial assets and, accordingly, represents the most significant risk that we are exposed to. The risk framework in place in all operations combines investment policies, limits, stress tests and regular monitoring to control the nature and level of financial risks and to ensure that risks being taken are appropriate for both customers and shareholders and are appropriately rewarded.

We use asset mix research to identify the appropriate strategic asset allocation, and monitor on a regular basis the market situation and prospects to decide on the tactical asset allocation. Our decision process balances risk appetite, capital requirements, long-term risks and return, policyholder expectations, profit-sharing requirements, tax and liquidity aspects to achieve an appropriate target asset mix.

Financial risk includes:

- market and ALM risk
- default risk
- liquidity risk

6.4.1.1 Market and ALM risk

Market and ALM risk refers to the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.

Market and ALM risk includes the following subtypes that are further discussed below:

- interest rate risk
- equities risk
- property risk
- (credit) spread risk
- currency risk
- inflation risk

Interest rate risk

The level of and volatility in interest rates may adversely affect our business. To be able to meet future liabilities, insurers invest in a variety of assets that typically include a large portfolio of fixed income securities. Interest rate volatility may adversely affect our businesses by reducing the returns earned and reducing the market value of portfolios. Interest rates are highly sensitive to many factors, including governmental, monetary and tax policies, domestic and internal economic and political considerations, inflation, governmental debt, the regulatory environment, and other factors that are beyond our control.

In particular, sustained low interest rates may adversely affect the achievement of our objectives. In times of low interest rates, bond yields typically decrease for the same amount of risk. Consequently, reinvestment occurs at lower yields, which in turn may decrease investment income in the absence of adequate matching (especially for long-term business). Low interest rates also make it difficult to maintain the required profitability to remunerate shareholders and to continue to offer attractive life investment and savings products to policyholders, which may hamper new business inflow (and thus may represent a business risk).

To reduce the interest rate risk of our life insurance business, we attempt to match our liabilities with assets that have the same, or a similar, sensitivity to interest rates, thereby offsetting the interest rate risk. We closely monitor interest rate risk using a number of indicators including mismatch analysis and stress testing. Investment policies usually require close matching unless specifically approved otherwise. If deemed appropriate, we also use derivative instruments such as interest rate swaps and swaptions to mitigate our exposure to interest rate sensitivity.

Equity risk

Stock market volatility may significantly affect the market prices for equities or their yield, hence affecting our objectives. Volatility and declines in market indices may reduce unrealised capital gains in the investment portfolio and hence adversely affect the solvency margin. Volatility may negatively affect the demand for certain insurance products such as unit-linked products. Stock market downturns and high volatility occur not only because of the economic cycle, but also because of war, acts of terrorism, natural disasters or other events that are beyond our control.

We manage equity risk through limit setting in line with the strategic asset allocation and risk appetite, as well as through an investment policy that requires a range of controls to be in place including actions required in the event of significant decreases in value.

The table below identifies what we consider as economic exposure to equities and how it compares to the figures reported under IFRS.

Equities	2014		2013	
	IFRS	Economic	IFRS	Economic
Direct equity investments	1.737,4	1.737,4	1.476,8	1.476,8
Equity funds	93,0	93,0	80,6	80,6
Private equity	64,0		46,0	
Structured funds	3,9		11,3	
Bond funds	658,4		527,9	
Real estate funds (SICAFI/REITS)	367,3		386,7	
Other equity funds				14,0
Total equities (fair value)	2.924,0	1.830,4	2.529,3	1.571,5

Property risk

Property risk arises from the level or volatility of property market prices or their yield. We have significant exposure to property risk. However, our real estate portfolio is well-diversified and includes investments in offices, retail, logistics and, more recently, nursing homes as well as car parks across Europe (through a participation in Interparking). The investments are also geographically diversified over Belgium, France and Luxembourg. Interparking is further diversified over Spain, Germany, Italy, the Netherlands and other European countries. The value of the property portfolio of AG Real Estate, our real estate subsidiary, is subject to risks related to, amongst others, rent levels, property prices, occupancy levels, consumer spending and interest rates. Due to the financial crisis and the related economic downturn, the property market, especially the office market, faces deteriorating occupancy levels and non-core retail properties are adversely affected by the related low consumer spending which, in turn, reduces returns on those property investments. Occupancy levels, mainly in the office market, suffer from this gloomy economic environment. For instance, short term contracts or provisions entitling customers to terminate contracts early may reduce occupancy. The economic downturn has an impact on the real estate market and has clearly split it into core and non-core properties. The liquidity of non-core properties is under pressure, while the desirability of core properties increases their value.

We have the necessary tools in place to closely monitor the real estate risk to which we are exposed. For risk management purposes, we base our definition of real estate exposure on the market value of the properties, and include property held for own use. This differs from the exposure reported under IFRS that excludes unrealised gains and separately reports property held for own use.

The table below identifies what we consider as economic exposure to real estate and how this compares to the figures reported under IFRS.

Real estate	2014		2013	
	IFRS	Economic	IFRS	Economic
Carrying amount:				
Investment property	2.607,6	2.607,6	2.332,3	2.332,3
Land and buildings held for own use	940,6	940,6	921,6	921,6
Buildings held for resale	60,0	60,0	155,0	155,0
Real estate funds		428,8		459,8
Other indirect investment real estate		736,0		600,5
Unrealised capital gains:				
Investment properties		947,6		946,7
Property held for own use		383,4		318,9
Total real estate (fair value)	3.608,2	6.104,0	3.408,9	5.734,9

Spread risk

We own a significant fixed income portfolio where investments match the Life policyholder liabilities. The exposure to spread risk primarily relates to market price and cash flow variability associated with changes in credit spreads. Spread widening will, for example, reduce the value of fixed income securities held while increasing the investment income associated with acquisitions of fixed income securities. Conversely, spread tightening will generally increase the value of fixed income securities in the portfolio and will reduce the investment income associated with acquisitions of fixed income securities. A number of factors may cause a change in spread of an individual asset or a whole class of assets, including a perception or fear in the market of an increased likelihood of default.

We generally aim to hold credit fixed income investments until maturity. Because a great portion of our insurance liabilities is illiquid, this helps reduce the impact of spread risk significantly. As a result, we will unlikely be in a position of needing to sell at distressed prices, but may nevertheless choose to sell if we consider this a better course of action.

Currency risk

Currency risk arises from changes in the level or volatility of relevant currency exchange rates when there is a mismatch between the relevant currency of the assets and liabilities. Through our investments, we carry foreign currency exposures, to the U.S. dollar in particular.

Our investment policy limits this risk by requiring hedging currency mismatches between assets and liabilities. In most cases, hedging entirely eliminates the risk. We further use a range of instruments and strategies to hedge against residual currency risks.

Inflation risk

Our direct exposure to inflation risk mainly arises from the index-linked payroll expenses. Our exposure to inflation is also indirect, for example inducing changes in interest rates. A sustained increase in the inflation rate may result in an increase in market interest rates which may, in turn, decrease the estimated fair value of certain fixed income securities we hold in our investment portfolio. In addition, in the context of certain property and casualty risks we have underwritten (particularly “long-tail” risks), a sustained increase in inflation may result in (i) claims inflation (i.e. an increase in the amount ultimately paid to settle claims several years after the policy coverage period or event giving rise to the claim), coupled with (ii) an underestimation of corresponding claims reserves at the time of establishment due to a failure to fully anticipate increased inflation and its effect on the amounts ultimately payable to policyholders, and, consequently, (iii) actual claims payments significantly exceeding associated insurance reserves. In addition, a failure to accurately anticipate higher inflation and factor it into the product pricing assumptions may result in a systemic mispricing of products.

We closely monitor the development of our expenses through the periodic analysis of cost ratios. To the extent possible, premium rates in non-life as well as reserving parameters take fluctuations in inflation into account.

Sensitivities to Market risk

The table below shows the (net of income tax) impact, as determined at year-end, of stress testing on the income statement and on shareholders' equity using scenarios that may occur once every 30 years:

- Interest rates:
 - decrease of around 3 bps for the very short end of the yield curve (one year), 10 bps on the short end of the yield curve (up to ten years) and 40 bps on the long end;
 - increase of 75 bps.
- Equity securities: decrease in fair value with 33% (non-listed equities with 40%).
- Real estate: decrease in fair value with 18% (33% for indirect investments).
- Spread risk: factor times duration. The factor ranges from 70 bps for AAA to almost 2 % for BBB corporates.

<i>Increase (decrease)</i>	<i>Income statement</i>	<i>Shareholders' equity</i>
Interest rate risk – down		22,7
Interest rate risk – up		-89,2
Equity securities market risk	-190,6	-588,0
Real estate risk	-207,1	-273,4
Spread risk	-6,7	-620,7

6.4.1.2 Default risk

Default risk arises directly from our investment activities as well as from default exposure to counterparties and debtors.

Investment default risk includes the risk of actual default of the issuer of debt. There is a risk that the debt issuer may be unable or unwilling to repay principal or pay interest when due in accordance with the terms of such debt, and we may have limited recourse to compel payment in the event of a default. This risk includes exposure to issuers of sovereign bonds and corporate bonds.

Given the large proportion of sovereign bonds in our investment portfolio, we are exposed to the risk of potential sovereign debt default. Investing in such instruments creates exposure to the direct or indirect consequences of political, social or economic changes (included changes in governments) and to the creditworthiness of the sovereign nation. Different factors (such as the relative size of the debt service burden to the economy as a whole) that are beyond our control may affect a sovereign debtor's willingness or ability to repay principal and to pay interest timely. Periods of economic uncertainty may affect the volatility of market prices of sovereign debt to a greater extent than the volatility inherent in debt obligations of other types of issues. Concerns about the quality of sovereign debt issued by certain European countries and the sustainability of some sovereign credit ratings are still present. This also raised questions about the continued viability of the Euro as a common currency and whether certain Euro zone countries may withdraw from the currency union. As a result of this turbulence within the Euro zone, the government bond market for certain jurisdictions has experienced increased spreads and price volatility, credit downgrade events and increased probability of default. In past years, we have reduced a major part of our exposure to the Euro zone periphery, leading to an increase of the share of Belgian government bonds that now constitutes a substantial part of our investment portfolio. Hence, we are significantly exposed to the risks associated with the Belgian political and economic situation.

We manage investment default risk through limits, which take the type of credit exposure, credit quality and maturity into account. Regular monitoring and early warning systems are in place.

We recognise impairment losses for specific credit risk if there is objective evidence that we will not be able to collect all amounts due in accordance with contractual terms. The amount of the impairment loss is the difference between the carrying amount and the recoverable amount. For market-traded securities, the recoverable amount is the fair value.

Counterparty default risk reflects possible losses due to the unexpected default of third parties involved with risk-mitigating contracts, such as reinsurance arrangements, securitisations and derivatives. Assets exposed to counterparty risk further include receivables from intermediaries and clients, private loans to intermediaries, mortgage loans to clients and policy loans to policyholders.

We have the necessary tools in place to closely monitor the creditworthiness of the reinsurers we deal with based on periodic reviews of their financial statements, reputation and rating. A dedicated team manages relations with intermediaries and has a procedure in place for selecting the appropriate intermediaries. Strict acceptance criteria (including account limits) apply when granting private loans and we have a mortgage loan acceptance policy in place.

The next table summarises our total credit risk exposure.

	31 December 2014	31 December 2013
Cash and cash equivalents	798,7	685,9
Derivatives held for trading (assets)	2,4	7,6
Loans	5.284,9	4.725,3
Impairments	-15,6	-13,3
Total Loans, net	5.269,3	4.712,0
Interest-bearing investments	51.913,2	46.730,4
Impairments	-1,9	-2,3
Total Interest bearing investments, net	51.911,2	46.728,1
Reinsurance and other receivables	794,3	787,4
Impairments	-5,2	-4,6
Total Reinsurance and other receivables, net	789,1	782,8
Credit commitments	822,6	659,7
Total credit risk exposure, gross	59.616,1	53.596,3
Impairments	-22,8	-20,2
Total credit risk exposure, net	59.593,3	53.576,1

Impaired credit risk exposure	31 December 2014			31 December 2013		
	Impaired outstanding	Impaired credit risk	Coverage ratio	Impaired outstanding	Impaired credit risk	Coverage ratio
Loans	87,2	-14,7	16,9 %	128,4	-12,5	9,7 %
Interest-bearing investments	6,7	-2,0	29,9 %	3,7	-2,3	62,2 %
Other receivables	7,4	-5,2	70,3 %	4,6	-4,6	100,0 %
Total impaired credit exposure	101,3	-21,9	21,6 %	136,7	-19,4	14,2 %

6.4.1.3 Liquidity risk

Liquidity risk is the inability to meet cash obligations when payment is due. We consider two categories of liquidity risk:

- *Funding liquidity risk* is the inability to meet the expected and unexpected cash demands of policyholders or other contract holders without suffering unacceptable losses or without endangering the business franchise.
- *Market liquidity risk* is the inability to realise assets due to inadequate market depth or market disruption. As such, it relates to market risk.

Liquidity risk in our business stems from the liquidity characteristics of assets and liabilities. Some liabilities arising from life insurance products are subject to surrender while others, such as liabilities arising from pension insurance, term insurance and annuities, are highly illiquid. Tax legislation and built-in penalties in case of surrender strengthen the illiquidity of some life insurance products. Non-life liabilities are also considered illiquid by nature. Assets are characterised by a different degree of liquidity, ranging from highly liquid (cash) to a low degree of liquidity (real estate). Additionally, protracted market declines may reduce the liquidity of markets that are typically liquid. Traditionally, however, liquidity risk has not been significant (even in the stressed and illiquid market conditions of 2008).

