ANNUAL REPORT 2012

ANNUAL Report 2012

Message of the Chairman and CEO of Ageas

Report of the Board of Directors of Ageas

Ageas Consolidated Financial Statements

ageas SA/NV Company Financial Statements

Brussels 5 March 2013

CONTENT

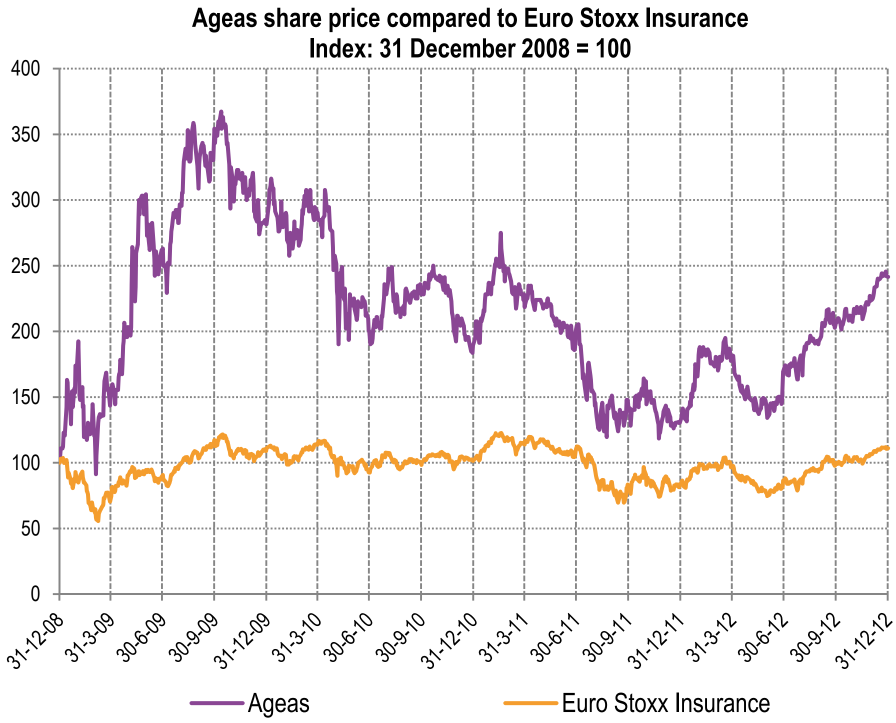
Ageas at a glance 2012

Net result attributable to shareholders **€ 743 million**	Shareholders' equity **€ 9,911 million**	Group Return on Equity **8.4%**
Proposed dividend per share **€ 1.20**	Net result General Account **€ 119 million**	Number of employees (FTE) **13,335**
Net result Insurance **€ 624 million**	Insurance Return on Equity **8.7%**	Solvency ratio Insurance **206.1%**
Gross inflow[1)] **€ 21,269 million**	Insurance liabilities **€ 76,318 million**	Combined ratio **99.1%**

1) *Gross inflow includes the inflow of Ageas's equity associates. Excluding the equity associates, as reported under IFRS, the inflow amounted to EUR 11,054 million.*

	2012	2011	2010	2009
Income Statement				
Gross Inflow	11,053.8	11,237.1	12,184.2	12,017.7
Total income	15,639.9	12,004.8	13,647.1	16,749.0
Net result attributable to shareholders	743.0	(578.2)	223.1	1,209.8
- of which Insurance	624.4	(313.1)	391.3	505.0
- of which General Account (incl. Eliminations)	118.6	(265.1)	(168.2)	704.8
Statement of financial position				
Total assets	97,112.9	90,602.2	99,166.7	93,324.0
Technical Insurance liabilities	76,318.3	70,599.6	78,131.7	72,970.3
Shareholders' equity	9,910.6	7,760.3	8,421.7 1)	8,646.0 1)
Non controlling interests	875.5	607.4	744.3 1)	700.5 1)
Total equity	10,786.1	8,367.7	9,166.0 1)	9,346.5 1)
Share information (in EUR)				
Basic Earnings per share 2)	3.13	(2.27)	0.90	4.90
Dividend per share 2)	1.20	0.80	0.80	0.80
Share price at 31 December 2)	22.215	12.00	17.40	25.90
Return on equity 3)	8.4%	(7.2%)	2.5%	18.7%
Number of shares (in millions) 2)	231.8	240.6	258.3	247.5
Other data				
Combined ratio 4)	99.1%	100.1%	106.0%	102.5%
Cost life ratio	0.51%	0.51%	0.53%	0.59%
Solvency ratio Insurance	206.1%	207.0%	232.0%	233.9%
Solvency ratio Group	230.9%	236.9%	281.9%	316.9%
Employees (FTE)	13,335	12,557	11,707	10,613

1) *The figures have been updated to include recognition of the written put option on non-controlling interest (see Note 33 Liability related to written put option on AG Insurance shares held by BNP Paribas Fortis SA/NV).*
2) *The figures for 2011, 2010 and 2009 have been changed for comparison purposes, taking into account the ten for one reverse stock split in 2012 (see Note 4 Shareholders' equity).*
3) *Based on rolling average over four quarters.*
4) *As of 2012, the unwind of the discount has been excluded from the combined ratio. The comparative figures have been changed for comparison reasons.*


Ageas share price compared to Euro Stoxx Insurance
Index: 31 December 2008 = 100
400
350
300
250
200
150
100
50
0
31-12-08
31-3-09
30-6-09
30-9-09
31-12-09
31-3-10
30-6-10
30-9-10
31-12-10
31-3-11
30-6-11
30-9-11
31-12-11
31-3-12
30-6-12
30-9-12
31-12-12
Ageas
Euro Stoxx Insurance

KEY EVENTS IN 2012

JANUARY

- Completion of the EUR 250 million share buyback programme launched in August 2011
- Ageas and BNP Paribas Fortis reach agreement on settlement Tier 1 and Cashes/RPN(I)

FEBRUARY

- Publication 2011 full year results: annual dividend maintained at EUR 0.08 per share despite group net loss as a result of significant impairment on Greek bonds

MARCH

- Ageas announces final step to simplify the company's legal structure through a merger of the Dutch and Belgian legal entities ageas N.V. and ageas SA/NV. Ageas also announces a 10 for 1 reverse stock split

APRIL

- Annual General Meetings of Shareholders in Brussels and in Utrecht

MAY

- Ageas reports first quarter 2012 results marked by a good performance of the insurance activities

JUNE

- Ageas hosts 2nd Partnership Days in Istanbul bringing together some 120 commercial partners from the 12 countries in which Ageas is active
- Ageas, the Dutch state and ABN AMRO agree to settle legal proceedings
- Ageas receives shareholder approval to simplify the legal structure and to execute the reverse stock split

JULY

- Extraordinary meetings of shareholders approve merger ageas N.V. and ageas SA/NV

AUGUST

- Ageas posts strong half year results across all insurance segments
- Ageas announces a second share buyback programme of EUR 200 million in total
- Ageas announces its intention to invest up to EUR 3 billion in infrastructure loans as part of a diversification of its investment portfolio
- Ageas completes legal merger and 10 to 1 reverse stock split

SEPTEMBER

- Ocidental Vida, part of Ageas's partnership in Portugal, celebrates its 25th anniversary
- Annual Investor Day hosted in London, focusing on the Non-life activities.

OCTOBER

- Ageas wins the overall award for Best Financial Information, presented by the ABAF, the Association of Belgian Financial Analysts

NOVEMBER

- Ageas publishes its results for the first nine months marked by a strong performance in line with previous quarters
- Ageas closes acquisition of Groupama Insurance Company Limited in the UK

DECEMBER

- Ageas buys back in the context of the share buyback programme in total around 7 million shares for a total of EUR 137 million

INTRODUCTION

The Ageas ANNUAL REPORT 2012 includes the Report of the Board of Directors of Ageas, the Ageas Consolidated Financial Statements 2012, with comparative figures for 2011, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, as well as the Financial Statements of ageas SA/NV, prepared in accordance with the legal and regulatory requirements applicable in Belgium.

All amounts in the tables of this Annual Report are denominated in millions of euros, unless stated otherwise.

Jozef De Mey, Chairman (on the right)
Bart De Smet, CEO (on the left)

MESSAGE OF THE **CHAIRMAN AND CEO** OF ***Ageas***

Dear Shareholders,

The year 2012 was all about making choices for our company and we can look back with pride and satisfaction. We have delivered strong results across all insurance businesses and segments. We are financially sound and we have continued to make good progress towards our strategic objectives. Ageas has maintained a very robust capital position with a solvency ratio for our insurance operations consistently above 200%. But ultimately, it's all about considering our options and doing the right thing at the right time regardless of whether this relates to the past, the present or the future.

A year with many breakthroughs

The actions we took last year reflect the choices we made as a Group. We considered the best way to balance risk and return when investing our cash and explored different options. Since the new group emerged we have chosen to invest EUR 900 million in new insurance activities; we have repaid EUR 800 million of debt; by May 2013 we will have paid total shareholders' dividend of EUR 870 million; and we have returned some EUR 450 million to shareholders via the share buyback programmes launched in 2011 and 2012.

Our focus on insurance led to strong improvements in our net results across both Life and Non-life, resulting in a Group net profit of EUR 743 million in 2012. This is quite a contrast to 2011, a year remembered more for hefty impairments related to Greek bonds and equities. But, even discounting that anomaly, our results improved across all segments in our chosen territories of Europe and Asia. Our strong partnerships continue to make a difference. We saw increased inflows from our joint ventures in Thailand, China, Turkey and Luxembourg, all of whom enjoy dominant positions in their respective markets.

The Portuguese insurance activities also performed well despite the difficult environment. Our record inflows of EUR 21 billion, come through multiple channels; and we broke through the EUR 20 billion barrier for the very first time. AG Insurance made significant progress in terms of operational performance, cost containment and rebalancing of the investment portfolio to ensure that we retain our position as market leader in Belgium. As you will read further on, we also want to increase our presence in Non-life, and to provide greater balance and diversification in our portfolio. We gave the market a clear signal of our intent through our most recent acquisition of Groupama in the UK, and our decision last year to increase our stake in Aksigorta in Turkey.