Liquidity risk management at the AG Insurance level involves determining the net cash position, i.e. cash resources minus cash drain in normal and stressed situations. Actions depend on the level of the liquidity ratio obtained.

6.4.2 Insurance Risk

The results of our life and non-life businesses depend significantly upon the extent to which our actual claim experience remains consistent with the assumptions used in the *pricing* of our products. We calculate Life insurance premiums using assumptions about mortality, interest rates, lapses and expenses used to project future liabilities. In non-life insurance, we use claim frequency, claim severity, expense and inflation assumptions to determine our rates. Although we closely monitor experience (i.e. the claims and expenses that we presently experience), there is no guarantee that actual experience matches the assumptions that we used in initially establishing the future policyholder benefits and related premium levels.

Our *technical provisions* cover the current and future liabilities towards our policyholders. We set up technical provisions with respect to both our life and non-life businesses. They include, *inter alia*, mathematical provisions, claims provisions (for reported and unreported claims), unearned premium provisions and ageing provisions. These technical provisions (and the assets backing them) represent the major part of our balance sheet. Depending on the actual realisation of the assumptions underlying the estimated future liabilities (mortality, morbidity, expenses, lapses, etc...) the current technical provisions may prove to be inadequate. Reserving inadequacy may also occur due to other factors that are beyond the control of insurers, such as unexpected legal developments, advances in medicine and changes in social attitudes.

We are also exposed to *catastrophic risk* arising from pandemics, natural catastrophic events (such as hurricanes, windstorms, hailstorms, floods, earthquakes) and man-made disasters (such as acts of terrorism).

Each business manages insurance risk through a combination of a number of policies such as an insurance risk policy, an underwriting policy, a product approval policy, a claims policy, a reserving policy and a reinsurance policy.

In managing insurance risk, we give particular attention to the *underwriting process* and the risk selection this involves in order to ensure that the customer segment purchasing the product is consistent with the underlying assumptions made about the customers when the product was designed and priced. Underwriting involves review procedures by actuarial staff examining the actual loss experience. We employ a range of indicators

and statistical analysis tools to further refine underwriting standards in order to improve the loss experience and/or ensure that we adjust pricing appropriately.

Business lines set *premiums* at levels that will ensure that the premiums received and the investment income earned exceed the total value of claims, plus handling and management costs. We test pricing appropriateness using a range of techniques and key performance indicators appropriate for a particular portfolio, on both an *a priori* (e.g. profit testing) and *a posteriori* (e.g. embedded value, combined ratios) basis.

We closely monitor reserving risk, i.e. the risk that the technical provisions prove to be inadequate, through Liability Adequacy Testing (LAT), which we perform on each reporting date and which, if necessary, requires recognition of additional liabilities that we charge to the income statement. Certified actuaries (internal and external) express their independent opinion on the overall adequacy of the liabilities arising from the insurance contracts.

In the normal course of business, we further transfer exposure to certain risks in our life and non-life insurance business to reinsurers through appropriate *reinsurance* arrangements (treaties). Under these arrangements, reinsurers assume a portion of our losses and expenses associated with reported and unreported claims in exchange for a share of the premiums. We primarily use external reinsurance to mitigate the impact of natural catastrophes (e.g. hurricanes, earthquakes and floods), large single claims from policies with high limits, and multiple claims triggered by a single man-made event. We select reinsurers primarily on pricing and counterparty risk considerations (see above).

6.4.3 Operational Risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people or systems risk, or external events. It includes compliance risk as well as financial reporting risk, where a material misstatement may cause significant reputational damage.

We have a sound operational risk management in place for administering our portfolio of products, activities, processes and systems. Risk procedures include business continuity management, information security management, anti-fraud management, outsourcing management and internal control.

6.4.4 Other risks

'Other risks' groups risks such as strategic risk, business risk and reputational risk. *Strategic risk* represents the risk that poor decision-making, execution, or response to industry changes or competitor actions harm our competitive position. *Business risk* is the risk that represents the volatility in the realisation of business objectives due to potential economical, societal, technological, environmental and legal changes. *Reputational risk* is the risk of loss resulting from a decrease in the number of clients, transactions and funding opportunities arising from the adverse perception of the image of the company on the part of clients, counterparties, employees, shareholders, investors or regulators. It can also stem from individual business transactions, and operational failures may also affect our reputation.

The responsibility of managing *strategic risk* lies with the Board of Directors. We address strategic risk by examining multi-year scenarios, considering the related risks, as well as by monitoring the implementation of the chosen strategy through the multi-year business plan. Monitoring *business risk* requires pre-emptive risk management, anticipating possible developments in the landscape we are operating in. We dispose of a structured horizon-scanning process of threats and opportunities surrounding our activities, information which we exploit in the strategic and multi-year planning process. As for *reputational risk*, we have a tradition of long-standing commitment to sustainable business practices and good governance. We mitigate reputational risk through clear corporate values, a business code of conduct, robust internal controls and a clear dialogue with our stakeholders.

7.1 Remuneration of the members of the Board of Directors

Total consideration paid to executive and non-executive members of the Board of Directors in 2014 amounted to EUR 4,8 million (EUR 4,7 million in 2013). On 31 December 2014, outstanding loans to the Board members amounted to EUR 0,3 million (EUR 0,3 million on 31 December 2013).

7.2 Related parties

Parties related to AG Insurance include associates, Ageas companies and their key personnel, and minority shareholder BNP Paribas Fortis nv-sa.

We frequently enter into transactions with related parties in the course of our business operations. Such transactions mainly concern distribution agreements and regular financial operations with BNP Paribas Fortis, service level agreements with Ageas, and other regular business operations that we enter into under similar commercial and market terms that would apply to non-related parties:

Distribution agreement with BNP Paribas Fortis

AG Insurance has a historical partnership with BNP Paribas Fortis relating to the distribution of its products through the retail channel of BNP Paribas Fortis. The existing agreements provide for the practical and legal aspects of the distribution strategy and operations with BNP Paribas Fortis. They regulate the parties' mutual obligations in terms of marketing, sales management, sales support, distribution channels, liabilities, compliance, products offering, trademark use, complaints management, etc. The agreements also stipulate that BNP Paribas Fortis will distribute AG Insurance products exclusively. The agreement runs until at least 31 December 2020. However, until 31 December 2017, either party can terminate the agreement by giving the other party at least three years' prior notice.

Service agreement with BNP Paribas Fortis

Following the dismantling of the Fortis group, AG Insurance and BNP Paribas Fortis entered into a long-term mainframe outsourcing service agreement that allows AG Insurance to use BNP Paribas Fortis's mainframe to conduct its business. As of 1 January 2012, either party can terminate the agreement for convenience by giving the other 30 days' prior notice.

Real estate transactions with DTH Partners LLC

DTH Partners LLC is an entity affiliated with Mrs. Davina Brückner, a member of the Ageas Board of Directors. Accordingly, the transactions with and commitments made to DTH Partners LLC as detailed below qualify as related party transactions. Although these are unique circumstances, management considers that it concluded the transactions at arm's length. The tables further below include the relevant amounts under the heading Ageas.

In order to help finance the acquisition of a landmark building located on 70 Pine Street in Manhattan (New York), we subscribed on 26 April 2013 to:

- a USD 102,9 million (EUR 84,8 million) capital contribution for DTH Partners LLC, representing a 33% equity stake;
- two tranches of Mezzanine loans to DTH Partners LLC granting it a total nominal amount of USD 117,5 million (EUR 96,8 million) at initial interest rates between 10,5% and 15%;
- a bridge loan of USD 23,0 million (EUR 18,9 million) to Eastbridge SARL.

The mezzanine loans benefit from a security package that features (i) pledges over all shares of DTH Partners LLC, (ii) guarantee agreements and (iii) pledges over receivables.

Early 2015, DTH Partners LLC reimbursed USD 23,2 million (EUR 19,1 million) in principal and accrued interests on the bridge loan, leaving an outstanding balance of USD 6,2 million (EUR 5,1 million) maturing in April 2018.

The tables below detail the amounts in the income statement and the balances in the statement of financial position relating to related parties.

2014	Associates	Ageas	BNP Paribas Fortis	Total
Income and expense				
Interest income	7,2	15,9	9,2	32,3
Interest expense		-36,4	-18,7	-55,1
Premiums				
Dividends and other investment income			27,3	27,3
Fee and commission income	11,3		17,4	28,7
Realised gains			4,7	4,7
Other income	0,7	14,0	0,4	15,1
Fee and commission expenses	-18,2		-219,0	-237,2
Realised losses			-38,8	-38,8
Operating, administrative and other expenses	-0,2	-3,1		-3,3
Statement of financial position				
Cash and cash equivalents			259,6	259,6
Trading assets			-2,4	-2,4
Due from banks			28,0	28,0
Investments	56,5	75,9	68,0	200,4
Due from customers	133,6	120,8		254,4
Other assets	1,9			1,9
Reinsurance share, trade and other receivables	7,1	4,0	2,3	13,4
Accrued income and deferred charges		20,1	-2,6	17,5
Investments on behalf of policyholders			2.279,2	2.279,2
Trading liabilities			20,1	20,1
Due to banks			914,2	914,2
Liabilities arising from insurance and investment contracts				
Debt certificates, subordinated liabilities and other borrowings	7,2	685,4	100,0	792,6
Deferred revenues and accrued interest and expenses	3,0	19,8	26,7	49,5
Other liabilities	2,1		4,4	6,5

2013	Associates	Ageas	BNP Paribas Fortis	Total
Income and expense				
Interest income	7,4	8,6	8,8	24,8
Interest expense		-36,3	-5,9	-42,2
Premiums				
Dividends and other investment income			21,3	21,3
Fee and commission income	11,0		18,8	29,8
Realised gains			10,4	10,4
Other income	0,7	14,7	0,7	16,1
Fee and commission expenses			-222,0	-222,0
Realised losses			-10,1	-10,1
Operating, administrative and other expenses	-18,3	-2,9		-21,2
Statement of financial position				
Cash and cash equivalents			187,2	187,2
Trading assets			0,1	0,1
Due from banks			177,5	177,5
Investments	57,7	79,5	161,9	299,1
Due from customers	136,1	103,7		239,8
Other assets	1,1	-3,9		-2,8
Reinsurance share, trade and other receivables	4,4	4,0	0,8	9,2
Accrued income and deferred charges	0,1	7,4	8,0	15,5
Investments on behalf of policyholders			2.066,4	2.066,4
Trading liabilities			4,4	4,4
Due to banks			932,0	932,0
Liabilities arising from insurance and investment contracts				
Debt certificates, subordinated liabilities and other borrowings	4,7	684,9	100,0	789,6
Deferred revenues and accrued interest and expenses	1,4	9,8	14,1	25,3
Other liabilities	1,5	-2,3	3,8	3,0

7.3 Remuneration of auditors

Fees paid to AG Insurance's auditors KPMG include:

- audit fees for auditing the statutory and consolidated financial statements as well as the quarterly reports, the embedded value report and other reports;
- audit-related fees such as assurance certification on prospectuses and other certifications required from the statutory auditor;
- fees for tax advice;
- other non-audit fees for services and advice in areas other than tax.

	2014	2013
Audit fees	1,6	1,5
Audit-related fees		0,1
Tax fees		
Other non-audit fees		
Total	1,6	1,6

This note covers post-employment benefits, other long-term employee benefits and termination benefits.

Post-employment benefits cover retirement benefits and post-employment medical care. They fall due after employment ends.

Other long-term employee benefits include long-service awards and long-term disability benefits. They do not fall due wholly within twelve months after the period of service has been rendered.

Termination benefits result from early termination of the employee's employment contract.

IAS 19 R came into effect on 1 January 2013 affecting the reporting of post-employment benefits as follows:

- Remeasurements of defined benefit liabilities are now recognised in other comprehensive income; the 'corridor' method has been eliminated.
- Pension cost includes net interest expense, now calculated by discounting the net pension liability. The discount rate remains a high quality corporate bond rate, when there is a deep market in such bonds, and a government bond rate in other markets.
- Defined Benefit Obligation now includes a tax liability resulting from recognising taxes and social security contributions on future premiums.

<i>Defined benefit liabilities</i>	<i>31 December 2014</i>	<i>31 December 2013</i>
Post-employment benefits – defined benefit pension plans	429,6	364,8
Post-employment benefits – other	113,3	88,6
Other long-term employee benefits	12,8	12,0
Termination benefits	8,5	10,7
Total Defined benefit liabilities	564,2	476,0

We classify defined benefit liabilities in the Statement of financial position under the heading 'Other liabilities' (Note 24).

8.1 Post-employment benefits

Defined benefit pension plans and other post-employment benefits

Under defined benefit pension plans, years of service and salary level determine the level of benefits. Mortality tables, employee turnover, wage drift and economic assumptions such as inflation and discount rate are other parameters determining the level of pension obligations. The yield (at closing date) of debt securities of similar duration issued, in the absence of a representative corporate market, by blue-chip companies or by the government sets the basis for the discount rate.

In addition to pensions, post-employment benefits include other expenses such as (partial) reimbursement of health insurance premiums that we continue to grant to employees after retirement.

The defined benefit liability is the present value of the defined benefit obligation, less plan assets measured at fair value.

The present value of the defined benefit obligation is the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods. Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current year.

As we are both employer and insurer, we insure most of our own employee pension plans ourselves. Under IFRS, the assets backing such self-insured pension plans are non-qualifying and, accordingly, plan assets exclude such amounts. Plan assets shown in this section relate to external plans.

We determine defined benefit liabilities and the related current service cost in accordance with the Projected Unit Credit Method. Under this method, we charge each participant's benefits to the income statement as they accrue, taking into account future compensation increases and the plan's benefit allocation principles.

<i>Components of net defined benefit liabilities</i>	<i>Defined benefit pension plans</i>		<i>Other post-employment benefits</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
Present value of unfunded obligations	423,4	362,3	113,3	88,6
Present value of funded obligations	29,4	26,5		
Defined benefit obligation	452,8	388,8	113,3	88,6
Fair value of plan assets	-23,1	-24,0		
Defined benefit liabilities, net	429,6	364,8	113,3	88,6

The following tables further detail the changes in net defined benefit liabilities and their components.

<i>Changes in net defined benefit liabilities</i>	<i>Defined benefit pension plans</i>		<i>Other post- employment benefits</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
Balance on 1 January	364,8	379,3	88,6	91,8
Defined benefit expense	31,7	31,1	5,2	5,0
Employers' contributions	-2,0	-2,5		
Benefits directly paid by the employer	-15,8	-18,3	-2,3	-2,2
Remeasurement	51,2	-17,9	21,9	-6,1
Settlements	-0,2	-6,9	-0,1	
Other				
Balance on 31 December	429,7	364,8	113,3	88,6

<i>Changes in defined benefit obligation</i>	<i>Defined benefit pension plans</i>		<i>Other post- employment benefits</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
Balance on 1 January	388,8	400,6	88,6	91,8
Current service cost	22,6	23,3	2,4	2,5
Interest cost	10,2	9,1	2,8	2,5
Past service cost - vested benefits				
Settlements	-0,3	-0,6	-0,1	
Remeasurement	48,9	-17,8	22,0	-6,1
Participants' contributions	0,1	0,1		
Benefits paid	-1,4	-0,8		
Benefits directly paid by the employer	-15,8	-18,3	-2,3	-2,2
Settlements	-0,2	-6,9	-0,1	
Other				
Balance on 31 December	452,8	388,8	113,3	88,6

<i>Changes in fair value of plan assets</i>	<i>Defined benefit pension plans</i>		<i>Other post- employment benefits</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
Balance on 1 January	24,0	21,4		
Settlements		0,1		
Interest income	0,8	0,6		
Remeasurement	-2,3	0,1		
Employers' contributions	2,0	2,5		
Participants' contributions	0,1	0,1		
Benefits paid	-1,4	-0,8		
Transfer	-0,1			
Balance on 31 December	23,1	24,0		

The following table details the components that we recognise in the income statement.

	<i>Defined benefit pension plans</i>		<i>Other post-employment benefits</i>	
	2014	2013	2014	2013
Current service cost	22,6	23,3	2,4	2,5
Interest cost	10,2	9,1	2,8	2,5
Settlements	-0,3	-0,7	-0,1	
Other	-0,8	-0,6		
Total defined benefit expense	31,7	31,1	5,2	5,0

We classify current service cost as well as gains and losses on settlements in the income statement under 'Staff expenses' (Note 38), and other defined benefit expenses in 'Finance costs' (Note 35).

The following table details the remeasurement that we recognise in other comprehensive income.

	2014	2013
Actuarial gains (losses) on DBO arising from changes in financial assumptions	-73,3	24,8
Actuarial gains (losses) on DBO arising from changes in demographic assumptions	-1,1	
Actuarial gains (losses) on DBO arising from experience adjustments	3,5	-0,9
Return on plan assets, excluding unwinding of discount	-2,3	0,1
Remeasurement of net defined benefit liability	-73,2	24,0

Assumptions and sensitivities

The next tables highlight the major actuarial assumptions we use when determining the defined benefit obligation as well as the sensitivity of the defined benefit obligations to changes of selected parameters.

	<i>Defined benefit pension plans</i>				<i>Other post-employment benefits</i>			
	2014		2013		2014		2013	
	Low	High	Low	High	Low	High	Low	High
Discount rate	0,8 %	1,9 %	2,4 %	3,3 %	1,6 %	1,8 %	3,2 %	3,3 %
Future salary increases *	2,0 %	3,5 %	2,5 %	4,3 %				
Future pension increases *		1,5 %	2,0 %	2,0 %				
Medical cost trend rates					3,8 %	3,8 %	3,8 %	3,8 %
* including inflation								

<i>Defined benefit pension plans</i>	<i>100 bps increase</i>	<i>100 bps decrease</i>
Discount rate	-54,0	64,3
Future salary increase	104,6	-58,7
Future pension increase	51,7	-42,6

<i>Other post-employment benefits</i>	<i>100 bps increase</i>	<i>100 bps decrease</i>
Discount rate	-20,2	27,4
Medical cost trend increase	27,5	-20,7

Plan assets

Plan assets are primarily investment contracts with insurance companies, equity securities, and fixed-income securities. In accordance with our internal investment policy, we do not invest in derivatives or emerging markets for funding pension plans. We gradually adjust the asset allocation policy to ensure a close match between the duration of plan assets and related pension liabilities.

<i>Plan assets: asset mix</i>	<i>31 December 2014</i>	<i>31 December 2013</i>
Insurance contracts	44,0 %	45,3 %
Debt securities	30,2 %	30,6 %
Equity securities	18,6 %	18,6 %
Cash	7,2 %	3,8 %
Other		1,6 %

<i>Non-qualifying assets: asset mix</i>	<i>31 December 2014</i>	<i>31 December 2013</i>
Debt securities	83,5 %	86,4 %
Real estate	9,6 %	8,7 %
Equity securities	5,6 %	4,7 %
Other	1,3 %	0,2 %

Next year, we expect following employer's contributions to post-employment benefit plans:

<i>Expected employer's contribution for next year</i>	<i>Defined benefit pension plans</i>
To plan assets	2,3
To non-qualified plan assets	20,1

Defined contribution plans with a guaranteed return

We also have defined contribution plans in accordance with the Law of 28 April 2003 regarding occupational pensions (WAP/LPC plans). Such plans commit the employer to:

- the payment of contributions as the plan's terms provide, and
- a guaranteed minimum return of:
 - 3,75% on employee contributions
 - 3,25% on employer contributions

Their total defined benefit obligation amounts to EUR 88,2 million at year-end (EUR 77,3 million previous year).

Because of these minimum return promises, WAP/LPC plans do not strictu sensu meet the definition of defined contribution plans of IAS 19.

However, IAS 19 does not as such address accounting for hybrid plans and applying defined benefit plan accounting may not be relevant. Being simultaneously employer and insurer, we have therefore elected, applying IAS 8.10, to account for WAP/LPC plans relating to our own employees in accordance with IFRS 4, the risks associated with these contracts being fundamentally not different from the risks associated with our usual Life group insurance contracts.

Accordingly, the WAP/LPC plan liabilities relating to our employees are included within the 'Liabilities arising from Life insurance contracts' (Note 18). Employer contributions to such plans in the income statement are included within 'Staff expenses' (Note 38).

8.2 Other long-term employee benefits

Other long-term employee benefits include long-service awards.

We classify other long-term employee benefits liabilities in the statement of financial position under 'Other liabilities' (Note 24).

<i>Changes in net defined benefit liabilities</i>	2014	2013
Net liability on 1 January	12,0	12,0
Total expense	2,2	0,9
Benefits directly paid by the employer	-1,3	-0,9
Net liability on 31 December	12,8	12,0

The following table details the range of actuarial assumptions we apply when calculating the liabilities for other long-term employee benefits. Sensitivities to these assumptions are not significant.

	2014		2013	
	Low	High	Low	High
Discount rate	1,0 %	1,0 %	2,5 %	2,6 %
Future salary increases	2,0 %	3,5 %	2,5 %	4,3 %

8.3 Termination benefits

Termination Benefits are employee benefits payable as a result of either a company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits.

We classify liabilities related to termination benefits in the Statement of financial position under 'Other liabilities' (Note 24).

<i>Changes in net defined benefit liabilities</i>	2014	2013
Net liability on 1 January	10,7	14,7
Total expense	1,0	-0,1
Employers' contributions		
Benefits directly paid by the employer	-3,2	-3,9
Transfer		
Net liability on 31 December	8,5	10,7

Notes to the consolidated statement of financial position

We classify financial investments into four different categories:

- Held-to-maturity investments, consisting of Belgian government bonds that we have both the ability and the intent to hold until maturity. We measure these at amortised cost.
- Available-for-sale financial assets, consisting of listed debt and equity securities. We measure these at fair value and recognise changes in fair value in other comprehensive income.
- Held-at-fair value investments, consisting primarily of structured products pending disposal that we have transferred from unit-linked investment portfolios. We recognise changes in fair value in the income statement.
- Held-for-trading instruments, consisting of derivatives. We recognise changes in fair value in the income statement.

31 December 2014	Held to maturity	Available for sale	Held at fair value	Held for trading	Total
Government	4.355,7	27.843,8			32.199,5
Bank and Finance		9.722,1	70,5		9.792,6
Other corporate		9.670,8			9.670,8
Structured credit instruments		248,4			248,4
Total Debt securities	4.355,7	47.485,0	70,5		51.911,2
Equity securities		2.801,4	58,6		2.860,0
Private equities		64,0			64,0
Other investments		2,7			2,7
Total Equity securities & other		2.868,1	58,6		2.926,7
Derivatives				2,4	2,4
Total Financial investments	4.355,7	50.353,1	129,1	2,4	54.840,3

31 December 2013	Held to maturity	Available for sale	Held at fair value	Held for trading	Total
Government	4.361,9	25.004,6			29.366,5
Bank and Finance		9.520,1	188,0		9.708,1
Other corporate		7.305,5			7.305,5
Structured credit instruments		297,7	50,3		348,0
Total Debt securities	4.361,9	42.128,0	238,3		46.728,1
Equity securities		2.444,9	31,9		2.476,8
Private equities		50,2			50,2
Other investments		5,3			5,3
Total Equity securities & other		2.500,4	31,9		2.532,3
Derivatives				7,6	7,6
Total Financial investments	4.361,9	44.628,3	270,2	7,6	49.268,0

The following tables provide the split of debt security holdings by country.

<i>31 December 2014</i>	<i>Government</i>	<i>Bank and Finance</i>	<i>Other corporate</i>	<i>Structured Credit Instruments</i>	<i>Total</i>
Belgium	18.837,7	119,1	696,6	2,1	19.655,6
France	5.448,6	2.018,0	2.133,0	15,7	9.615,4
Germany	1.254,0	1.791,5	856,4	44,3	3.946,2
Austria	2.701,2	436,0	452,5		3.589,7
Supranational	200,6	2.366,7			2.567,3
Italy	1.078,1	166,0	625,0	34,9	1.904,0
Spain	568,4	547,0	376,1		1.491,5
Netherlands	481,1	396,2	536,7	54,2	1.468,3
UK		267,8	897,6	9,8	1.175,1
United States	26,9	645,2	454,4	25,7	1.152,3
Ireland	555,7	16,1	108,3		680,1
Australia		215,7	394,4		610,1
Finland	215,6	92,5	144,4		452,5
Slovakia	275,7		167,8		443,5
Sweden		168,6	260,1		428,7
Czech Republic	234,6		48,0		282,6
Switzerland		102,5	177,3		279,8
Poland	253,9	4,5	15,5		274,0
Norway		121,5	88,5		210,0
Mexico		8,4	181,4		189,8
Denmark		23,2	142,2		165,4
Brazil		19,7	108,3		128,0
Luxembourg	21,1		105,9		127,0
Other European countries	9,1	38,1	63,5		110,7
Asia		72,9	288,6		361,5
Other Countries	37,3	155,3	348,3	61,6	602,4
Total Debt securities	32.199,5	9.792,6	9.670,8	248,4	51.911,2

31 December 2013	Government	Bank and Finance	Other Corporate	Structured Credit Instruments	Total
Belgium	18.056,7	240,1	424,4	11,8	18.733,0
France	4.303,1	2.091,9	1.879,5	16,0	8.290,5
Germany	1.103,4	1.898,1	726,2	94,8	3.822,6
Austria	2.423,3	546,3	424,2		3.393,9
Supranational	178,0	2.208,4			2.386,4
Italy	970,2	90,3	181,9	43,0	1.285,4
Spain	298,4	616,3	161,7		1.076,4
Netherlands	362,9	480,0	404,8	64,7	1.312,4
UK		167,9	604,7	10,1	782,7
United States	31,8	441,0	406,3	45,4	924,5
Ireland	527,1	16,4	74,3		617,8
Australia		189,1	282,0		471,0
Finland	196,7	68,1	95,1		359,9
Slovakia	320,2		94,1		414,3
Sweden		192,1	273,3		465,5
Czech Republic	273,1		48,8		321,9
Switzerland		91,0	140,9		231,9
Poland	196,7	1,7	11,2		209,6
Norway		116,5	88,8		205,3
Mexico			127,1		127,1
Denmark		22,3	113,3		135,6
Brazil		11,3	89,4		100,7
Luxembourg	19,9		147,1		167,1
Other European countries	55,8	4,1	40,1		100,0
Asia	10,3	66,5	178,0		254,8
Other Countries	38,7	148,4	288,6	62,2	537,9
Total Debt securities	29.366,5	9.708,1	7.305,5	348,0	46.728,1

The following tables segment debt security holdings by investment grade.