The 2012 combined ratio for the Group is below 100%, reflecting significant improvements in our operational efficiency particularly in Continental Europe. With a return on equity of 8.4% at the end of the year, there is still a gap to be bridged to reach our target of 11% by 2015, but plans are being formulated to achieve the targets we have set. At the same time, shareholders' equity increased more than 25%. These kinds of results inspire tremendous confidence in our company, our 13,300 employees and the further 15,000 people employed at non-consolidated entities, our 30 million customers around the world, our products and our partners. That confidence also spills over into how investors view Ageas from an investment standpoint. Our share price increased more than 85% in 2012, making it the best performing stock within the European insurance sector. And to signal our confidence in the future and to recognize the strong performance of 2012, we want to reward our shareholders for their commitment to our company by proposing to the Annual General Meeting of Shareholders in April a dividend of EUR 1.20 per share, representing an increase of 50% year on year.

Choices relating to the past

We also made some important choices with respect to the legacy issues. Instead of persisting with lengthy judicial proceedings, we adopted a proactive approach that led to substantial progress in 2012. Early in 2012 we came to a valuable settlement with BNP Paribas with regard to the CASHES and Tier 1 instruments. And in June 2012 we reached a significant out-of-court settlement that brought to an end all outstanding disputes between ABN AMRO, the Dutch state and Ageas. We considered the negotiation of these settlements to be in the best interests of the company and its stakeholders.

We also explored ways to further simplify our organisation. The simplification of the legal structure and the reverse split of ageas SA/NV shares at the beginning of August were major milestones. The decision to merge our two legal entities in order to create one single company was a logical and major step in the simplification process and has made our company more attractive to investors.

Choose your future

To quote the famous life coach Dr Shad Helmsetter: 'If you have to take time to make a choice, take time. Then make the choice.' That's exactly what we did when we sat down to formulate our strategic plan for the next three years. We mapped out a clear path towards 2015, confident that the choices we make today are the right ones, based on past success, our inherent strengths as a Group and the opportunities we have identified to grow in the future.

During our Investor Day in London, we communicated to investors details of the way forward to 2015, aimed at reducing our dependence on investment income, increasing investments in high growth markets and reaping the benefits of a diversified product and distribution mix. This does not represent a radical strategic shift from where we are today, but an evolution based on what we have done and learned in the past three years. Five clear strategic choices, four performance targets underpinned by six values. In a nutshell, we focus on our core business of insurance, work in partnerships across Europe and Asia with a multi-channel distribution approach, and strive for a portfolio that is well balanced between Life and Non-life. In translating these five choices into targets, we are committed to rebalancing the insurance portfolio to a 60/40 split between Life and Non-life, with 25% of capital deployed in emerging markets and a combined ratio structurally below 100%. All this should lead to return on equity of at least 11% by the end of 2015. Every element of this strategic plan was also communicated to all staff members in a series of internal road shows in order to ensure global and consistent awareness of our strategic perspectives at all levels.

This strategic plan will ensure we secure strong profitable growth for the company based on what we know we do well. We have taken important steps to transform our company in recent years and we now want to take our dedication, expertise and customer focus to an ever-higher level in order to build an even better Ageas.

Our journey

As we look back, the past 12 months have been exciting and also eventful. We have made important choices relating to the past, the present and where we see Ageas in the years ahead. But when asked whether we are completely satisfied or whether we plan to settle for the status quo rather than seizing the opportunity to grow, the answer is a resounding 'no'. It is work in progress and there is always more to do. What matters, we believe, are the choices we make along the way.

Our company looks with confidence towards the future. And on behalf of the Board of Directors we would like to express our gratitude to our customers, partners, staff and of course our shareholders for joining us on this journey. We have good reason to feel proud about 2012, but that's now in the past. And what customers, partners and shareholders are most interested in is 'what are you going to do for me today and in the future?' We are moving forward with a clear conviction – you can wait for things to happen to you or you can make your own choices. Based on the past 12 months, you already know which we choose.

Thank you.

Jozef De Mey,
Chairman

Bart De Smet,
CEO

REPORT OF THE BOARD OF DIRECTORS OF *Ageas*

UNTIL 7 AUGUST 2012, ageas SA/NV and ageas N.V. were the two parent companies of Ageas. They headed Ageas, which in turn comprises a number of subsidiary companies and equity associates engaged in insurance. In June 2012, the Extraordinary General Meetings of Shareholders approved the proposal to abandon this bi-national structure by merging ageas N.V. into ageas SA/NV. This report of the Board of Directors includes the Corporate Governance Statement (in part 3) in accordance with the Belgian Corporate Governance Code (pursuant to article 96 of the Belgian Companies Code).

1

GENERAL DESCRIPTION AND STRATEGY OF *Ageas*

Ageas is a listed, international insurance company with a history that spans more than 180 years. The company offers a broad range of Life and Non-life products, distributed through multiple channels to consumers and SMEs. It is active in twelve countries in Europe and Asia. Ageas shares are listed on NYSE Euronext Brussels. At the end of 2012, the market capitalisation amounted to EUR 5.4 billion.

Products

Ageas helps its customers throughout their lives to mitigate risks related to property, casualty, life and pensions.

In 2012, 33% of Ageas's total inflow of EUR 21.3 billion came from Non-life Insurance. Ageas has increased its focus on risk business (Life and Non-life) and fee business in mature markets in Europe in order to lower its dependency on investment income.

Geographical presence

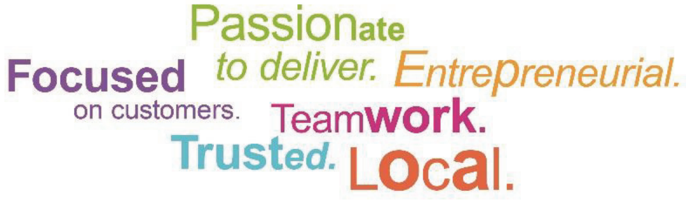
Ageas is active in Europe and Asia. The group is market leader in its home market of Belgium and holds leading positions in the UK, Portugal, Turkey and Luxembourg. In the UK, Ageas is also owner of several distributors of insurance products.
In Asia, Ageas has a strong presence in Hong Kong, Malaysia, China, Thailand and India.

Ageas's presence in mature and emerging markets in Europe and Asia creates a balance of cash-generating and growing businesses and mitigates country-specific risks.

Ageas constantly invests in its businesses both organically and through acquisitions. Where it sees the right opportunities, Ageas acquires new businesses in attractive markets with long-term growth potential, which meet certain strategic and financial criteria:

- *Critical size*: ability to compete effectively in a market, and reach a top five position in the medium term.
- *Meaningful contribution*: the business should be able to make a meaningful contribution to the total insurance earnings of Ageas.
- *Return in excess of cost of capital* taking into account value creation and specific risks.
- Ability to pay dividends over time.

In September 2012, Ageas announced the acquisition of UK-based Groupama Insurance Company Limited. The acquisition strengthened Ageas's position in car, motorcycle, home, travel, personal accident and commercial insurance in the UK.



Distribution/partnerships

Ageas uses different, and often multiple distribution channels, depending on the market in which it operates. Multiple channels enable customers to better access Ageas's products. At the same time, these channels allow Ageas to better understand its customers' needs and to increase their awareness of Ageas's products.

Ageas has a proven competence in developing partnerships wherever it operates and, as such, partnerships are at the heart of Ageas's strategy.

Ageas's partners are leaders in their markets and provide local know-how and access to customers. Partners benefit from Ageas's expertise in product development and distribution. Partnerships are based on a long-term alignment of interests and sustained value-added contributions from each party.

Ageas's operating companies are often joint ventures with distribution partners. Ageas prefers majority ownership except where regulation, strategic or market circumstances prevent this.

Ageas invests in the development and exchange of knowledge and expertise within the group on a continuous basis.

Our ambitions towards 2015

Ageas periodically reviews its strategy. Continued low interest rates, significant regulatory changes within a limited timeframe, and slowing growth in mature markets have resulted in a number of challenges.

The company has made a number of strategic choices, which is not a radical shift compared to the past, but gradual steps designed to weather these challenges. Ageas's strategy 2015 provides a view of where the company wants to be in 2015 and how it intends to get there.

Ageas aims to further strengthen its position in emerging markets and to redress the balance between underwriting income, fee income and investment income. This includes a gradual increase in the relative proportion of Non-life activities.

Ageas's strategy 2015 includes five strategic choices, four targets and six values.

Five strategic choices:

- To focus on our insurance capabilities
- To be where our customers want us to be
- To commit to our partners and their customers
- To have a diversified product offering
- To capture growth in mature and emerging markets in Europe and Asia

Four targets:

- To balance our portfolio between Life and Non-life in the ratio of 60:40 in terms of inflows
- To be efficient in Non-life with a combined ratio structurally below 100%
- To increase our return on equity in Insurance to a minimum of 11%
- To deploy at least 25% of our capital in emerging markets in Europe and Asia

Six values:

- Focused on customers
- Passionate to deliver
- Entrepreneurial
- Teamwork
- Trusted
- Local

Organisation

Ageas has four geographical business units: Belgium, the UK, Continental Europe and Asia. These units have their own organisation in place to support their local operations and are responsible for day-to-day decision-making.

Ageas maintains competence hubs at the corporate, regional and business level allowing it to leverage knowledge and capabilities for the benefit of both Ageas and its partners.

In 2012, Ageas merged its two holding companies into one and delisted from NYSE Euronext Amsterdam, while maintaining its listing in Brussels. The merger resulted in a simplified legal structure, which is better aligned with Ageas's operational activities.