2014	Government	Bank and Finance	Other Corporate	Structured Credit Instruments	Total
AAA	4.853,7	4.422,8		132,4	9.408,9
AA	24.363,6	3.112,4	1.166,6	19,5	28.662,0
A	1.325,9	1.464,3	3.497,2	34,9	6.322,3
BBB	1.592,0	778,5	4.749,6		7.120,1
Investment grade	32.135,1	9.778,0	9.413,4	186,8	51.513,3
BB or lower	63,7	4,9	219,9		288,5
Unrated	0,8	9,7	37,5	61,6	109,6
Non-investment grade and unrated	64,5	14,6	257,4	61,6	398,0
Total	32.199,5	9.792,6	9.670,8	248,4	51.911,2

2013	Government	Bank and Finance	Other Corporate	Structured Credit Instruments	Total
AAA	4.265,0	4.307,6		166,6	8.739,2
AA	22.454,0	3.344,5	996,1	23,7	26.818,2
A	796,0	1.407,5	3.016,7	93,8	5.313,9
BBB	1.788,2	587,4	2.998,9	1,7	5.376,2
Investment grade	29.303,2	9.647,0	7.011,6	285,8	46.247,5
BB or lower	63,1	26,9	214,9		304,9
Unrated	0,2	34,3	79,0	62,2	175,7
Non-investment grade and unrated	63,3	61,1	293,9	62,2	480,6
Total	29.366,5	9.708,1	7.305,5	348,0	46.728,1

9.1 Investments held to maturity

This heading includes Belgian government bonds that we have reclassified at an earlier date from the heading 'Available for sale'.

The (level one) fair value of these bonds amounts to EUR 6.443,5 million on 31 December 2014 (EUR 5.159,4 million on 31 December 2013).

9.2 Investments available for sale

31 December 2014	Amortised cost before impairments	Impairment allowance	Amortised cost net of impairments	Unrealised gains	Unrealised losses	Fair value
Government bonds	22.300,5		22.300,5	5.543,3		27.843,8
Corporate debt securities	17.400,5	-1,9	17.398,7	2.023,5	-29,3	19.392,9
Structured credit instruments	236,6	-0,1	236,5	13,4	-1,6	248,4
Debt securities	39.937,6	-1,9	39.935,7	7.580,2	-30,9	47.485,0
Equity securities	2.462,7	-156,6	2.306,1	517,5	-22,2	2.801,4
Private equities and venture capital	61,5		61,5	3,0	-0,5	64,0
Other investments	2,7		2,7			2,7
Equity securities and other	2.526,9	-156,6	2.370,3	520,5	-22,7	2.868,1
Total investments available for sale	42.464,5	-158,5	42.306,0	8.100,7	-53,6	50.353,1

31 December 2013	Amortised cost before impairments	Impairment allowance	Amortised cost net of impairments	Unrealised gains	Unrealised losses	Fair value
Government bonds	22.801,4		22.801,4	2.233,1	-29,9	25.004,6
Corporate debt securities	15.736,3		15.736,3	1.154,2	-64,8	16.825,7
Structured credit instruments	289,6	-2,3	287,3	13,5	-3,0	297,7
Debt securities	38.827,3	-2,3	38.825,0	3.400,7	-97,7	42.128,0
Equity securities	2.224,8	-197,7	2.027,1	435,0	-17,2	2.444,9
Private equities and venture capital	49,9		49,9	0,3		50,2
Other investments	5,3		5,3			5,3
Equity securities and other	2.280,0	-197,7	2.082,3	435,3	-17,2	2.500,4
Total investments available for sale	41.107,3	-200,0	40.907,3	3.836,0	-114,9	44.628,3

Our investments in structured credits relate mainly to asset or mortgage backed securities or similar instruments. Apart from our EUR 48,5 million investment in the real estate certificate Rue Royale where we also act as fund and asset manager, we are not further involved with the emittents of those instruments. Accordingly, the maximum loss exposure we have on those instruments is limited to their carrying value.

The fair value hierarchy described in Note 1 'Summary of significant accounting policies' determines the classification of fair value measurements shown below.

31 December 2014	Level 1	Level 2	Level 3	Total
Government bonds	27.843,8			27.843,8
Corporate debt securities	19.193,8	199,1		19.392,9
Structured credit instruments	74,7	99,4	74,2	248,4
Private equities and venture capital			63,4	63,4
Equity securities	2.109,6	612,5	81,0	2.803,1
Other investments	1,7			1,7
Total fair values	49.223,5	911,0	218,6	50.353,1

31 December 2013	Level 1	Level 2	Level 3	Total
Government bonds	25.004,6			25.004,6
Corporate debt securities	16.776,8	48,8		16.825,6
Structured credit instruments	156,2	44,5	97,0	297,7
Private equities and venture capital			50,2	50,2
Equity securities	1.816,6	543,2	85,0	2.444,8
Other investments		5,3		5,3
Total fair values	43.754,2	641,8	232,2	44.628,3

Changes in Level 3	2014	2013
Balance on 1 January	232,2	105,2
Maturity / Redemption	-21,5	
Acquisitions/divestment of subsidiaries		
Acquired	12,6	85,6
Proceeds from sales	-6,4	-22,2
Realised losses (gains)	-0,8	
Reversal of impairments	2,3	
Impairments	-0,3	-0,5
Unrealised gains	0,4	2,3
Transfers between valuation categories		61,8
Foreign exchange differences		
Balance on 31 December	218,6	232,2

We derive level 3 valuations for private equities and venture capital from fair values disclosed in the audited financial statements from the relevant participations. For equities and structured credit instruments, we rely on quotes obtained from market participants. We test valuations for structured credit instruments and equities using a discounted cash flow methodology using risk-adjusted rates. Market participants often use such discounted cash flow technique to price securities. These techniques are subject to inherent limitations, such as estimation of the expected future cashflows, and different assumptions and inputs would yield different results.

Level 3 positions are mainly sensitive to a change in the level of expected future cashflows and, accordingly, their fair values vary proportionally to changes of these cashflows. We recognise changes in fair value of the level 3 instruments in 'Other comprehensive income'.

Last year's transfers between valuation categories relate to unlisted Dutch real estate funds. We have transferred these investments to level 3 as the number of observed transactions in the Netherlands declined significantly and that valuations significantly depend on management judgment.

Government bonds

31 December 2014	Amortised cost before impairments	Impairments	Unrealised gains (losses)	Fair value
Belgium	11.708,7		2.772,5	14.481,2
France	4.305,8		1.142,8	5.448,6
Austria	2.141,3		559,9	2.701,2
Germany	914,1		339,9	1.254,0
Italy	818,7		259,4	1.078,1
Spain	488,7		79,7	568,4
Ireland	481,7		74,0	555,7
Netherlands	384,7		96,4	481,1
Slovakia	236,0		39,6	275,7
Czech Republic	198,1		36,5	234,6
Poland	196,6		57,3	253,9
Finland	180,7		34,9	215,6
Supranational	158,3		42,2	200,6
Canada	36,1		1,9	38,0
United States of America	24,8		2,2	26,9
Luxembourg	18,1		3,0	21,1
Portugal	8,1		1,0	9,1
Total	22.300,5		5.543,3	27.843,8

31 December 2013	Amortised cost before impairments	Impairments	Unrealised gains (losses)	Fair value
Belgium	12.525,2		1.169,60	13.694,80
France	3.949,4		353,7	4.303,10
Austria	2.194,2		229,2	2.423,30
Germany	928,5		175	1.103,40
Italy	921,2		49	970,2
Spain	287,5		10,9	298,4
Ireland	481,4		45,7	527,1
Netherlands	321,8		41,1	362,9
Slovakia	288,6		31,7	320,2
Czech Republic	243,4		29,7	273,1
Poland	165,9		30,8	196,7
Finland	177,9		18,8	196,7
Supranational	168,1		10	178
Canada	36,0		2,7	38,7
United States of America	28,2		3,6	31,8
Slovenia	45,1		0,7	45,9
Other	39,0		1,2	40,2
Total	22.801,4		2.203,2	25.004,6

Impairments of investments available for sale

	2014			2013		
	Debt securities	Equity securities	Total	Debt securities	Equity securities	Total
Balance on 1 January	2,3	197,7	200,0	2,3	208,6	210,9
Acquisitions/divestment of subsidiaries						
Increase in impairments	1,9	14,7	16,5		17,3	17,3
Release of impairments						
Reversal on sale/disposal	-2,3	-55,7	-58,0		-26,8	-26,8
Other					-1,3	-1,3
Balance on 31 December	1,9	156,6	158,5	2,3	197,7	200,0

9.3 Investments held at fair value through profit or loss

This heading mainly accumulates securities awaiting disposal that have been reclassified from the heading 'Investments related to unit-linked contracts' upon redemption of the related contracts.

	31 December 2014	31 December 2013
Corporate debt securities	70,5	188,0
Structured credit instruments		50,3
Debt securities	70,5	238,3
Equity securities and other	58,6	31,9
Total Investments held at fair value through profit or loss	129,1	270,2

The fair value hierarchy described in Note 1 — Summary of significant accounting policies determines the classification of fair value measurements shown below.

<i>31 December 2014</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Government bonds				
Corporate debt securities		70,5		70,5
Structured credit instruments				
Private equities and venture capital				
Equity securities		58,6		58,6
Other investments				
Total fair values		129,1		129,1

<i>31 December 2013</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Government bonds				
Corporate debt securities		188,0		188,0
Structured credit instruments			50,3	50,3
Private equities and venture capital				
Equity securities		31,9		31,9
Other investments				
Total fair values		219,9	50,3	270,2

<i>Changes in Level 3</i>	<i>2014</i>	<i>2013</i>
Balance on 1 January	50,3	49,0
Acquisitions/divestment of subsidiaries		
Acquired		
Maturity / Redemption	-50,0	
Proceeds from sales		
Realised losses (gains)	-0,3	
Reversal of impairments		
Impairments		
Unrealised gains		1,3
Transfers between valuation categories		
Foreign exchange differences and other adjustments		
Balance on 31 December		50,3

9.4 Derivatives held for trading (assets)

This heading includes over-the-counter derivatives, the fair value of which is based on a level 2 valuation. Note 10 -- Derivatives further analyses derivative positions.

We use derivatives to manage market and investment risks by hedging selected portfolio segments against adverse market movements. Derivative financial instruments such as swaps and options hedge our investment portfolios against undesired changes in equity prices and interest rates.

Derivatives classified as held for trading

We assess the fair value of derivative assets held for trading from observable market data (level 2).

31 December 2014	Assets	Liabilities	Notional to receive	Notional to deliver
Inflation swaps		20,1	442,3	442,3
Equity-linked swaps	1,9		11,2	11,2
Equity call options	0,5			
Swaptions			478,0	478,0
FX forwards		28,8	18,9	1.159,1
Total Derivatives held for trading	2,4	48,9	950,4	2.090,6

31 December 2013	Assets	Liabilities	Notional to receive	Notional to deliver
Inflation swaps		4,5	239,2	239,2
Equity-linked swaps	2,6		13,0	13,0
Equity call options				
Swaptions	1,6		1.170,0	1.170,0
FX forwards	3,5	0,1	1,5	687,0
Total derivatives held for trading	7,6	4,5	1.423,7	2.109,2

Inflation swaps allow the holder to exchange, on predetermined dates, cash flows based on floating inflation rates for cash flows based on pre-defined fixed rates. They protect specific policyholder liabilities against future inflation rate fluctuations. We show inflation swaps net, both legs being subject to a master netting agreement and meeting the offsetting criteria:

	31 December 2014	31 December 2013
Gross carrying amounts:		
Receiving legs	16,5	3,5
Paying legs	-36,6	-8,0
Net amounts	-20,1	-4,5

Equity-linked swaps give the holder the right to exchange cash-flows based on a fixed return for cash-flows based on an equity index. They allow the holder to benefit from favourable equity price movements.

Equity call options give the holder the right to exercise an option and to sell or buy shares or indices at a future date at a pre-defined price. They protect the holder against adverse equity price movements.

Swaptions are call option agreements that allow the holder to acquire interest rate swap contracts at a future date at pre-defined rates. Swaptions protect against future market interest rate increases.

Foreign currency forward contracts are binding obligations to buy or sell a certain amount of foreign currency at a pre-agreed exchange rate, on a specified date in the future. We use forward contracts to protect our USD investments against adverse currency fluctuations.

Most derivatives classified as held for trading other than inflation swaps and swaptions have maturities of less than one year.

31 December 2014	Notional to receive	Notional to deliver
Less than 1 year	397,4	1.537,6
1 to 5 years	103,9	103,9
More than 5 years	449,1	449,1
Total notional amounts	950,4	2.090,6

31 December 2013	Notional to receive	Notional to deliver
Less than 1 year	697,2	1.382,7
1 to 5 years	480,5	480,5
More than 5 years	246,0	246,0
Total notional amounts	1.423,7	2.109,2

Derivatives subject to hedge accounting

We determined the fair values of the instruments listed below based on observable market data (level 2).

31 December 2014	Assets	Liabilities	Notional to receive	Notional to deliver
Interest rate swaps		21,4	442,5	442,5
Interest rate caps	0,2		82,2	
Forward contracts		16,9		71,4

31 December 2013	Assets	Liabilities	Notional to receive	Notional to deliver
Interest rate swaps	0,1	19,5	329,0	329,0
Interest rate caps	1,1		82,2	

Interest rate swaps limit our exposure to interest rate risk on floating rate bank loans. We entered into pay fixed/receive floating interest rate swaps for maturities matching those of the underlying borrowings. Interest rate caps provide a ceiling on interests payments related to forecasted loan renewals.

31 December 2014	Notional to receive	Notional to deliver
Less than 1 year	54,3	125,7
1 to 5 years	430,2	348,0
More than 5 years	40,2	40,2
Total notional amounts	524,7	513,9

<i>31 December 2013</i>	<i>Notional to receive</i>	<i>Notional to deliver</i>
Less than 1 year	4,1	4,1
1 to 5 years	148,0	148,0
More than 5 years	259,3	177,0
Total notional amounts	411,3	329,0

Under hedge accounting, we account for the swaps as cash flow hedges and for the forward contract as a fair value hedge. We recognise them under the following headings in the consolidated financial statements:

<i>Other comprehensive income</i>	<i>2014</i>	<i>2013</i>
Unrealised gains or losses on January 1:		
gains		
losses	-18,9	-27,8
Unrealised net gains (losses) on January 1	-18,9	-27,8
Changes in fair values arising during the year	-1,6	8,9
Amounts reclassified to the income statement:		
to interest income		
to interest expense		
Amounts removed upon hedge discontinuation		
Unrealised gains or losses on 31 December:		
gains		
losses	-20,5	-18,9
Unrealised net gains (losses) on 31 December	-20,5	-18,9
<i>Income statement</i>	<i>2014</i>	<i>2013</i>
Income (expense) resulting from hedge ineffectiveness	-0,9	0,4

11 Investment property

Investment property consists primarily of office buildings and retail space.

<i>Changes in investment property</i>	2014	2013
Acquisition cost on 1 January	3.091,3	2.988,4
Acquisitions of subsidiaries	341,2	64,3
Divestment of subsidiaries	-218,9	-224,2
Construction work and capital expenditure	19,7	44,3
Acquisitions	87,3	167,4
Disposals	-32,9	-93,9
Transfer from (to) property held for own use		116,7
Transfer from (to) buildings held for resale	131,5	14,2
Other		14,1
Acquisition cost on 31 December	3.419,2	3.091,3
Accumulated depreciation on 1 January	-715,2	-564,7
Divestment of subsidiaries	16,8	4,7
Depreciation expense	-82,1	-82,1
Disposals	11,1	10,5
Transfers from (to) property held for own use		-66,9
Transfer from (to) buildings held for resale		
Other		-16,7
Accumulated depreciation on 31 December	-769,5	-715,2
Impairments on 1 January	-43,8	-32,2
Increases	-3,3	-11,6
Reversals	3,4	
Disposals	1,5	
Transfer from (to) real estate held for own use		
Transfer from (to) buildings held for resale		
Other		
Impairments on 31 December	-42,1	-43,8
Net investment property on 31 December	2.607,6	2.332,3

Annual appraisals cover about half of our investment properties. Between successive appraisals, we use in-house models to regularly adjust the fair value (of which 87% level 2 and 13% level 3), of our investment property, based on available market data and/or transactions reported annually. We base level 3 valuation techniques primarily on discounted cash-flows. Expected property cash flows take into account expected rental income growth rates, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. We then discount the expected net cash flows using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary, tenant credit quality and lease terms).

As the fair value of investment property under construction is not reliably measurable, we measured it at cost in the fair value table below.

	31 December 2014	31 December 2013
Total fair value	3.555,2	3.278,7
Less : total carrying amount	-2.607,6	-2.332,3
Gross unrealised gain/loss	947,6	946,7
Taxation	-322,1	-321,8
Net unrealised gain	625,5	624,9
Cost of investment property under construction	15,9	40,5

We do not recognise unrealised gains in the Statement of financial position, in contrast to unrealised gains on financial assets that we recognise in other comprehensive income.

We lease out investment property under operating lease agreements. The table below details expected minimum payments receivable under irrevocable lease agreements.

	2014	2013
Less than 1 year	235,0	213,4
1 year to 5 years	696,6	669,4
More than 5 years	834,9	927,6
Total	1.766,5	1.810,4

Interests in unconsolidated structured entities

In prior years, we sponsored a number of real estate certificates that represent a market capitalisation of EUR 673,4 million on 31 December 2014. Such certificates are investment property-backed securitisation vehicles that are self-funding through debt certificate issues. Certificates may or may not be listed on the stock exchange and offer a variable return, i.e. the net income from the property as well as the proceeds upon sale. We do not consolidate these securitisation vehicles, having transferred all risk and rewards to the certificate holders. We only provide asset management or property management services, earning a market-consistent fee for providing such services.

We sponsor Ascencio SCA, a listed REIT (hereafter 'the fund'), through our 49% equity interest in Ascencio SA, the statutory manager of the fund. The statutory manager of the fund bears unlimited responsibility for the commitments taken by the fund and earns a fee amounting to 4% of the gross dividend paid by the fund. We account for our 49% ownership in Ascencio SA using the equity method, classified under investments in associates. Additionally, we own 13,2 % of the shares in the fund, classified under investments available for sale.

Other than those listed below, we do not hold any significant interest in the certificates we have issued. As equity or bond holders, our maximum loss exposure to these certificates is limited to the carrying value of those instruments in our Statement of financial position.

	<i>31 December 2014</i>		<i>31 December 2013</i>	
	<i>Ownership</i>	<i>Amount</i>	<i>Ownership</i>	<i>Amount</i>
Woluwe extension	19,4 %	13,0	19,4 %	12,3
Ascencio SCA	13,2 %	45,9	14,8 %	34,6

12 Loans

	31 December 2014	31 December 2013
Governments and official institutions	2.443,4	1.875,2
Residential mortgages	1.484,6	1.546,6
Loans to banks - Short term	7,4	163,8
Loans to banks - Long term	468,0	457,0
Commercial loans	659,7	489,8
Policyholder loans	181,9	151,5
Financial lease receivables	39,9	41,4
Total loans	5.284,9	4.725,3
Less impairment allowance:		
Specific credit risk	-14,7	-12,5
Incurred but not reported (IBNR)	-0,9	-0,8
Total loans, net of impairment allowance	5.269,3	4.712,0

Commercial loans include real estate loans, infrastructure loans and other commercial loans.

The tables below detail the major loan types by investment grade.

2014	Governments and official institutions	Loans to banks	Commercial loans
AAA	347,9		
AA	1.351,9	43,0	15,0
A	726,5	164,5	0,4
BBB	17,1	189,0	230,1
Investment grade	2.443,4	396,4	245,5
BB or lower			
Unrated		78,8	414,2
Non-investment grade and unrated		78,8	414,2
Total	2.443,4	475,3	659,7

2013	Governments and official institutions	Loans to banks	Commercial loans
AAA	333,5	12,9	
AA	891,2	157,0	
A	635,5	323,3	
BBB			
Investment grade	1.860,2	493,1	
BB or lower		25,0	87,0
Unrated	15,0	102,7	402,8
Non-investment grade and unrated	15,0	127,7	489,8
Total	1.875,2	620,8	489,8

The following tables detail collateral received (measured at fair value) and other credit enhancements that reduce credit risk.

2014	Credit exposure	Financial instruments	Property	Other collateral	Total collateral	Excess collateral	Unsecured exposure
Governments and official institutions	2.443,4						2.443,4
Residential mortgages	1.484,6		2.361,4		2.361,4	876,8	
Loans to banks	475,4						475,4
Commercial loans	659,7	20,1	15,8	43,7	79,6		580,1
Policyholder loans	181,9			430,0	430,0	248,1	
Finance lease receivables	39,9						39,9
Total credit exposure, net	5.284,9	20,1	2.377,2	473,7	2.871,0	1.124,9	3.538,8

2013	Credit exposure	Financial instruments	Property	Other collateral	Total collateral	Excess collateral	Unsecured exposure
Governments and official institutions	1.875,2						1.875,2
Residential mortgages	1.546,6		2.381,1		2.381,1	834,5	
Loans to banks	620,8						620,8
Commercial loans	489,8	1,1	13,6	39,3	54,0		435,8
Policyholder loans	151,5	538,4			538,4	386,9	
Finance lease receivables	41,4						41,4
Total credit exposure, net	4.725,3	539,5	2.394,7	39,3	2.973,5	1.221,4	2.973,2

Infrastructure loans further benefit from extensive security packages that feature, among other, (i) pledges over shares and bank accounts, (ii) guarantee agreements and (iii) step-in agreements.

The table below details the impaired credit exposure on the loan portfolios.

31 December 2014	Outstanding	Specific allowance	Coverage
Governments and official institutions			
Residential mortgages	84,8	13,3	15,7 %
Commercial loans	2,4	1,4	58,3 %
Policyholder loans			
Total impaired credit exposure	87,2	14,7	16,9 %

31 December 2013	Outstanding	Specific allowance	Coverage
Governments and official institutions			
Residential mortgages	122,6	11,8	9,7 %
Commercial loans	5,8	0,6	10,7 %
Policyholder loans			
Total impaired credit exposure	128,4	12,5	9,7 %

Change in impairment allowance	2014		2013	
	Specific credit risk	IBNR	Specific credit risk	IBNR
Balance on 1 January	12,5	0,8	9,8	1,0
Increases	4,0	0,1	5,4	0,1
Releases	-1,3	-0,1	-2,1	-0,3
Write-offs of uncollectible loans	-0,5		-0,6	
Foreign currency translation adjustments				
Balance on 31 December	14,7	0,9	12,5	0,8

Associates are investments where we exercise a significant influence, without having control. Typically, these are real estate entities in which we hold an interest between 20 and 50%.

Carrying amounts	% interest	31 December 2014	31 December 2013
DTHP	33,0 %	75,9	79,4
Predirec	29,5 %	56,8	39,0
Aviabel	24,7 %	26,5	26,5
North Light	40,0 %	22,6	22,5
Pole Star	40,0 %	22,3	22,3
BITM	50,0 %	20,4	20,4
Credimo	34,4 %	20,2	20,2
Louvesse development I	20,0 %	23,9	
Frey SA	20,0 %	17,4	19,5
Frey Retail Fund 2	33,3 %	10,7	10,6
Regatta-Lo	50,0 %	13,3	11,0
DBFM	37,5 %	0,1	6,6
Other (including Interparking associates)		32,1	27,8
Total		342,2	305,8

The tables below provide key figures for these associates (assets and liabilities as at 31 December):

2014	Total assets	Total liabilities	Total income	Total expenses
DTHP	1.056,4	739,7	39,4	73,5
Predirec	192,9	0,2	3,3	0,2
Aviabel	229,3	116,3	44,8	35,7
North Light	149,2	92,8	7,1	7,0
Pole Star	167,7	111,8	7,8	7,7
BITM	87,1	46,4	16,7	16,7
Credimo	1.089,2	1.025,8	131,4	129,4
Louvesse development I	329,8	210,0	11,0	9,5
Frey SA	320,4	222,3	18,3	23,7
Frey Retail Fund 2	137,2	105,1	10,6	11,0
Regatta-Lo	37,5	10,9	6,8	1,7
DBFM	231,2	235,2	47,3	46,3
2013				
DTHP	977,1	652,3	34,3	38,2
Predirec	132,8	0,5	1,6	1,7
Aviabel	215,0	107,7	41,9	36,6
North Light	147,8	91,5	0,4	0,4
Pole Star	169,9	114,1	0,5	0,3
BITM	96,4	55,6	17,2	10,9
Credimo	1.017,8	958,6	129,5	127,4
Frey SA	329,2	220,1	5,7	11,0
Frey Retail Fund 2	103,8	71,9	5,0	5,6
Regatta-Lo	30,0	8,0	1,0	1,0
DBFM	165,1	147,4	38,3	32,7

14 Reinsurance and other receivables

The Statement of financial position lists the reinsurers' share of liabilities arising from insurance contracts as a separate asset. This relates primarily to Non-life contracts. The recognition and measurement of reinsurance assets follows the recognition and measurement of the gross policyholder liabilities ceded to reinsurers.

	31 December 2014	31 December 2013
Reinsurers' share of liabilities arising from insurance contracts	236,0	195,3
Receivables from policyholders	251,1	259,3
Receivables from intermediaries	94,6	88,7
Fees and commissions receivable	57,6	62,1
Reinsurance receivables	35,0	7,0
Operating lease receivables	2,7	1,8
Other	117,2	173,2
Total before impairments	794,3	787,4
Impairment allowance	-5,2	-4,6
Total Reinsurance and other receivables	789,1	782,8

At year-end, we had received from reinsurers EUR 58,9 million (previous year EUR 60,1 million) deposits (Note 22 – Borrowings), as well as bonds for a total value of EUR 118,6 million (previous year EUR 100,5 million), as collateral to guarantee their share in the liabilities arising from insurance contracts.

The line 'Other' primarily reflects outstanding receivables related to securities and real estate and pending settlement.