Financial strength

Ageas understands the importance of maintaining a strong financial position. The company is well capitalised with a group solvency ratio of 231% and a solid liquidity position of EUR 1.2 billion at the end of 2012.

Ageas adopts a conservative approach to risk underpinned by a sound risk management process. The group constantly re-assesses its portfolio to ensure that each of its activities meet strict criteria.

Ageas aims to obtain a return on equity in insurance in excess of 11%. The company has a policy of paying out 40% - 50% of the consolidated Insurance net profit as dividends.

2

DEVELOPMENTS AND RESULTS

Developments

On 7 February 2012, Ageas and BNP Paribas announced they had reached agreement on the settlement of the RPN(I) and the Tier 1 instruments. The agreement entailed a call of the Tier 1 instrument, a cash tender offer on the CASHES by BNP Paribas and a partial settlement of the RPN(I) liability. The cash tender on the CASHES reached an acceptance rate of 63%. For the pro rata reduction of the RPN(I) liability, Ageas paid an indemnity to BNP Paribas, based on the price of the CASHES and the Ageas share price at the settlement date. The estimated value of the remaining RPN(I) is the higher of the net present value of the expected future interest payments and a floor based on the indemnity paid to BNP Paribas. The value of the RPN(I) at year-end 2012 amounted to EUR 165 million, based on the net present value of the expected future interest payments.

On 28 June 2012, ageas SA/NV and ageas N.V. (Ageas), ABN AMRO Group N.V. and ABN AMRO Bank N.V. (ABN AMRO) and the Dutch State agreed to settle the legal proceedings concerning ABN AMRO Capital Finance Ltd. (former Fortis Capital Company Ltd. (FCC)) and the Mandatory Convertible Securities (MCS). Fortis Bank Belgium, involved as co-obligor of the MCS, also agreed to the settlement.

This settlement brought to a close all outstanding disputes between the Dutch State and Ageas in relation to the equity transactions, which resulted in the takeover of the Dutch activities of the former Fortis group by the Dutch State on 3 October 2008. The settlement resulted in a one-off cash payment of EUR 400 million by ABN AMRO to Ageas on 29 June 2012.

Share buyback

Ageas launched a programme to buy back its outstanding common shares for a maximum amount of EUR 200 million on 13 August 2012, for a period ending on 19 February 2013. Between the start of the share buyback programme on 13 August 2012 and 31 December 2012, Ageas bought back 7,056,442 shares for a total of EUR 137.0 million. This corresponds to 2.90% of the total shares outstanding.

Ageas announced in August 2011, based on the shareholders' authorisation, a programme to buy back its outstanding common shares for a maximum amount of EUR 250 million. The buyback programme was launched on 24 August 2011 for a period ending 23 February 2012.

Ageas completed the buyback on 25 January 2012, having purchased a total of 19,216,809 shares for EUR 250 million, representing 7.3% of the shares outstanding. The General Meetings of Shareholders in April 2012 approved the cancellation of the acquired shares. The cancellation took effect on 29 June 2012.

From a governance perspective, Ageas aligned its Corporate Governance Charter with its new legal structure. All references to the Dutch reference code and the twin share principle were removed. The composition of the Board of Directors remained unchanged except for Belén Romana who stepped down as an independent, non-executive Board Member at end November 2012.

2.1 Results and solvency of Ageas

The 2012 Group net profit amounted to EUR 743 million, with the 2012 Insurance net profit amounting to EUR 624 million and a positive net result in the General Account of EUR 119 million.

Insurance overall

The 2012 Insurance net profit amounted to EUR 624 million. This compares to a net loss of EUR 313 million last year, including the significant impairment charges related to the investment portfolio and on goodwill. Net capital gains increased slightly compared to last year.

Good operational progress has been made throughout the past year across all businesses with a reported net profit of EUR 430 million in Life and of EUR 194 million for combined Non-life and Other activities. The better results stem mainly from an improved operating performance in Non-life, illustrated by a Group combined ratio of 99.1% (vs. 100.1% in 2011), a positive currency impact, scope changes and some positive one-offs in Asia.

Life, Non-life and Other Insurance

Life activities contributed EUR 430 million to the net result, compared to a net loss of EUR 425 million in 2011. The latter was impacted by significant impairment charges on Greek bonds, equities and goodwill.

In Belgium, the 2012 result improved compared to 2011, thanks to a higher operating result, partly offset by lower investment income on assets backing surplus and a higher effective tax rate. In the United Kingdom, the net result improved to breakeven, despite an additional charge of EUR 4 million following a review of deferred acquisition costs. This charge was largely offset by a non-recurring tax credit. In Continental Europe, the performance in 2012 was solid and up on the 2011 net result adjusted for impairments and capital gains. Results were driven by a strong underwriting margin thanks to continued cost containment discipline. Investment margins remain under pressure due to the current low interest rate environment. In Asia, the result recovered sharply from last year's impairments and was driven by organic growth and a greatly improved investment result. The contribution of the Life net result is well spread over the main countries Hong Kong, China, Thailand and Malaysia.

The Non-life operations reported a net result of EUR 223 million, compared to EUR 82 million last year, the latter including a net impairment charge of EUR 36 million while 2012 included a positive result of EUR 56 million related to the acquisition of GICL in the UK.

The strong intrinsic results were driven by good operating performance across all major business lines in Belgium, UK and Continental Europe. *Household* improved significantly with excellent results in Belgium, driven by a continued low claims ratio.

Similar to last year, *Motor* activities showed an excellent underlying operational performance in both the UK and Belgium, the latter being impacted by a non-recurring adjustment of the reserves for bodily injuries. In Continental Europe, the net profit contribution of Aksigorta, Turkey increased to EUR 8.4 million, the result of a greater focus on profitability. The net result and operating performance in Asia remained strong but were somewhat impacted by the tail end of the Thai floods of 2011.

In November 2012, Ageas UK completed the acquisition of Groupama Insurance Company Ltd. (GICL) for a total consideration of EUR 145 million, making Ageas the UK' s fifth largest Non-life insurer. The GICL result has been consolidated as of mid-November (EUR 4 million).

The UK's Retail operations reported total fee and commission income of EUR 276 million, in line with last year's levels. The net result amounted to a negative EUR 28 million. This includes a non-recurring charge of EUR 43 million, of which EUR 39 million relates to a write-down of goodwill and intangibles and EUR 4 million to GICL transaction related costs.

General Account

The positive net result of EUR 119 million of the General Account for 2012 breaks down into EUR 400 million related to the settlement of the legal proceedings with ABN AMRO and the Dutch State, a positive result of EUR 104 million related to Royal Park Investments, a negative impact of EUR 132 million related to the settlement with BNP Paribas and Fortis Bank on the RPN(I) and Tier 1 instrument and a charge of EUR 161 million related to the lower value of the call option on the BNP Paribas shares and operating expenses of some EUR 65 million.

Solvency

The Insurance and Group solvency ratios amounted to 206% and 231% respectively, with total available capital EUR 5.2 billion above the minimum capital requirements.

2.2 Results of ageas SA/NV

ageas SA/NV reported for the financial year 2012 a net result of EUR 81 million (2011: EUR 294 million) and a shareholders' equity of EUR 7,972 million (2011: EUR 3,626 million). The increase in shareholders' equity is mainly explained by the merger between ageas SA/NV and ageas N.V. which took place effectively on 1 July 2012. For a more detailed explanation on the net result of ageas SA/NV and the merger with ageas N.V. please turn to the Company Financial Statements of ageas SA/NV.

2.3 Amendments to the Articles of Association of ageas SA/NV

Please refer to 3.2 of the Corporate Governance Statement for detailed information about the amendments of the Articles of Association of ageas SA/NV in 2012.

2.4 Certain transactions and other contractual relationships

There are no transactions or other contractual relationships to be reported between ageas SA/NV and its Board Members that gave rise to a conflict of interests as defined in the Belgian Companies code.

2.5 Events after the date of the Consolidated statement of financial position

There have been no material events since the date of the consolidated statement of financial position that would require adjustment to the Ageas Consolidated Financial Statements as at 31 December 2012.

Share buyback

Ageas completed the share buyback programme announced on 6 August 2012. Between 13 August 2012 and 26 February 2013, Ageas bought back 9,635,159 shares for a total of EUR 200 million. This corresponds to 3.96% of the total shares outstanding.

Ageas currently holds the shares as treasury shares. Together with the shares previously held by Ageas, the total amount of shares now owned by Ageas amounts to 5.7%. On 19 February 2013, Ageas's Board has decided to propose to the next General Meeting of Shareholders the cancellation of these bought back shares up to and including 15 February 2013.

2.6 Dividend

Ageas's Board has decided to propose for approval by the shareholders a gross cash dividend of EUR 1.20 per share for 2012.

2.7 Issued shares at the end of 2012

The number of issued Ageas shares at year-end 2012 was 243,121,272. This number includes 4,643,904 shares related to CASHES and 3,968,254 shares related to the FRESH which bear neither dividend nor voting rights as long as they are pledged as collateral for the above instruments (see also Note 51 Contingent Liabilities).

For more detailed information on the issued shares of Ageas, dividend rights and capital structure, please refer to Note 4 Shareholders equity.

2.8 Ageas Board of Directors, Remuneration Committee and Audit Committee

On 31 December 2012, the Board of Directors of Ageas consisted of ten members, for more details about the composition of the Board and changes to the composition in the course of 2012; please refer to 3.7 Board of Directors.

On 31 December 2012, due to the resignation of Belén Romana in November, the Remuneration Committee consisted of only two members, one member short of the required three members. In the course of January of 2013, the Board of Directors appointed Bridget McIntyre as a new member of the Remuneration Committee. For more details about the composition of this committee and changes to the composition in the course of 2012, please refer to 3.7 Board of Directors.

The Audit Committee consists of three members, for more details about the composition of this committee and changes to the composition in the course of 2012; please refer to 3.7 Board of Directors.

Besides these two legally required committees Ageas has created a Corporate Governance Committee and a Risk and Capital Committee.