<i>Changes in Reinsurers' share of liabilities arising from insurance contracts</i>	2014	2013
Balance on 1 January	195,3	180,6
Change in liabilities, current year	114,0	21,5
Change in liabilities, prior years	11,3	11,1
Claims paid current year	-77,9	-9,0
Claims paid prior years	-6,4	-8,9
Other net additions through income statement	-0,4	-0,1
Balance on 31 December	236,0	195,3

The impairment allowance relates to receivables from intermediaries. It evolved as follows:

<i>Changes in impairment allowance</i>	2014	2013
Balance on 1 January	4,6	4,7
Increase in impairments	1,6	0,3
Release of impairments	-0,1	-0,2
Write-offs of uncollectible amounts	-0,9	-0,2
Balance on 31 December	5,2	4,6

15 Accrued interest and other assets

	31 December 2014	31 December 2013
Accrued interest	1.131,9	1.120,8
Deferred acquisition costs	157,1	158,1
Buildings held for sale	60,0	155,0
Other deferred charges	65,3	62,5
Derivatives held for hedging purposes	0,2	1,1
Other	35,6	30,6
Total Accrued interest and other assets, before impairment allowance	1.450,1	1.528,2
Impairment allowance	-4,9	-5,9
Total Accrued interests and other assets	1.445,2	1.522,3

Deferred acquisition costs represent the cost of acquiring insurance and investment contracts. We defer only the direct variable portion of the acquisition costs, determined on a contract basis. We amortise them over the average expected lifetime of the related contract portfolio.

<i>Changes in Deferred acquisition costs</i>	2014	2013
Balance on 1 January	158,1	158,8
Amounts capitalised during the year	326,6	317,0
Amortisation for the year	-327,7	-317,6
Balance on 31 December	157,1	158,1

16 Property held for own use

Property held for own use includes owner-occupied office buildings and owner-managed public car parks.

	31 December 2014	31 December 2013
Land and buildings	940,6	921,6
Equipment	75,7	61,5
Leasehold improvements	24,1	18,2
Total Property held for own use	1.040,4	1.001,2

Car parks appear under property held for own use rather than for investment as we manage them ourselves, thereby taking on the operational risk, rather than leasing them to a third-party operator. Accordingly, the Wiltcher's hotel appeared under this heading until the end of 2012 to reflect our exposure to operational risk. Starting 2013, the hotel is classified as investment property, as a new tenant bears the operational risk.

2014	Office buildings	Car parks	Hotel	Total
Acquisition cost on 1 January	250,9	1.129,7		1.380,6
Acquisitions/divestment of subsidiaries				
Capitalised construction expenditures	0,7	9,8		10,5
Acquisitions		40,6		40,6
Disposals	-0,4			-0,4
Transfer from (to) investment property				
Other		5,2		5,2
Acquisition cost on 31 December	251,1	1.185,3		1.436,4
Accumulated depreciation on 1 January	-142,5	-308,5		-451,0
Depreciation expense	-6,1	-26,0		-32,1
Disposals				
Transfer from (to) investment property				
Other		-5,2		-5,2
Accumulated depreciation on 31 December	-148,6	-339,8		-488,3
Accumulated impairment losses on 1 January		-8,0		-8,0
Increases				
Reversals		0,5		0,5
Disposals				
Transfer from (to) investment property				
Accumulated impairment losses on 31 December		-7,5		-7,6
Land and buildings on 31 December	102,5	838,0		940,6

2013	Office buildings	Car parks	Hotel	Total
Acquisition cost on 1 January	254,5	1.096,2	112,2	1.462,9
Acquisitions/divestment of subsidiaries				
Capitalised construction expenditures		31,8		31,8
Acquisitions	0,6	1,7		2,3
Disposals	-0,2			-0,2
Transfer from (to) investment property	-4,5		-112,2	-116,7
Other	0,5			0,5
Acquisition cost on 31 December	250,9	1.129,7		1.380,6
Accumulated depreciation on 1 January	-139,9	-282,1	-63,4	-485,4
Depreciation expense	-6,1	-26,2		-32,3
Disposals				
Transfer from (to) investment property	3,5		63,4	66,9
Other		-0,2		-0,2
Accumulated depreciation on 31 December	-142,5	-308,5		-451,0
Accumulated impairment losses on 1 January		-5,7		-5,7
Increases		-2,3		-2,3
Reversals				
Disposals				
Transfer from (to) investment property				
Accumulated impairment losses on 31 December		-8,0		-8,0
Land and buildings on 31 December	108,4	813,2		921,6

About half of our properties other than car parks are externally appraised each year. Between successive appraisals, we update the fair value of properties other than car parks using in-house models that we regularly calibrate to reflect available market data and/or transactions (level 2).

We determine car park fair values using in-house models that also use unobservable market data (level 3). We nevertheless regularly calibrate the resulting fair values to reflect available market data and/or transactions. We base level 3 valuation techniques for measuring car parks primarily on discounted cash-flows. Expected car park cash flows take into account expected inflation, and economic growth in individual car park areas, among other factors. We next discount the expected net cash flows using risk-adjusted discount rates. The discount rate estimation considers the quality of the car park and its location, among other factors.

Unlike financial assets, we do not recognise unrealised gains in other comprehensive income.

<i>Office buildings</i>	<i>31 December 2014</i>	<i>31 December 2013</i>
Total fair value	231,3	228,7
Less : total carrying amount	-102,1	-108,4
Gross unrealised gain	129,2	120,3
Income taxes	-43,9	-40,9
Net unrealised gain	85,3	79,4

<i>Car parks</i>	<i>31 December 2014</i>	<i>31 December 2013</i>
Total fair value	1.092,2	1.011,8
Less : total carrying amount	-838,0	-813,2
Gross unrealised gain	254,1	198,6
Income taxes	-86,4	-67,5
Net unrealised gain	167,7	131,1

In addition to holding property for our own use, we also lease office space, office equipment, company cars and public car parks. The table below details the minimum future commitments resulting from non-cancellable operating leases, by remaining maturity.

	<i>31 December 2014</i>	<i>31 December 2013</i>
Less than 1 year	58,9	48,9
1 year to 5 years	208,0	170,5
More than 5 years	249,1	294,6
Total	516,0	514,0
Annual lease expense	121,5	113,0

Intangible assets consist of public car park service concessions, mainly.

	31 December 2014	31 December 2013
Public car park service concessions	302,8	291,3
Goodwill	23,5	23,7
Software	1,5	1,1
Other	54,5	35,8
Total	382,3	351,9

As first-time adopters of IFRS in 2005, we chose not to restate earlier business combinations, an option available in IFRS 1. As a result, we recognised business combinations prior to 1 January 2004 on a previous reporting basis – charging acquisition goodwill to shareholders' equity as incurred – in our financial statements. The goodwill balance therefore only reflects acquisitions made since 2005: in almost equal proportions, a 5% share of Interparking acquired in 2005 and a 67,5% share of Devimo, a real estate management entity, acquired in 2008. There have been no significant changes in these balances in the current or previous year.

<i>Changes in carrying value of public car park service concessions</i>	2014	2013
Acquisition cost on 1 January	474,9	458,6
Acquisitions/divestment of subsidiaries	18,5	
Acquisitions	18,6	16,3
Additions		
Disposals	-20,9	
Other	-6,6	
Acquisition cost on 31 December	484,6	474,9
Accumulated amortisation on 1 January	-168,5	-151,9
Amortisation for the year	-18,4	-16,6
Disposals	20,9	
Transfer		
Accumulated amortisation on 31 December	-166,0	-168,5
Impairment allowance on 1 January	-15,1	-9,2
Increases	-0,7	-6,4
Reversals		
Transfer		0,5
Impairment allowance on 31 December	-15,8	-15,1
Net car park service concessions on 31 December	302,8	291,3

We determine the fair value of car park service concessions using in-house models that we regularly calibrate to reflect available market data and/or transactions. The models also use unobservable market data (level 3). Unlike financial assets, we do not recognise unrealised gains in other comprehensive income.

<i>Fair value of public car park service concessions</i>	<i>31 December 2014</i>	<i>31 December 2013</i>
Total fair value	401,2	369,2
Less : total carrying amount	302,8	291,3
Gross unrealised gain	98,4	77,9
Income tax effect	-33,4	-26,5
Net unrealised gain	65,0	51,4

18 Liabilities arising from Life insurance contracts

	31 December 2014	31 December 2013
Liability for future policyholder benefits	22.259,0	21.606,9
Reserve for policyholder profit sharing	96,9	107,9
Shadow Accounting adjustment	2.067,4	357,0
Total liabilities arising from Life insurance contracts	24.423,2	22.071,8

<i>Changes in liabilities arising from Life insurance contracts</i>	2014	2013
Balance on 1 January	22.071,8	21.886,3
Reserved premiums	1.138,3	1.202,0
Time value	766,9	785,1
Payments due to surrenders, maturities and other	-1.603,7	-1.504,4
Transfers	340,6	73,5
Shadow accounting adjustment	1.710,4	-287,6
Other changes	-1,1	-82,9
Balance on 31 December	24.423,2	22.071,8

The current year transfer of liabilities reflects the acquisition of the group insurance contract portfolio of Fidea, mainly.

19 Liabilities arising from Life investment contracts

	31 December 2014	31 December 2013
Liability for future policyholder benefits	24.650,3	24.154,4
Reserve for policyholder profit sharing	130,0	140,4
Shadow accounting adjustment	1.668,2	400,8
Total liabilities arising from Life investment contracts	26.448,5	24.695,5

<i>Change in liabilities arising from Life investment contracts</i>	2014	2013
Balance on 1 January	24.695,5	24.781,1
Reserved premiums	1.888,9	1.818,6
Time value	696,9	706,2
Payments due to surrenders, maturities and other	-2.269,1	-2.111,9
Transfers	210,8	-94,2
Shadow accounting adjustment	1.267,4	-416,3
Other changes	-42,0	12,0
Balance on 31 December	26.448,5	24.695,5

The current year transfer of liabilities reflects the acquisition of the group insurance contract portfolio of Fidea, mainly.

20 Liabilities arising from Unit-linked contracts

The liabilities related to unit-linked contracts are segmented into investment and insurance contracts.

	31 December 2014	31 December 2013
Investment contracts	5.801,7	5.535,6
Insurance contracts	911,6	864,2
Total	6.713,3	6.399,9

<i>Changes in liabilities related to unit-linked investment contracts</i>	2014	2013
Balance on 1 January	5.535,6	5.261,7
Reserved premiums	395,0	546,2
Change in fair value	464,7	286,5
Payments due to surrenders, maturities and other	-627,3	-575,9
Transfers	33,8	38,0
Other changes		-20,9
Balance on 31 December	5.801,7	5.535,6

<i>Changes in liabilities related to unit-linked insurance contracts</i>	2014	2013
Balance on 1 January	864,2	773,5
Reserved premiums	51,8	73,8
Change in fair value	78,5	64,7
Payments due to surrenders, maturities and other	-18,9	-18,5
Transfers	-65,0	-32,2
Other changes	1,0	3,0
Balance on 31 December	911,6	864,2

21 Liabilities arising from Non-life insurance contracts

	31 December 2014	31 December 2013
Claims reserves	3.326,7	3.118,7
Unearned premiums	364,8	359,0
Reserve for policyholder profit sharing	18,5	10,9
Shadow accounting		63,7
Total Liabilities arising from Non-life insurance contracts	3.710,0	3.552,3

The reserve for policyholder profit sharing relates to group health care policies.

<i>Changes in liabilities arising from Non-life insurance contracts</i>	2014	2013
Balance on 1 January	3.552,3	3.405,7
Changes in liabilities current year	1.131,3	1.272,2
Claims paid current year	-675,5	-589,5
Change in liabilities, prior years	-35,7	-118,2
Claims paid prior years	-420,6	-422,0
Change in unearned premiums	5,8	3,6
Transfers	4,7	
Shadow accounting adjustment	-63,7	-37,1
Other changes	211,5	37,6
Balance on 31 December	3.710,0	3.552,3

Loss reserve development table

The loss reserve development table shows, per accounting year, the development of (gross) claims reserves¹³ arising from Non-life insurance contracts. Column headings refer to accounting years while the labels in the first column refer to the subsequent development years.

The line "Claim reserves at year-end" represents the claim reserves as at 31 December of the accounting year, reflecting the outstanding claim liabilities for all years of occurrence prior to and including the accounting year.

The section "Claim reserves estimated:" shows the initial year-end claim liabilities as remeasured on 31 December of the subsequent development year, reflecting updated claim assumptions and reserving parameters. Accordingly, the claims reserve becomes increasingly reliable over time.

The section "Cumulative payments made" reports the cumulative amount of claim payments made on the claims reserves since 31 December of the accounting year.

¹³ Claim reserves include IBN(E)R reserves and allocated claim handling expenses.

The line "Claim reserves outstanding" represents, at 31 December 2014, the residual claim reserves relating to a particular accounting year. The balance corresponds to the claims reserves as remeasured at 31 December 2014 less the cumulative payments made till the same date.

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Claim reserves at year-end	792,6	822,7	880,5	940,1	963,3	1.060,8	1.068,4	1.125,6	1.226,4	1.385,7
Claim reserves estimated:										
One year later	750,5	797,9	884,0	896,5	939,7	1.033,1	1.073,6	1.139,3	1.248,1	
Two years later	736,1	803,1	853,7	894,2	933,4	1.075,4	1.104,1	1.193,0		
Three years later	744,0	774,9	842,4	880,0	967,3	1.090,1	1.136,8			
Four years later	716,8	761,8	832,3	911,0	981,7	1.118,3				
Five years later	704,1	756,5	859,7	924,5	1.002,7					
Six years later	700,4	777,1	870,2	943,1						
Seven years later	720,2	789,1	886,4							
Eight years later	726,1	800,8								
Nine years later	737,5									
Cumulative payments made:										
One year later	167,9	188,0	216,7	237,9	258,9	316,6	296,8	285,4	288,2	
Two years later	241,8	271,8	312,8	332,6	361,7	427,7	416,1	399,1		
Three years later	299,2	338,7	377,0	406,3	438,5	514,5	500,7			
Four years later	352,6	387,9	432,4	466,8	505,0	583,7				
Five years later	390,7	430,4	481,2	520,4	560,8					
Six years later	424,5	470,8	523,6	565,7						
Seven years later	455,9	504,4	561,0							
Eight years later	483,7	535,5								
Nine years later	509,7									
Claim reserves outstanding	227,8	265,3	325,4	377,4	441,9	534,6	636,1	793,9	959,9	1.385,7
Claim reserves arising from workers' compensation policies										1.204,0
Other claim reserves										737,2
Total Claim reserves on 31 December 2014										3.326,7

22 Borrowings

Repurchase agreements and bank loans represent the majority of our borrowings. Repurchase agreements are essentially secured short-term loans that we use to hedge specific investments with resettable interest rates and for cash management. Loans from banks finance property investments in specific group entities.

	31 December 2014	31 December 2013
Repurchase agreements	1.069,8	1.184,7
Loans and other	794,5	606,8
Due to banks	1.864,3	1.791,4
Funds held under reinsurance agreements	58,9	60,1
Finance lease obligations	21,3	22,8
Other borrowings	33,6	33,0
Total borrowings	1.978,2	1.907,3

Collateral given

The following table shows the carrying amount of the collateral given to secure bank borrowings. We have not provided collateral for any other purpose.

Collateral given on behalf of	Type	31 December 2014	31 December 2013
Repurchase agreements	debt securities	1.082,3	1.248,9
Loans and other	property	391,5	391,5

Remaining contractual maturities

The following tables detail the major outstanding amounts, segmented by remaining maturity term.

Repurchase agreements	31 December 2014	31 December 2013
Less than one year	1.069,8	1.162,4
1 year to 5 years		22,3
More than 5 years		
Total Repurchase agreements	1.069,8	1.184,7

Due to banks - Loans and other	31 December 2014	31 December 2013
Less than one year	339,2	257,0
1 year to 5 years	237,5	320,7
More than 5 years	217,9	29,1
Total	794,5	606,8

<i>Finance lease obligations</i>	<i>31 December 2014</i>	<i>31 December 2013</i>
Minimum lease payments		
Less than 1 year	2,1	2,4
1 year to 5 years	8,3	8,4
More than 5 years	55,6	57,6
Total Minimum lease payments	66,0	68,4
Present value minimum lease payments		
Less than 1 year	1,2	1,4
1 year to 5 years	4,9	4,9
More than 5 years	15,2	16,4
Total	21,3	22,8
Future finance charges	44,8	45,6

Fair values

The carrying value of the borrowings is a reasonable approximation of their fair value as contract maturities are less than one year (repurchase agreements) and/or contracts carry a floating rate (loans from banks). Accordingly, fair value is based upon observable market data (level 2).

Deferred tax assets (liabilities) are the amounts of income taxes recoverable (payable) in future periods in respect of taxable timing differences. Unused tax losses or credits carried forward generate additional deferred tax assets.

We offset deferred income tax assets and liabilities when we have a legally enforceable right to settle the amount payable and the amount receivable at the net amount, and when the deferred tax assets and liabilities relate to income taxes levied by the same tax authorities. Accordingly, we have offset some of the amounts shown in the table above in the Statement of financial position, leaving the following residual balances:

	31 December 2014	31 December 2013
Deferred tax assets	24,6	17,7
Less : deferred tax liabilities	-1.418,2	-1.045,3
Net deferred tax assets (liabilities)	-1.393,6	-1.027,6

We recognise deferred tax assets to the extent that we expect to earn sufficient taxable profit in the future against which we can use the deferred tax asset. We have therefore not recognised deferred tax assets on unused (claimed) tax losses and unused tax credits for an estimated tax value of EUR 90,1 million on 31 December 2014 (EUR 95,2 million on 31 December 2013). We can carry these amounts forward indefinitely.

The next table details:

- deferred tax assets and liabilities recognised in the Statement of financial position, and
- related deferred tax income and expense recognised in the income statement

We recognise in other comprehensive income rather than in the income statement the movements in deferred tax assets or liabilities arising from movements of items on the Statement of financial position that we record in other comprehensive income.

	Statement of financial position		Income statement	
	2014	2013	2014	2013
Financial investments (available for sale)				-92,1
Investment property	20,3	20,5	0,8	8,9
Property held for own use	33,6	33,6		-10,4
Intangible assets (excluding goodwill)	4,7	5,9	-0,6	-0,2
Insurance policy and claim reserves	1.415,4	399,4	25,5	-103,1
Provisions for pensions and post-retirement benefits	168,5	138,5	5,1	68,2
Other provisions	6,6	6,1	0,5	0,4
Accrued expenses and deferred income	0,2	0,2		-1,2
Unused tax losses	25,2	9,7	15,4	-6,0
Other	39,7	39,0	0,7	0,5
Total deferred tax assets	1.714,2	653,1	47,3	-135,1
Derivatives held for trading (assets)	0,1	0,1	-0,1	0,5
Financial investments (available for sale)	2.604,2	1.155,4	-3,7	91,5
Unit-linked investments	-3,4	1,9	5,3	1,5
Investment property	123,4	82,2	-1,8	26,0
Loans to customers	1,2	1,5	0,3	-0,2
Property held for own use	180,3	185,3	5,0	-6,2
Intangible assets (excluding goodwill)	67,4	76,4		
Other provisions				
Deferred policy acquisition costs	31,3	31,8	0,4	0,5
Deferred expense and accrued income	1,3	1,4	0,1	
Tax exempt reserves	61,2	64,3	3,0	-24,4
Other	40,5	80,4	35,5	17,2
Total deferred tax liabilities	3.107,6	1.680,7	44,2	106,5
Deferred tax income (expense)			91,5	-28,6
Net deferred tax assets (liabilities)	-1.393,6	-1.027,6		

	31 December 2014	31 December 2013
Defined benefit pension liabilities	429,6	364,8
Due to policyholders and intermediaries	314,6	307,5
Accounts payable	115,3	110,7
Defined benefit liabilities other than pension	113,3	88,6
Liabilities related to written put options on NCI	94,8	
Short-term employee benefit liabilities	94,7	86,6
Deferred revenues	90,2	92,6
VAT and other taxes payable	65,2	69,1
Accrued finance costs	41,6	35,6
Derivatives held for hedging purposes	38,3	19,5
Other long-term employee benefit liabilities	12,8	12,0
Other accrued expenses	12,8	4,0
Termination benefits	8,5	10,7
Due to reinsurers	3,9	7,2
Other liabilities	307,5	288,8
Total Other liabilities	1.743,1	1.497,7

We provide further details on some of these items in the following Notes:

- Defined benefit pension liabilities in Note 8 – Employee Benefits;
- Liabilities related to written put options on NCI in Note 3.2 – Non-controlling interests;
- Derivatives held for trading in Note 10 – Derivatives.

Other liabilities primarily include payables pending completion of securities transactions, receipts pending allocation and advance premium payments received.

Due to the nature of our recurrent operations, we are engaged in various stages of legal proceedings initiated by policyholders or other business parties. We have provided for these contingent liabilities when we are of the opinion that settling the obligation is likely to require an outflow of resources and we can reliably estimate the amount of the obligation. There are no other contingent liabilities of significance.

Provisions for litigations reflect best estimates that are based on management judgement and, in most cases, the opinion of our legal counsel and other specialists. The timing of the related cash outflow is by nature uncertain considering the unpredictability of the outcome and the time required concluding litigation.

<i>Changes in Provisions</i>	2014	2013
Balance on 1 January	16,5	23,5
Acquisition and divestment of subsidiaries	0,3	
Increase in provisions	3,3	1,0
Reversal of unused provisions		
Used during the year		-0,1
Other	0,1	-7,9
Balance on 31 December	20,2	16,5

In 2013, we have reclassified a net amount of EUR 7,9 million to other liability accounts.

This note discloses the fair value of financial assets and financial liabilities that we do not measure at fair value in the Statement of financial position.

	<i>Fair value</i>		31 December 2014		31 December 2013	
	<i>Hierarchy Level</i>	<i>Carrying value</i>	<i>Fair value</i>	<i>Carrying value</i>	<i>Fair value</i>	
Financial assets						
Cash and cash equivalents	2	798,7	798,7	685,9	685,9	
Financial investments - held to maturity	1	4.355,7	6.443,5	4.361,9	5.159,4	
Loans	2	5.269,3	5.941,7	4.712,0	4.898,4	
Reinsurance and other receivables	2	789,1	789,1	782,8	782,8	
Total financial assets		11.212,8	13.973,0	10.542,6	11.526,6	
Financial Liabilities						
Subordinated liabilities	2	1.233,1	1.343,5	1.177,1	1.221,1	
Borrowings	2	1.978,2	1.979,2	1.907,3	1.907,1	
Total financial liabilities		3.211,3	3.322,7	3.084,4	3.128,2	

Most of these financial instruments are not actively traded on financial markets. In forthcoming case, we measure their fair value in accordance with the following principles:

<i>Instrument Type</i>	<i>Products</i>	<i>Fair value methodology</i>
Instruments with no stated maturity	Current and savings accounts, Reinsurance and other receivables, etc.	Nominal value
Instruments with a stated maturity	Deposits	Nominal value
Instruments without option features	Straight loans, repos, etc.	Discounted cash flow methodology; we use the swap curve plus an illiquidity premium as the discounting yield curve
Instruments with option features	Mortgage loans and other instruments with option features	We split the product and value <ul style="list-style-type: none"> the linear (non-optional) component using a discounted cash flow methodology, and the option component based on an option-pricing model
Subordinated liabilities	Subordinated liabilities	Valuation based on broker quotes

Notes to the consolidated income statement

Insurance premiums are shown net of reinsurance.

<i>Earned premiums</i>	2014	2013
Life	3.546,2	3.534,4
Non-life	1.815,1	1.785,1
Total Earned premiums	5.361,3	5.319,5

We recognise earned premiums in the income statement, but apply deposit accounting to premiums arising from investment contracts without DPF, primarily unit-linked contracts, and we record them as liabilities upon recognition.

As IFRS restricts the definition of premiums to insurance contracts and investment contracts with discretionary participation features (DPF) only, we use the alternative concept of 'gross inflow' as the sum of gross premiums written for insurance and investment contracts.

<i>Gross inflow</i>	2014	2013
Written premiums, gross, for Life insurance contracts	1.574,6	1.635,1
Written premiums, gross, for Life investment contracts	2.388,1	2.466,3
Total Gross inflow - Life	3.962,6	4.101,4
Written premiums, gross, for Non-life insurance contracts	1.893,4	1.854,8
Total gross inflow	5.856,1	5.956,1

Life

In Life, earned premiums equal written premiums.

<i>Earned premiums</i>	2014	2013
Insurance contracts, excluding unit-linked		
Single premiums	314,3	342,7
Periodic premiums	707,3	690,6
Total Group	1.021,7	1.033,3
Single premiums	235,6	280,5
Periodic premiums	257,3	246,9
Total Retail	492,9	527,3
Total insurance contracts, excluding unit-linked	1.514,6	1.560,6
Unit-linked insurance contracts		
Single premiums	11,2	10,6
Periodic premiums	48,2	63,2
Total Group	59,4	73,8
Single premiums	0,5	0,6
Periodic premiums		
Total Retail	0,5	0,6
Total unit-linked insurance contracts	60,0	74,5
Investment contracts with DPF		
Single premiums	1.632,8	1.572,7
Periodic premiums	343,3	330,9
Total investment contracts with DPF	1.976,1	1.903,7
Earned Life premiums, gross	3.550,7	3.538,8
Ceded reinsurance premiums	-4,4	-4,4
Earned Life premiums, net of reinsurance	3.546,2	3.534,4
Investment contracts without DPF		
Single premiums	399,0	545,2
Periodic premiums	13,0	17,4
Total investment contracts without DPF	411,9	562,6
Total gross inflow Life	3.962,6	4.101,4

Non-life

2014	<i>Accident & Health</i>	<i>Property & Casualty</i>	<i>Total</i>
Written premiums, gross	513,9	1.379,5	1.893,4
Change in unearned premiums, gross	-1,7	-4,0	-5,7
Earned Non-life premiums, gross	512,2	1.375,6	1.887,7
Ceded reinsurance premiums	-8,2	-64,4	-72,6
Reinsurers' share of unearned premiums			
Earned Non-life premiums, net of reinsurance	503,9	1.311,2	1.815,1

2013	<i>Accident & Health</i>	<i>Property & Casualty</i>	<i>Total</i>
Written premiums, gross	516,2	1.338,5	1.854,8
Change in unearned premiums, gross	-0,2	-3,4	-3,6
Earned Non-life premiums, gross	516,0	1.335,1	1.851,1
Ceded reinsurance premiums	-8,8	-57,2	-66,0
Reinsurers' share of unearned premiums			
Earned Non-life premiums, net of reinsurance	507,2	1.277,9	1.785,1

	2014	2013
Interest income:		
Investments	1.684,8	1.686,7
Loans	182,5	156,6
Cash and cash equivalents	2,5	2,3
Other interest income	4,9	8,7
Total interest income	1.874,7	1.854,3
Car park revenues	320,1	292,0
Rental income	218,9	222,7
Dividend income	91,2	83,2
Other investment income	46,2	45,9
Total Interest and other investment income	2.551,1	2.498,1

We disclose changes in fair value related to unit-linked contract investments in Note 30.