2.9 Consolidated information related to the implementation of the EU Takeover Directive and the Ageas Annual Report

For legal purposes, the Board of Directors hereby declares that the Ageas Annual Report 2012 has been prepared in accordance with the statutory rules implementing the EU Takeover Directive that came into force in Belgium on 1 January 2008. The Board hereby gives the following explanations concerning the respective elements to be addressed under these rules:

- comprehensive information on the prevailing capital structure can be found in Note 4 Shareholders' equity and Note 27 Subordinated liabilities in the Ageas Consolidated Financial Statements 2012;
- restrictions on the transfer of shares extend only to preference shares (if issued) and the securities described in Note 27 Subordinated liabilities in the Ageas Consolidated Financial Statements 2012;
- Ageas lists under the heading 'Specifications of equity and structure of the shareholder group' in the ageas SA/NV Company Financial Statements any major shareholdings of third parties that exceed the threshold laid down by law in Belgium and by the Articles of Association of ageas SA/NV;
- no special rights are attached to issued shares other than those mentioned in Note 4 Shareholders' equity and Note 27 Subordinated liabilities in the Ageas Consolidated Financial Statements 2012;
- share option and share purchase plans, if any, are outlined in Note 10 Employee share option and share purchase plans in the Ageas Consolidated Financial Statements 2012. The Board of Directors decides on the issuance of shares and options, as applicable, subject to local legal constraints;

- except for the information provided in Note 4 Shareholders' equity, Note 13 Related parties and Note 27 Subordinated liabilities in the Ageas Consolidated Financial Statements 2012, Ageas is unaware of any agreement between shareholders that may restrict either the transfer of shares or the exercise of voting rights;

- Board Members are elected or removed by a majority of votes cast at the General Meeting of Shareholders of ageas SA/NV. Any amendment to the Articles of Association requires the General Meeting of Shareholders to pass a resolution to that effect. If fewer than 50% of the shareholders are represented, a second meeting must be convened, which will be able to adopt the resolution with 75% of the votes without any need for a quorum;

- the Ageas Board is entitled both to issue and to buy back shares, in accordance with authorisations granted by the General Meeting of Shareholders of ageas SA/NV. The present authorisation with regard to the shares of ageas SA/NV will expire in October 2013;

- ageas SA/NV is not a party to any major agreement that would either become effective, be amended and/or be terminated due to any change of control over the company as a result of a public takeover bid;
- ageas SA/NV has not entered into any agreement with its Board Members or employees, which would allow the disbursement of special severance pay in the case of termination of employment as a result of a public takeover bid;

- Ageas shareholders are under an obligation to meet certain notification requirements when their shareholding exceeds or drops below certain thresholds, as prescribed by Belgian legislation and by the Articles of Association of ageas SA/NV. Shareholders must notify the Company as well as the FSMA when their shareholding exceeds or drops below 3% or 5% of the voting rights or any multiple of 5%. Ageas publishes such information on its website.

3

CORPORATE GOVERNANCE STATEMENT

As in previous years, Ageas continued to focus on its future as an international insurance group, attaching great importance to effective governance and transparent disclosure to the public and other stakeholders.

Considerable efforts were made to simplify the very complex legal structure Ageas inherited from its predecessors. In the course of 2012, Ageas asked its shareholders to pass a resolution abandoning the existing Belgian-Dutch legal structure whereby an Ageas shareholder actually held a unit consisting of one share in the Belgian company ageas SA/NV and one share in the Dutch company ageas N.V. This structure was no longer appropriate to Ageas and difficult to explain to our stakeholders. The shareholders approved the merger of ageas N.V. into ageas SA/NV by an overwhelming majority. Simultaneously, the shareholders approved a reverse stock split, whereby each shareholder received one new share in ageas SA/NV for every ten existing shares.

Ageas revised the Corporate Governance Charter to bring it into line with the new situation of a single Belgian share. Ageas also analysed whether changes were required to further align our Charter with applicable rules and regulations or even to anticipate (international) trends that Ageas considers relevant. No such modifications were necessary. The Corporate Governance Charter is available on Ageas's website: http://www.ageas.com/en/Documents/Corp_Govern_Charter_EN.pdf. Ageas will continue its efforts to adhere to the applicable codes.

3.1 Ageas's legal structure and shares

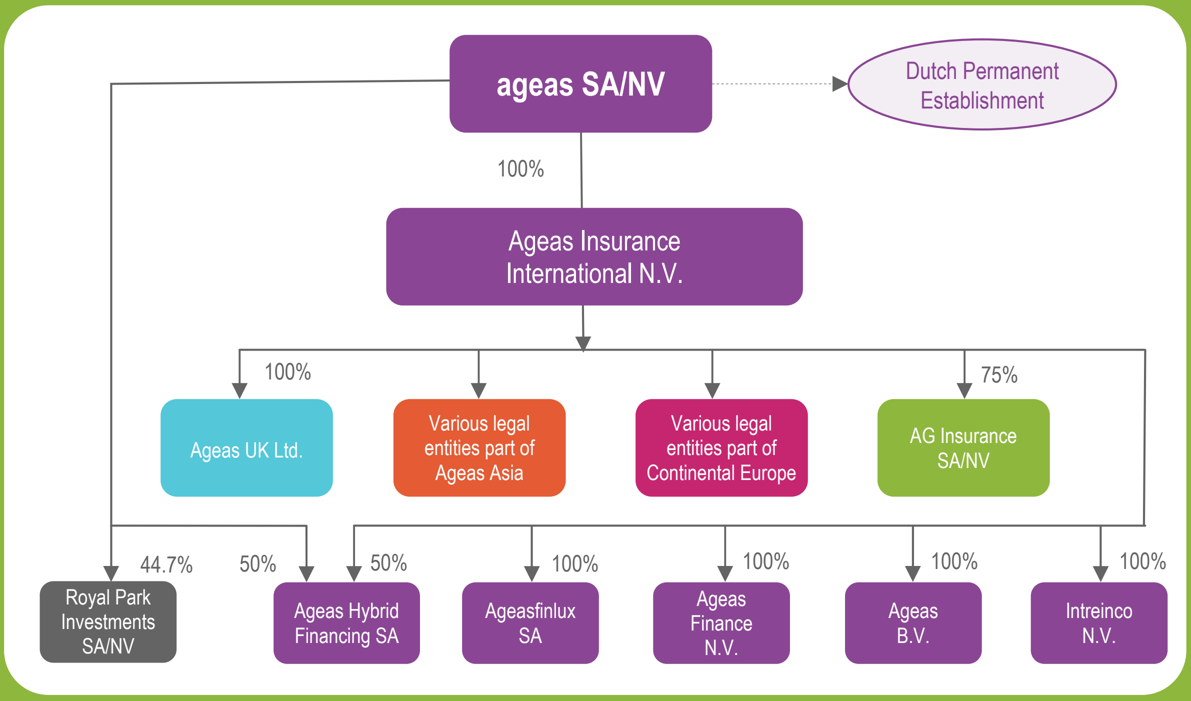
Ageas, the former Fortis, was created in 1990 by the cross-border merger – Europe's first – of the Belgian AG Insurance company with the Dutch bancassurance group AMEV/VSB. The overall legal structure has been amended regularly in the intervening years.

In 2012, Ageas acquired Groupama Insurance Company Limited and increased its stake in Aksigorta to 36% (see Note 3 Acquisitions and disposals). Ageas currently comprises:

- a 75% stake in AG Insurance;
- insurance activities in:
  - the UK,
  - Continental Europe, and
  - Asia;
- a 44.7% stake in Royal Park Investments – a holding entity of a portfolio of structured credits;
- financial assets and liabilities linked to various financing instruments.

In 2012, Ageas abandoned the twinned share principle whereby one ageas SA/NV and one share ageas N.V. were twinned in one unit. As from 7 August 2012, ageas SA/NV has been exclusively a Belgian public company.

The legal structure of Ageas is as follows:



The General Meetings of Shareholders of April 2012 approved the cancellation of 192,168,091 treasury shares (before the reverse stock split). Following this cancellation and the reverse stock split, the total number of issued shares is 243,121,272. Neither different share classes nor any preferential shares have been issued. Additional information on Ageas's shares is set out in the Ageas Corporate Governance Charter, in Note 4 Shareholders' equity and in Note 54 Events after the date of the statement of financial position. Ageas has an outstanding subordinated liability (FRESH) exchangeable for Ageas shares. Additional information on Ageas's subordinated liabilities is set out in Note 27 Subordinated liabilities.

3.2 Amendments to the Articles of Association of ageas SA/NV

In April 2012, the General Meetings of Shareholders approved, apart from merely textual, non-material changes, the following amendments to the Articles of Association of ageas SA/NV:

- cancellation of 192,168,091 treasury shares (before reverse stock split) by a decrease of EUR 0.42 per share in the paid-up capital and to make up the balance a decrease of EUR 0.88 per share in the unavailable reserves;
- authorisation to issue shares from the authorised capital to meet contractual obligations to settle in shares any coupons due on certain financial hybrid instruments.

In June 2012, the Extraordinary General Meeting of Shareholders approved the merger of the two parent companies. The articles of association of ageas SA/NV have been revised in line with the new, unified share structure, as a result of which, inter alia, all references to the twin share principle have been removed.

For more detailed information about the procedure applicable to the modification of the articles of association of ageas SA/NV, please refer to our website:
http://www.ageas.com/en/Pages/articles_of_association.aspx.

3.3 Board of Directors

The Board of Directors operates within the framework defined by Belgian legislation, normal governance practice in Belgium and the articles of association. The roles and responsibilities of the Board of Directors and its composition, structure and organisation are described in detail in the Ageas Corporate Governance Charter.

3.3.1 Composition

No new directors were appointed or re-elected in 2012. At the end of November 2012, Belén Romana informed Ageas that she would step down as a non-executive director of Ageas and member of the Remuneration Committee following her appointment as Chairwoman of SAREB. The Board wishes to thank Belén Romana for her contribution to Ageas.