	2014	2013
Debt securities classified as available for sale	115,1	16,3
Equity securities classified as available for sale	76,8	46,2
Subsidiaries	76,4	53,5
Investment property	9,0	32,9
Financial assets held at fair value through profit or loss, other than unit-linked	0,7	3,3
Property held for own use	0,5	0,2
Hedging results	-1,9	0,4
Derivatives held for trading (other than FX forwards)	-10,1	-0,9
Other	-2,4	10,3
Total Realised and unrealised gains and losses	264,1	162,2

Hedging results contain the changes in fair value attributable to the hedged risk – mainly interest-rate risk – of hedged assets and liabilities and the changes in fair value of the hedging instruments. Hedging results reflect the ineffective portion of the hedges (Note 10 -- Derivatives).

30 Investment income arising from unit-linked contracts

	2014	2013
Changes in fair value of underlying investments :		
Investment contracts	440,9	286,5
Insurance contracts	73,1	64,7
Total changes in fair value of underlying investments	514,0	351,1
Realised investment yield :		
Investment contracts	23,7	21,2
Insurance contracts	4,1	4,8
Total realised investment yield	27,8	26,0
Total investment income related to unit-linked contracts	541,8	377,1

31 Share in result of associates

2014	Net profit (loss) at 100%	Participation	Share of result
DTHP	-34,0	33,0%	-9,2
Predirec	3,1	29,5%	0,9
Aviabel	9,0	24,7%	2,2
North Light	0,2	40,0%	0,1
Pole Star	0,1	40,0%	
BITM		50,0%	
Credimo	2,0	34,4%	0,7
Louvrèsse development I	1,4	20,0%	0,3
Frey SA	-5,4	20,0%	-1,1
Frey Retail Fund 2	-0,4	33,3%	-0,1
Regatta-Lo	5,1	50,0%	2,6
DBFM	1,0	37,5%	0,4
Other (including Interparking associates)			2,3
Total share of result of associates			-1,0
2013	Net profit (loss) at 100%	Participation	Share of result
DTHP	-3,9	33,0%	-1,2
Predirec	-0,1	29,4 %	
Aviabel	5,3	24,7 %	2,4
North Light		40,0 %	
Pole Star	0,2	40,0%	0,1
BITM	-12,0	50,0 %	-6,0
Credimo	2,1	34,4 %	0,9
Frey SA	-5,3	20,0 %	-1,1
Frey Retail Fund 2	-0,5	33,3 %	-0,2
Regatta-Lo		50,0 %	
DBFM	5,7	37,5 %	2,1
Other (including Interparking associates)			1,3
Total share of result of associates			-1,7

	2014	2013
Insurance and investment fees	104,0	106,4
Asset management fees	14,4	14,6
Reinsurance commissions	1,5	1,5
Guarantees and commitment fees	2,1	1,9
Other service fees	12,3	13,6
Total fee and commission income	134,3	138,0

Insurance and investment fees relate to unit-linked contracts while asset management fees relate to investment property.

In 2014, we have aligned the unit-linked accounting schemes of the different distribution channels. This alignment resulted in a reclassification, increasing both fee and commission income and charges relating to unit-linked contracts. Accordingly, we have restated the 2013 comparative amounts in the consolidated income statement (insurance and investment fees as originally reported were EUR 64,3 million).

Other service fee income originates primarily from real estate development fees and commissions that our brokerage entities receive for distributing insurance policies.

Other income mainly includes the re-invoicing of service costs related to rental activities and the recovery of staff and other expenses from third parties.

34 Insurance claims and benefits

	2014	2013
Life	4.636,9	4.530,5
Non-life	1.190,8	1.161,7
Total Insurance claims and benefits, net of reinsurance	5.827,7	5.692,1

<i>Life</i>	2014	2013
Benefits and surrenders	4.057,3	3.685,8
Change in liabilities arising from insurance and investment contracts	582,6	845,1
Total Life insurance claims and benefits	4.639,9	4.530,9
Reinsurers' share of claims and benefits	-3,0	-0,4
Total Life insurance claims and benefits, net of reinsurance	4.636,9	4.530,5

<i>Non-life</i>	2014	2013
Claims paid	1.102,8	1.018,3
Change in liabilities arising from insurance contracts	212,9	169,2
Total Non-life insurance claims and benefits	1.315,7	1.187,5
Reinsurers' share of change in liabilities	-40,7	-8,0
Reinsurers' share of claims paid	-84,3	-17,8
Total Non-life insurance claims and benefits, net of reinsurance	1.190,8	1.161,7

35 Finance costs

	2014	2013
Subordinated liabilities	71,7	58,5
Borrowings	23,5	22,4
Derivatives	10,8	3,4
Other liabilities	14,3	13,2
Total finance costs	120,4	97,5

Other liabilities mainly relate to interest charges on provisions for post-employment pension and termination benefits.

36 Change in impairments

<i>Additions to (reversals from) impairment allowances</i>	2014	2013
Investments in equity securities and other	14,7	17,3
Loans	2,7	3,0
Investments in debt securities	1,9	
Reinsurance and other receivables	1,5	0,1
Intangible assets	0,9	6,8
Investment property	-0,2	11,6
Property held for own use	-0,5	1,9
Accrued interest and other assets		5,9
Total change in impairments	20,9	46,6

37 Fee and commission expenses

Fee and commission expenses are primarily commissions paid to brokers. Other fee and commission expense represent retrocessions of fee and commission income, mainly.

	2014	2013
Intermediaries	591,1	582,3
Other fee and commission expenses	39,1	42,4
Total fee and commission expenses	630,3	624,7

38 Staff expenses

	2014	2013
Salaries and wages	327,9	325,2
Social security charges	94,7	91,6
Pension expenses relating to defined benefit plans	22,4	22,7
Pension expenses relating to defined contribution plans	9,3	9,6
Other	36,8	24,9
Total staff expenses	491,2	474,0

Note 8 – Employee Benefits provides additional details on pension plans and related expenses.

Other staff expenses include the cost of leased cars, meal allowances and non-monetary benefits such as medical expenses.

39 Other expenses

	2014	2013
Depreciation on investment property	82,1	82,1
Information technology costs	72,5	67,4
Depreciation on property held for own use	56,3	52,8
Operating and other direct expenses relating to investment property	53,9	55,0
Professional fees	48,7	50,9
Amortisation of intangible assets	23,0	22,0
Marketing and public relations costs	12,5	11,5
Operating leases	7,8	10,3
Maintenance and repair expenses	7,4	6,7
Cost of sale of buildings held for sale	3,0	
Depreciation on deferred acquisition costs	325,2	317,6
Capitalised deferred acquisition costs	-324,1	-317,0
Other investment charges	164,9	156,5
Other charges	129,1	123,4
Total Other expenses	662,5	639,1

Other charges include expenses for travel, postal services, telephone communications, temporary staffing needs and training.

Amounts recognised in the income statement

	2014	2013
Current tax expenses arising from:		
Current year	191,4	133,6
Previous years	1,1	-0,9
Total current tax expense	192,4	132,8
Deferred tax expense arising from		
Current year	-81,6	26,0
Previous years	-9,9	2,6
Total deferred tax expense	-91,5	28,7
Total income tax expense	101,0	161,5

The table below reconciles the expected income tax expense, calculated based on the nominal tax rate, with the actual income tax expense.

	2014	2013
Profit before taxation	630,6	613,5
Nominal income tax rate	34,0 %	34,0 %
Expected income tax expense (income)	214,3	208,5
Notional interest deduction	-23,2	-21,4
Taxation of undistributed earnings of subsidiaries	-30,8	3,9
Previously unrecognised tax losses and temporary differences	-9,9	2,6
Disallowed expenses	11,0	8,5
Adjustments for tax payable in respect of previous years	1,1	-0,9
Tax exempt income including capital losses	-45,6	-30,8
Foreign tax rate differential	-1,4	-0,4
Other	-14,4	-8,7
Actual income tax expense	101,0	161,5

Amounts recognised in other comprehensive income

	2014			2013		
	<i>Before tax</i>	<i>Tax</i>	<i>After tax</i>	<i>Before tax</i>	<i>Tax</i>	<i>After tax</i>
Changes in revaluation of investments available for sale	4,326,0	-1,446,6	2,879,4	-1,212,4	479,3	-733,1
Changes in shadow accounting	-2,914,1	990,5	-1,923,6	741,0	-251,9	489,1
Changes in revaluation of cash-flow hedges	-1,6	0,2	-1,4	8,9	-0,8	8,1
Changes in revaluation originating at associates	-19,6		-19,6	1,4		1,4
Changes in revaluation of investments held to maturity	0,3	-0,1	0,2	0,4	-0,2	0,2
Other changes	4,8		4,8			
Total	1.395,8	-455,9	939,9	-460,7	226,3	-234,3

41 Share in results attributable to non-controlling interests

Note 3.2 further expands on non-controlling interests. The following table details their share in the net profit or loss of the group entity (subsidiary or subgroup) to which they relate.

Unlike the other columns that refer to a whole accounting period, the participation percentage reflects the year-end situation at the level of the parent entity of a sub-group. The share of result of non-controlling interests may also include minority shares present at sub-group subsidiary level.

2014	<i>Net profit (loss) at 100%</i>	<i>Non-controlling interest</i>	<i>Share of result of non-controlling interests</i>
Interparking	34,5	49,1 %	6,0
Venti M	3,2	40,0 %	1,3
Cortenbergh le Corrège	0,6	38,8 %	0,2
Aperio	-0,2	2,0 %	
Centre 58	-0,9	10,1 %	-0,1
Total	37,2		7,4

2013	<i>Net profit (loss) at 100%</i>	<i>Non-controlling interest</i>	<i>Share of result of non-controlling</i>
Interparking	25,6	10,1 %	3,4
Venti M	4,7	40,0 %	1,9
Cortenbergh le Corrège	0,5	38,8 %	0,2
Aperio		2,0 %	
Centre 58		10,1 %	
Total	30,8		5,5

Notes to items not recognised on the consolidated statement of financial position

42 Collateral and commitments given

The table below details collateral (at carrying value) and commitments given as a part of the normal course of business.

<i>Collateral given</i>	<i>31 December 2014</i>	<i>31 December 2013</i>
Repurchase agreements	1.082,3	1.248,9
Loans to banks	391,5	391,5
Derivatives	72,5	7,6
Inward reinsurance	14,7	15,1
Total Collateral given	1.561,0	1.663,1
<i>Commitments</i>	<i>31 December 2014</i>	<i>31 December 2013</i>
Credit lines given	412,2	321,2
Real estate purchase commitments	350,6	156,9
Outstanding credit bids	331,9	225,5
Capital commitments	116,9	118,7
Guarantees and financial letters of credit	78,5	114,4
Real estate sale commitments	2,6	5,9
Other commitments	86,2	
Total Commitments	1.378,9	942,6

Statutory auditor's report to the Board of Directors of AG Insurance SA/NV on the consolidated annual financial statements of the Issuer for the financial year ended 31 December 2014



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Statutory auditor's report to the general meeting of AG Insurance SA/NV as of and for the year ended 31 December 2014

In accordance with the legal requirements, we report to you in the context of our statutory auditor's mandate. This report includes our report on the consolidated financial statements as of and for the year 2014, as defined below, as well as our report on other legal and regulatory requirements.

Report on the consolidated financial statements - unqualified opinion

We have audited the consolidated financial statements of AG Insurance SA/NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to EUR 74.259,9 million, the consolidated income statement shows a net profit attributable to shareholders of EUR 522,2 million and the consolidated statement of comprehensive income shows a total comprehensive income for the period of EUR 1.421,2 million.

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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CVBA/SPRL and a member firm of the KPMG network of independent
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responsabilité limitée
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Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

We have obtained from the Company's officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified opinion.

Unqualified Opinion

In our opinion, the consolidated financial statements give a true and fair view of the group's equity and consolidated financial position as at 31 December 2014 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the annual report on the consolidated financial statements.

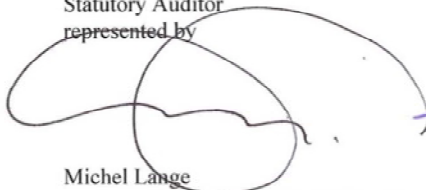


In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not modify our opinion on the consolidated financial statements:

- The annual report on the consolidated financial statements includes the information required by law, is consistent, in all material respects, with the consolidated financial statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Brussels, 27 February 2015

KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren
Statutory Auditor
represented by



Michel Lange
Réviseur d'Entreprises / Bedrijfsrevisor



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