The Board of Directors currently consists of ten members, namely: Jozef De Mey (Chairman), Bart De Smet (CEO), Guy de Selliers de Moranville (Vice-Chairman), Ronny Brückner, Bridget McIntyre, Frank Arts, Lionel Perl, Jan Zegering Hadders, Roel Nieuwdorp and Shaoliang Jin. The majority of the Board are non-executive directors and are independent in accordance with the Board independence requirements as described in Appendix 3 to the Ageas Corporate Governance Charter.

On 14 September 2011, a law was published in the Belgian official gazette requiring that at least one third of the Board Members of a listed company should be women. This quota should be achieved by 2017. Today, following the resignation of Belén Romana, only one of Ageas' s ten Board Members is female. Ageas continues to support this trend towards a higher participation rate of women at board level. The Board of Directors will take the requirements of this law into account when new Board Members are proposed for election or existing Board Members are proposed for re-election, without compromising the standards of expertise and skills that Ageas sets for Board Members.

3.3.2 Meetings

The Board of Directors met on 11 occasions in 2012. In principle, the Board of Directors has eight scheduled meetings a year. Attendance details can be found in 3.7 Board of Directors.

In 2012, the Board meetings dealt with the following matters, among others:

- preparations for the General Meetings of Shareholders;
- the strategy pursued by Ageas as a whole and by each business;
- ongoing development of each of the Ageas businesses;
- quarterly, half-yearly and annual financial statements;
- the Annual Report 2011;
- press releases;
- the 2013 budget;
- the solvency of the company;
- the asset management and the investment policy of the company;
- Ageas' s risk policy framework;
- investor relations and corporate communications;
- reports of Board Committees following each of their meetings;
- Ageas's organisational and legal structure, including the legal simplification;
- re-appointment of the auditor by the General Meetings of Shareholders;
- succession planning of the Board of Directors;
- implementation of the Corporate Governance Charter by Ageas in general and by the Board Committees in particular;
- the governance and the performance of the Group Executive Committee and Group Management Committee;
- the Remuneration Policy in general and the remuneration of the CEO and Executive Committee Members in particular;

- follow-up of legal proceedings and legacy issues, including the settlement with BNP Paribas with regard to the CASHES and Tier 1 and the out-of-court settlement that brought to a close all outstanding disputes with ABN AMRO and the Dutch State and;
- various acquisition files.

The CEO reported on the progress of the results and the general performance of the different businesses at the Board meetings.

In addition, the Board, under the leadership of the Chairman and with the assistance of a third party, conducted a self-assessment. This self-assessment was made, for the second year running through a web-based application followed by bilateral discussions between the Chairman and each Board Member and a briefing to the Board of Directors on the outcome of this exercise. The self-assessment focused on Board effectiveness based on factors such as complementarities, background of the Directors, the individual and group performance of the Board, the structure and the responsibilities of the Board Committees as well as the interaction of the Board Members with each other, with the Chairman of the Board and with Executive Management. The web-based application included an assessment of the Chairman of the Board and the Executive Board Members.

There were no transactions in which Board Members had a conflict of interest and so must be reported as required under Belgian company law.

3.3.3 Corporate Social Responsibility

In the Annual Report 2011 the start of a project on Corporate Social Responsibility (CSR) was announced. During the first phase conducted in 2012, Ageas wanted above all to listen to what its stakeholders, both internally and externally, think about CSR. Therefore it launched a questionnaire among the employees and Ageas's retail shareholders. Next to that, senior managers, institutional investors and investors associations were interviewed.

Combining the findings of this study and the specific characteristics and objectives of Ageas, we see that for Ageas CSR means Responsible Entrepreneurship. It is an underlying principle and inevitable a consequence of the fundamental strategic choices Ageas has set itself for 2015; it is part of our DNA. Ageas focuses its efforts around five key areas: our employees, our clients, our financial assets, our environment and our community.

Conducting business in a socially responsible manner is important to all of us. While maintaining the existing principle of strong local empowerment, the CSR is integrated into our entire organization.

The CSR project continues and in the coming years, Ageas aims to bring Responsible Entrepreneurship to life.

3.3.4 Board Committees

In 2012 there were no changes in the terms of reference of the Board Committees. In November 2012, Belén Romana resigned as a Board Member and member of the Remuneration Committee. At the beginning of 2013, Bridget McIntyre was appointed an additional member of the Remuneration Committee in order to bring the number of committee members to the required legal minimum of three.

The terms of reference of each Board Committee are described in the Ageas Corporate Governance Charter.

In line with the Ageas Governance Charter, each Board Committee is composed of non-executive directors and has a minimum of three and a maximum of five members.

Attendance details of the Board Committees can be found in 3.7 Board of Directors.

3.3.5 The Corporate Governance Committee (CGC)

The role and responsibilities of the CGC are described in detail in the Ageas Corporate Governance Charter.

The composition of the CGC remained unchanged in 2012 and comprised the following members: Jozef De Mey (Chairman), Guy de Selliers de Moranville, Roel Nieuwdorp and Jan Zegering Hadders. The CEO attended the meetings, apart from during discussion of issues relating to his own situation. The CGC met on nine occasions in 2012. Attendance details can be found in 3.7 Board of Directors. The following matters were dealt with:

- organisational structure of the Group, including the legal simplification;
- the Corporate Governance Charter;
- succession planning of the Executive Management;
- targets of the CEO and the other members of the Executive Management;
- the performance of the CEO and the other members of the Executive Management;
- disclosures regarding governance and the activities of the CGC in the Ageas Consolidated Financial Statements;
- legal issues related to the legacy of the former Fortis, including the settlement with BNP Paribas with regard to the CASHES and Tier 1 and the out-of-court settlement that brought to a close all outstanding disputes with ABN AMRO and the Dutch State.

The Chairman of the CGC reported on these topics to the Board of Directors after each meeting and submitted the Committee's recommendations to the Board for final decision-making.

3.3.6 The Audit Committee

The role and responsibilities of the Audit Committee are described in detail in the Ageas Corporate Governance Charter. The Audit Committee is supported by Ageas Audit Services, Compliance and Finance.

In the course of 2012, the terms of reference and the composition of the Audit Committee remained unchanged. The Audit Committee comprised the following members: Jan Zegering Hadders (Chairman), Shaoliang Jin, Bridget McIntyre and Lionel Perl. Sufficient experience and skills with regard to audit and accounting are available among the members of the Audit Committee based upon their past and current positions. The committee met on five occasions in 2012. Attendance details can be found in 3.7 Board of Directors. The meetings were attended by the CEO, the CFO, the CRO, the internal auditor and the external auditor. The following matters were considered:

- monitoring the integrity of quarterly, half-yearly and annual consolidated financial statements, including disclosures, consistent application of the valuation and accounting principles, consolidation scope, quality of the closing process, and significant issues brought to the fore by the CFO or the external auditors. The committee also reviewed the press releases on the quarterly, half-yearly and annual results;
- monitoring the findings and the recommendations of the external auditor. This included the review of the external audit plan and reporting by the auditor. The Audit Committee monitored the independence of the external auditor, based on factors such as its declaration of independence and fees, and by tracking the volume and nature of non-audit services pre-approved in line with Ageas's Policy on the independence of the external audit firm;
- reviewing the committee's terms of reference and executing an annual self-assessment of its performance;
- reviewing the disclosures regarding business risks, risk management and internal control, and the Audit Committee's activities in the Ageas Consolidated Financial Statements.

The Chairman of the Audit Committee reported on the outcome of the deliberations to the Board of Directors after each meeting and presented the recommendations of the Audit Committee to the Board for decision-making.

3.3.7 The Remuneration Committee (RC)

The role and responsibilities of the Remuneration Committee are described in detail in the Ageas Corporate Governance Charter. The committee is assisted by Towers Watson, an external professional services company that provides market-related information and advice on commonly applied reward elements, best practice and expected developments. Towers Watson does not provide material compensation or benefits-related services to the Executive Committee of Ageas, or to any other part of the Ageas organisation.

The Remuneration Committee consists of Roel Nieuwdorp (Chairman), Frank Arts and Belén Romana. In November 2012, Belén Romana resigned from the Board and from the Remuneration Committee. The CEO and the CRO attended the meetings, apart from during discussions of issues relating to their own situation. In the beginning of 2013, Bridget McIntyre was appointed as an additional member of the remuneration committee in order to bring the number of committee members to the required legal minimum of three.

The newly appointed Group Human Resources Director also attended the meetings. The committee met on six occasions in the year under review. Attendance details can be found in 3.7 Board of Directors.

The matters discussed by the Remuneration Committee in 2012 included:

- the benchmarking of the remuneration of the Executive Management against that of peers, including the key performance indicators used by such peers;
- the Remuneration Policy in general aligned with current market practices;
- the short-term incentive (STI) of the Executive Management;
- the long-term incentive (LTI) of the Executive Management;
- the key performance indicators of the Executive Management;
- the targets of the Executive Management;
- disclosure regarding remuneration and activities of the Remuneration Committee in the Ageas consolidated financial statements;
- the share plan issued in favour of Ageas's senior management;
- the review of the committee's terms of reference and the execution of the annual self-assessment of its performance.

The Chairman of the Remuneration Committee reported on the aforementioned matters to the Board of Directors after each meeting and advised the Board on decision-making when required. Further information on the Remuneration Committee can be found in the Report of the Remuneration Committee (see section 3.9 of this chapter).

3.3.8 The Risk and Capital Committee (RCC)

The role and responsibilities of the RCC are described in detail in the Ageas Corporate Governance Charter. The terms and conditions and the composition remained unchanged in 2012. End 2012, the RCC consisted of Guy de Selliers de Moranville (Chairman), Lionel Perl and Ronny Brückner. Attendance details can be found in 3.7 Board of Directors. The committee met on seven occasions in the year under review. The meetings were attended by the CEO, the CFO and the CRO.

The matters discussed in the RCC in 2012 included:

- the execution of the annual self-assessment of its performance;
- the monitoring of risk management, based on reports by management;
- the review of the risk policies prepared by management;
- financial issues related to the legacy of the former Fortis;
- the monitoring of the capital allocation and the solvency of the Ageas group.

The Chairman of the RCC reported on the aforementioned matters to the Board of Directors after each meeting and advised the Board on decision-making when required.

3.4 Executive management

Ageas's executive management is composed of the CEO, the Group Executive Committee referred to in the Articles of Association and the Group Management Committee referred to in the Corporate Governance Charter. The role of the Group Executive Committee is to manage Ageas in line with the values, strategies, policies, plans and budgets endorsed by the Board.

The function of Chief Operating Officer (COO) was created in 2013. The COO reports to the CEO, leads the heads of the four business segments and is a member of the Group Management Committee.

3.4.1 Group Executive Committee

The Group Executive Committee meets once a week according to a predetermined timetable. Further meetings are held whenever necessary.

The composition of the Group Executive Committee remained unchanged in 2012. At the end of 2012, the Group Executive Committee of Ageas was composed of Bart De Smet (Chief Executive Officer (CEO)), Christophe Boizard (Chief Financial Officer (CFO)) and Kurt De Schepper (Chief Risk Officer (CRO)). The CEO is the only executive member of the Board of Directors.

- Bart De Smet, CEO, is responsible for the Business, Strategy and Business Development, Audit, Communications and the Company Secretariat;
- Christophe Boizard, CFO, is responsible for Finance, Investor Relations and financial issues related to the legacy of the former Fortis;
- Kurt De Schepper, CRO, is responsible for Risk, Compliance, Legal and legal issues related to the legacy of the former Fortis, and Support Functions (Human Resources, IT and Facilities).

At the end of 2012, the Group Management Committee was composed of:

- the three members of the Group Executive Committee;
- the heads of the four business segments: Steven Braekeveldt, CEO Continental Europe; Antonio Cano, CEO AG Insurance (Belgium); Barry Smith, CEO United Kingdom, and Gary Crist, CEO Asia;
- Emmanuel Van Grimbergen, Group Risk Officer.

3.5 Internal risk management and control systems

The Board is responsible for approving appropriate systems for internal risk management and control and reviewing their implementation. The Ageas internal risk management and control systems are designed to provide the Board and management with a reasonable level of assurance that:

- they are made aware, in a timely manner, of the extent to which the entity is moving toward achievement of the company's strategic, financial and operational objectives while implementing the Ageas strategy;
- the operations are executed efficiently and effectively;
- the financial and non-financial reporting is reliable;
- the company acts in compliance with laws and regulations and with internal policies with respect to the conduct of business;
- the assets are safeguarded and liabilities are identified and managed;
- the entities remain within their risk limits.

3.5.1 Financial reporting cycle

Ageas has designed its financial reporting process to include the following measures of internal control:

- the budget control cycle;
- clear instructions and planning of the reporting process;
- clear processes and accounting policies and manuals;
- validation process for reported budget and actual figures per operating company;
- sign-off of the figures by local management;
- review of figures by the Group Executive Committee, the Group Management Committee, the Audit Committee and the Board;
- quarterly review and annual audit of the figures by the external auditor.

3.5.2 Budget process

The budget is the basis of the financial reporting cycle. The budget process is coordinated by Corporate Performance Management and starts in August with a budget instruction and target setting. The instruction is approved by the Group Executive Committee upon the proposal of the Group CFO. After this approval the budget instruction is sent to the local CFOs.

During the preparation of the budgets, Corporate Performance Management, the Group CFO and the management of the local entities meet for preliminary discussions on the future strategy and economic circumstances to be taken into account when drawing up the specific budget.

After the budgets are submitted, Group Finance executes a validation check on them. The outcome of the validation check, including any issue that comes to light, is discussed with local management.

Once the budget process is finalised by Corporate Performance Management, the budget per segment (Belgium, UK, Asia, Continental Europe and the General Account) and the consolidated budget, including a written explanation of the assumptions used, is sent to the Group Management Committee for advice. After the Group Executive Committee has, based on the advice of the Group Management Committee, approved the budget, the budget is sent to the Board of Ageas for final approval.

3.5.3 Closings for actual figures

Ageas reports its actual figures as it draws up its budget, in accordance with International Financial Reporting Standards (IFRS). Internal reporting takes place monthly, external reporting quarterly and at year-end. In the case of a closing period, the consolidation is updated by Group Finance (consolidation department). Beside the local entities, Group Finance also contacts non-financial departments (like Risk, Legal, Tax, Accounting Policies, Company Secretary, Pension Office and Human Resources) to inform them of the type of information or input that is expected from them (and at what time) for the closing of the accounts.

After the delivery of the figures, business meetings take place between Group Finance, Group CFO, Corporate Performance Management and local management in which local management presents the results seen from a business perspective as well as the expectations for the full year. Each CFO of a reporting entity has to provide the Group CFO with a written statement confirming that the reported figures are correct.

Group Finance is responsible for the preparation of the interim and annual financial statements and the internal management report on the figures. Group Finance includes the information received from the non-financial departments in the documents and verifies that all notes to the statements contain the correct figures. It also makes cross checks to ensure that the figures for any item mentioned in different notes are always the same. Besides this, Group Finance analyses and explains the movements of the figures in the statements. These explanations are included in an issue log.

The interim and annual reports are reviewed and audited by the external auditors. Issues are discussed with the auditors. Once the closing process is finalised by Group Finance, the consolidated reports are sent to the Group Management Committee. The Group Management Committee discusses the reports and gives its advice to the Group Executive Committee, which gives its approval. Once the statements are finalised, the auditors give Ageas written approval to include their opinion in the documents.

Once this approval is received, all statements to be published as well as the Board presentation and closing memorandum are sent to the Board of Ageas for approval. In addition, the external auditor prepares a presentation for the Board and the letter to the Board. The letter includes elements that the auditor feels it has to report to the Board in its capacity as external auditor. All information is first reviewed by and discussed with the Audit Committee (as part of the Board). The Audit Committee then reports on this at the Board meeting.

On the day of publication, the interim or annual reports and the press release are sent by Group Finance to the regulatory authorities (FSMA and NBB) in accordance with the regulatory disclosure requirements.

3.5.4 Assurance

Even a sound system of internal risk management and control cannot eliminate in full the possibility of poor judgment in decision-making, control processes being deliberately circumvented by employees and others, management overriding controls, and the occurrence of unforeseeable circumstances. The internal risk management and control systems are intended to provide reasonable, but not absolute, assurance that the company will not be hindered in achieving its business objectives, or in the orderly and legitimate conduct of its business, by circumstances which may reasonably be foreseen, and that the financial statements are free of material misstatement.

The Board has evaluated the risk profile of Ageas as well as the design and operating effectiveness of the Ageas internal risk management and control systems. It has also considered the effectiveness of remedial actions taken. Please refer to Note 7 Risk Management, Note 21 Call option BNP Paribas shares, Note 30 RPN(I), Note 51 Contingent liabilities and Note 54 Events after the date of the statement of financial position for further information on respectively (i) the principal risks applicable to Ageas, (ii) the call option on the BNP Paribas shares, (iii) RPN(I) and (iv) the contingent liabilities.

The Board considers that to the best of its knowledge, the internal risk management and control systems relating to financial reporting risks worked properly in the year under review and provide reasonable assurance that the Ageas Consolidated Financial Statements 2012 do not contain any errors of material importance.

This statement cannot be construed as a statement in accordance with the requirements of Section 404 of the US Sarbanes-Oxley Act, which is not applicable to Ageas.

The Board will continue its commitment to further strengthen the Ageas internal risk management and control systems.

3.6 Corporate Governance references

Due to the restructuring of the legal set-up, Ageas has to comply with the Belgian corporate governance system. Since 7 August 2012, only Belgian governance codes apply to Ageas.

The reference codes are available on the Ageas website: http://www.ageas.com/en/Pages/governance.aspx.

The Belgian Corporate Governance Code published on 12 March 2009 (the 2009 Code) redrafted the Corporate Governance Code of 2004. It applies to all companies incorporated under Belgian law, the shares of which are traded in a regulated market. The Code uses the 'comply or explain' concept, which means that if a company chooses to deviate from any of the Code's principles, it must explain its reasons for doing so in the Corporate Governance section of its annual report. The Corporate Governance Act of 6 April 2010, which reinforces corporate governance at listed companies and autonomous state enterprises, came into force on 23 April 2010. This requires the creation of a Remuneration Committee within the Board of Directors and lays down rules for the remuneration of top management of listed companies. The Act has two important consequences, it provides a legal basis for the 'comply or explain' principle of the Corporate Governance Code and incorporates some of the provisions of the Corporate Governance Code.

There are no aspects of corporate governance at Ageas that require additional explanation in the light of the Belgian codes (the Belgian Corporate Governance Code).

3.7 Board of Directors

Jozef De Mey

(1943 – Belgian – Non-executive - Male)

On 31 December 2012, Chairman of the Board of Directors and Chairman of the Corporate Governance Committee.

First appointed	:	2009.
Term runs until	:	Annual General Meeting of Shareholders in 2015.
Other positions within Ageas at the end of 2012	:	Chairman of the Board of Directors of Ageas Insurance International, AG Insurance, non-executive Board Member of Taiping Life (China), Muang Thai Group Holding Company, Ltd. (Thailand), Muang Thai Life Assurance Public Company, Ltd. (Thailand), Ageas Asia Holding, Ltd. (Bermuda), Bright Victory International Ltd. (British Virgin Islands), Asia Insurance Company (Asia), Ltd. (Bermuda), Chairman of the Board of Directors of Credimo Holding NV (Belgium) and of Credimo Insurance NV (Belgium). See Note 1 Legal structure, Note 5 Non-controlling interests and Note 19 Investments in associates for information on the participation interest in these entities.
Positions held with other listed companies	:	None.
Other positions held	:	Chairman Credimo NV Address: Weversstraat 6-10 B- 1730 Asse, Belgium Sector: Life insurance Ageas stake in this company: Yes (24.10%). Member of the Board of Directors Flemish-Chinese Chamber of Commerce Address: Voldersstraat 5 B-9000 Ghent, Belgium Sector: promotion of economic relations with China Member of the Board of Directors De Eik NV Address: Eikelenbergstraat 20 B-1700 Dilbeek, Belgium Sector: family holding Member of the Board of Directors Ghent Festival of Flanders Address: Kleine Gentsstraat 46 B-9051 Ghent, Belgium Sector: Culture

Guy de Selliers de Moranville

(1952 – Belgian – Independent - Male)

On 31 December 2012, Vice Chairman of the Board of Directors, Member of the Corporate Governance Committee and Chairman of the Risk and Capital Committee.

First appointed	:	2009.
Term runs until	:	Annual General Meeting of Shareholders in 2015.
Other positions within Ageas at the end of 2012	:	Chairman of the Board of Directors of Ageas UK, Ltd., non-executive Board Member of Ageas Insurance International.
Positions held with other listed companies	:	President & Co-Founder of HCF International Advisers Limited Address : 9th floor, Portland House, Bressenden Place, London SW1E 5BH (UK) Sector : Corporate Finance Advisor Member of the Board of Directors, Audit Committee and Finance Committee of Solvay Address: Rue de Ransbeek 310 B-1120 Brussels, Belgium Sector: Chemical company Member of the Supervisory Board and Chairman of the Audit Committee of Advanced Metal Group Address: Toren C 13th floor Strawinskylaan 1343 1077 XX Amsterdam (the Netherlands) Sector: Specialty metals and engineering Member of the Board of Directors of Ivanplats Address: Queens Gate Place Mews 11-15 SW7 5BG London (UK) Sector: Mining company
Other positions held	:	Member of the Advisory Board of Pamplona LP Address: 17 Cavendish Square W1G 0PH London (UK) Sector: Private Equity Chairman of the Board of Trustees of Renewable Energy Foundation. Address: 57-58 Russell Square WC1B 4HS London (UK) Sector: Think tank on renewable energy Member of the Board of Directors and Chairman of the Corporate Governance Committee of I-Pulse Inc. Address: Beach Road 150 #25-003 The Gateway West Singapore, 189720 (Singapore) Sector: High technology Member of the Board of Directors of Wessex Grain Limited Address: Henstridge Trading Estate Templecombe Somerset (UK) BA8 OTN Chairman of the Board of Trustees of Drive Forward Address: 4-8 Ludgate Circus London EC4M 7LF (UK) Sector: Charity – disadvantaged children

Bart De Smet

(1957 – Belgian – Executive - Male)
Chief Executive Officer.

First appointed	:	2009.
Term runs until	:	Annual General Meeting of Shareholders in 2013.
Other positions within Ageas at the end of 2012	:	Executive Board Member of Ageas Insurance International, Chairman of Millenniumbcp Ageas (Portugal), Médis (Portugal), Pensoesgere SA (Portugal), Ocidental Vida SA (Portugal), Ocidental Seguros SA (Portugal), Vice Chairman of AG Insurance, F&B Insurance Holding, Ageas UK, Ltd (UK), Aksigorta A.S (Turkey), Maybank Ageas Holdings Berhad (Malaysia), Ageas Asia Holding, Ltd. (Bermuda) and Asia Insurance Company (Asia), Ltd (Bermuda), Member of the Board of Directors of IDBI Federal Life Insurance Company, Ltd (India), Credimo NV, Partners In Insurance (Belgium). See Note 1 Legal structure, Note 5 Non-controlling interests and Note 19 Investments in associates for information on the participation interest in these entities.
Positions held with other listed companies	:	None.
Other positions held	:	Chairman of Assuralia.

Frank Arts

(1943 – Belgian – Independent - Male)
On 31 December 2012, Member of the Board of Directors and Member of the Remuneration Committee.

First appointed	:	2009.
Term runs until	:	Annual General Meeting of Shareholders in 2013.
Other positions within Ageas at the end of 2012	:	Non-executive Board Member of AG Insurance and Ageas Insurance International.
Positions held with other listed companies	:	None.
Other positions held	:	Chairman Immoring Antwerpen NV Address: Voshollei 36 B-2930 Brasschaat, Belgium Sector: Real Estate company

Ronny Brückner

(1957 – Belgian – Non-executive - Male)
On 31 December 2012, Member of the Board of Directors and Member of the Risk and Capital Committee.

First appointed	:	2011.
Term runs until	:	Annual General Meeting of Shareholders in 2014.
Other positions within Ageas at the end of 2012	:	Non-executive Board Member of Ageas Insurance International.
Positions held with other listed companies	:	None.
Other positions held	:	Member of the Security Committee of Eastbridge Sarl Address: rue Heienhaff 1B L-1736 Senningerberg (Grand Duchy of Luxembourg) Sector: Private Investment Company Member of the Security Committee of Flime Investment Sarl Address: rue Heienhaff 1B L-1736 Senningerberg (Grand Duchy of Luxembourg) Sector: Private Investment Company Member of the Security Committee of Westbridge Sarl Address: rue Heienhaff 1B L-1736 Senningerberg (Grand Duchy of Luxembourg) Sector: Private Investment Company Member of the Security Committee of Centrum Development and Investment Sarl Address: rue Heienhaff 1B L-1736 Senningerberg (Grand Duchy of Luxembourg) Sector: Developer and manager of retail buildings Member of the Security Committee of Celio International NV Address : Rue Blanqui 21 F-93406 Saint-Ouen (France) Sector: Men's fashion and clothing Member of the Security Committee of Association PlaNet Finance. Address : Rue de Prony 44 F-75017 Paris (France) Sector : International Non-Profit Organisation

Shaoliang Jin

(1960 – Chinese – Independent - Male)

On 31 December 2012, Member of the Board of Directors and Member of the Audit Committee.

First appointed	:	2009.
Term runs until	:	Annual General Meeting of Shareholders in 2013.
Other positions within Ageas at the end of 2012	:	Non-executive Board Member of Ageas Insurance International.
Positions held with other listed companies	:	None.
Other positions held	:	Head of the Office of the Board of Directors at Ping An Group. Address: 16F, Galaxy Center, Fuhua Road Futian District, Shenzhen 518048 (China)

Bridget McIntyre

(1961 – British – Independent - Female)

On 31 December 2012, Member of the Board of Directors and Member of the Audit Committee.

First appointed	:	2010.
Term runs until	:	Annual General Meeting of Shareholders in 2013.
Other positions within Ageas at the end of 2012	:	Non-executive Board Member of Ageas UK, Ltd. and Ageas Insurance International.
Positions held with other listed companies	:	None.
Other positions held	:	Governor Health Foundation Non-Executive Director of NHBC (National House-Building Council) Address: NHBC House Davy Avenue, Knowlhill, Milton Keynes MK5 8FP (UK) Sector: warranty and insurance provider and standards setter for UK house-building for new and newly converted homes

Roel Nieuwdorp

(1943 – Dutch – Independent - Male)

On 31 December 2012, Member of the Board of Directors, Chairman of the Remuneration Committee and Member of the Corporate Governance Committee.

First appointed	:	2009.
Term runs until	:	Annual General Meeting of Shareholders in 2014.
Other positions within Ageas at the end of 2012	:	Non-executive Board Member of Ageas France S.A. and Ageas Insurance International.
Positions held with other listed companies	:	None.
Other positions held	:	Professor of Company Law at the University of Antwerp Board Member of Groep T (Internationale Hogeschool Leuven) Board Member Koninklijke Hogeschool Leuven Board Member Katholieke Hogeschool Limburg Board Member Uitgeverij Borgerhoff & Lamberights Practicing attorney

Lionel Perl

(1948 – Belgian – Independent - Male)

On 31 December 2012, Member of the Board of Directors, Member of the Audit Committee and the Risk and Capital Committee.

First appointed	:	2009.
Term runs until	:	Annual General Meeting of Shareholders in 2015.
Other positions within Ageas at the end of 2012	:	Non-executive Board Member of the AG Insurance and Ageas Insurance International, Member of the Audit & Risk Committee and of the Nomination & Remuneration Committee of AG Insurance.
Positions held with other listed companies	:	None.
Other positions held	:	Managing Director at Fenway Group SA Address : Vallée du Hain 22 B-1440 Wauthier Braine, Belgium Sector: Holding and Management company Director Urbina SA Address: Avenue Louise 65 B-1050 Brussels, Belgium Sector: Real estate company

Belén Romana Garcia

(1965 – Spanish – Independent - Female)

Member of the Board of Directors and Member of the Remuneration Committee.

First appointed	:	2010.
Term runs until	:	Dec. 1, 2012.
Other positions within Ageas at the end of 2011	:	Non-executive Board Member of Ageas Insurance International.
Positions held with other listed companies	:	Non-Executive Board Member of Banco Español de Credito (Banesto) Address: Avenida Gran Via de Hortaleza 3 Madrid 28033 (Spain) Sector: Banking Business Non-Executive Board Member of Acerinox Address: Santiago de Compostella 100 Madrid 28035 (Spain) Sector: Stainless steel business
Other positions held	:	General Secretary of Círculo de Empresarios Address: Marqués de Villamagna, 3 - 10ª planta Madrid 28001 (Spain) Sector: Study, dissemination and promotion of free entreprise in the context of market economy

Jan Zegering Hadders

(1946 – Dutch – Independent - Male)

On 31 December 2012, Member of the Board of Directors, Chairman of the Audit Committee and Member of the Corporate Governance Committee.

First appointed	:	2009.
Term runs until	:	Annual General Meeting of Shareholders in 2015.
Other positions within Ageas at the end of 2012	:	Non-executive Board Member of Ageas UK, Ltd., Ageas Insurance International N.V. and Member of the Audit Committee of Ageas UK, Ltd.
Positions held with other listed companies	:	Member of the Supervisory Board of Grontmij N.V.
Other positions held	:	Member of the Supervisory Board, Chairman of the Audit Committee of GE Artesia Bank Address: Herengracht 539-543, 1017 BW Amsterdam (the Netherlands) Sector: Banking business Member and Vice Chairman of the Bussum Municipal Council Address: Brinklaan 35, 1404 EP Bussum (the Netherlands) Sector: Governmental Chairman Foundation New Holland Address: Piet Heinlaan 33, 2341 SH Oegstgeest (the Netherlands) Sector: Improving quality coastal zone Scheveningen-Hoek van Holland Chairman Stichting Beheer Derdengelden Ai2 Address: Postbus 101, 2420 AC Nieuwkoop (the Netherlands) Sector: Money transfer floricultural wholesale business Member of the Board of Governors Ubbo Emmius Fund University Groningen Address: Oude Boteringestraat 44, 9712 GL Groningen (the Netherlands) Sector: Alumnirelations and Fundraising

Company Secretary

Dimitri Van Eenoo (till 15 January 2013)/Valerie van Zeveren (as from 15 January 2013).

Attendance at Board and Committee meetings

Attendance at the meetings of the Board, Audit Committee, Risk and Capital Committee and Corporate Governance Committee was as follows:

	Board meetings		Audit Committee meetings		Risk and Capital Committee meetings		Corporate Governance Committee meetings		Remuneration Committee meetings	
Name	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Jozef De Mey	11	11			7	3 1)	9	9	6	3 1)
Guy de Selliers de Moranville	11	11			7	7	9	9		
Bart De Smet	11	11								
Frank Arts	11	10							6	6
Ronny Brückner	11	8			7	7				
Shaoliang Jin	11	6	5	4						
Bridget McIntyre	11	10	5	5						
Roel Nieuwdorp	11	10					9	9	6	6
Lionel Perl	11	10	5	5	7	7				
Belén Romana Garcia 2)	11	11							6	5
Jan Zegering Hadders	11	11	5	5			9	9		

1) *Jozef De Mey attended these meetings as invitee.*

2) *Bélen Romana stepped down from her position as Board Member in November 2012.*

3.8 Group Executive Committee

On 31 December 2012, the Ageas Group Executive Committee consisted of:
Bart De Smet, CEO,
Christophe Boizard, CFO, and
Kurt De Schepper, CRO.

Bart De Smet
(1957 – Belgian - Male)
Chief Executive Officer, responsible for the Business, Strategy and Business Development, Audit, Communications and the Company Secretariat.

Member of the Board of Directors.
Other details: see Board of Directors.

Christophe Boizard
(1959 – French - Male)
CFO, responsible for Finance, Investor Relations and Performance Management.

Positions held with Other listed companies	:	None
Other positions held	:	Member of the Board of Directors of Sopelec SA and SPEE SA.

Kurt De Schepper
(1956 – Belgian - Male)
Chief Risk Officer, responsible for Risk, Compliance, Legal and Support Functions (Human Resources, IT and Facility).

Positions held with Other listed companies	:	None
Other positions held	:	None

3.9 Report of the Remuneration Committee

In accordance with the Belgian Corporate Governance Act of 6 April 2010 on the reinforcement of corporate governance in listed companies, Ageas's Remuneration Committee has drawn up a report. Ageas will submit this report for approval to the General Meeting of Shareholders in April 2013. The chairman of the Remuneration Committee will give a commentary on this report.

3.9.1 Activity report of the Remuneration Committee

The composition of the Remuneration Committee remained unchanged in 2012 and consists of three members: Roel Nieuwdorp (Chairman), Frank Arts and Belén Romana. In November 2012, Belén Romana resigned all her positions at Ageas, including her position as member of the Remuneration Committee. She is replaced in the Remuneration Committee in January 2013 by Bridget McIntyre. The CEO and the CRO, in his capacity as ultimate head of HR, and the newly appointed HR Director, attended the meetings, with the exception of discussions of issues relating to their own situation.

The Remuneration Committee convened six times in 2012. Please refer to 3.7 Board of Directors for information on the attendance of the members of the Remuneration Committee.

The Remuneration Policy had been determined earlier by the Board and approved by the General Meetings of Shareholders in 2010 and continues to be under regular review to align it with prevailing market practices and changes in regulations and legislation (Belgian Corporate Governance Act, Capital Requirements Directive III (CRD III) and Solvency II). During its meetings, the Remuneration Committee furthermore systematically assessed each component (base salary, short-term incentive and long-term incentive) for compliance with (new) regulations, competitive position and the objectives and risk profile of the company.

The Remuneration Committee thus discussed and submitted recommendations to the Board of Directors on:
- the Remuneration Policy in general aligned with the current market practices;
- the disclosure of the remuneration of Board and Executive Committee Members in the Notes to the Annual Report;
- the report of the Remuneration Committee as included in the Corporate Governance Statement;
- the short-term incentive (STI) and the long-term incentive (LTI) for members of the Management Committee;
- the analysis, including sensitivity analysis and benchmarking of key performance indicators (KPI);
- the individual STI and LTI of the members of the Management Committee;
- the share plan in favour of senior management excluding Members of the Ageas Management Committee;
- the benchmarking of the remuneration of the members of the Management Committee against current market practices;
- the specific KPI for the Group Risk Officer;
- the Ageas Remuneration Policy applicable to all employees of Ageas or serving as guidance for all Ageas entities.

The Remuneration Committee acknowledges that the fixed salaries of the ExCo members have been kept unchanged since their nomination.

Taking into account the 8.5% inflation since mid 2009, the salary surveys of the last years and the fair pay analysis, as well as the progress of the company, the Remuneration Committee made the following recommendations to the Board, which were accepted, applicable as of 1 January 2013:
- regarding the CEO:
  - to increase salary from EUR 500,000 to EUR 575,000 within the range approved in 2010 by the General Meetings of Shareholders;
  - to raise the possible range of fixed salary to between EUR 550,000 and EUR 750,000.
- Regarding the CRO:
  - to increase salary from EUR 400,000 to EUR 425,000.

Note: the Ageas Corporate Governance Charter provides that the Remuneration Committee recommends on remuneration and incentive systems. As explained in the Corporate Governance Charter, the Corporate Governance Committee and the Remuneration Committee convene a joint meeting at which they make recommendations on targets and ultimate results in accordance with the above systems.

Finally, and taking into account that the system was only introduced in 2010, the Remuneration Committee recommended that the KPI not be changed for the time being:
- annual (total) net profit of Ageas;
- normalised net return of insurance activities in relation to risk adjusted capital;
- cost ratio of the Life Insurance activity;
- combined ratio of the Non-life activity, and
- embedded value.

The concept ‘normalised net return of insurance activities in relation to risk adjusted capital’ takes into account the return on capital, corrected for risk and excess solvency (and therefore anticipating the new regulations on capital requirements – Solvency II). The level of excess capital is determined by the Board.

3.9.2 Key objectives

The Remuneration Committee’s three key objectives remained unchanged: to provide full transparency, to guarantee compliance with existing and upcoming Belgian legislation and to be market compliant.

Transparency

In 2010, the Board of Directors submitted for approval to the shareholders both the Remuneration Policy (for the Board and the Executive Committee as recommended by the Remuneration Committee) and the remuneration levels of the Board. The Board of Directors will continue to submit any update or modification to these to the shareholders for approval.

Compliance with new legislation

Ageas is closely monitoring existing and upcoming legislation trying to anticipate to the extent possible when appropriate.

Market compliance

The remuneration of both the Board of Directors and the Executive Committee is intended:
- to ensure the organisation’s continued ability to attract, motivate and retain executive talent in an international marketplace;
- to promote achievement of demanding performance targets and long-term sustainable growth in order to align the interests of executives and shareholders in the short, medium and long term;
- to stimulate, recognise and reward both strong individual contribution and solid team performance.

3.9.3 Procedure followed to develop and assess/review Remuneration Policy

Upon their appointment in April 2009, the Remuneration Committee started working on a completely new Remuneration Policy. The Remuneration Committee decided to revise the remuneration of both non-executive Board Members and Executive Management. In this exercise, finalised in 2010, but under permanent scrutiny, the Remuneration Committee was assisted by Towers Watson. Remuneration Policy has also been checked from a legal perspective by a well established international law firm. The Remuneration Committee reassesses the compliance of Remuneration Policy with existing legislation on a regular basis, assisted by external advisors.

The Remuneration Committee did not recommend any change to the Remuneration Policy for the current year. It did recommend adjusting the peer group taken into account for the long-term incentive (LTI), by eliminating reinsurance companies and adding companies that are part of the Eurostoxx Insurance index. As of 2012 the peer group consists of: Aegon, Allianz, Aviva, Axa, BNP Paribas, CNP Assurances, Delta Lloyd, Generali, ING, KBC, Mapfre, Prudential, Sampo, Swiss Life, Vienna Insurance and Zurich Financial Services.

The remuneration of the non-executive members of the Board of Directors

In 2010, the Remuneration Policy and the remuneration levels of the non-executive members of the Board were approved by a vast majority of the shareholders. Their remuneration remained unchanged in 2012. The remuneration levels of the non-executive Board Members are analysed on an annual basis. The conclusion of this review which was discussed in the first meeting of the Remuneration Committee in 2013 and will be submitted for approval to the General Meeting of Shareholders.

The remuneration of the Executive Management

Both the levels and the structure of remuneration for Ageas Executive Committee Members are analysed annually. At the initiative of the Remuneration Committee, Ageas's competitive position is regularly reviewed by, and discussed with, Towers Watson and compared with that of other major European-based international insurance firms and other organisations operating on an international basis.

In the second half of 2012, an assessment of the Remuneration Policy was made, including its compliance with the updated international regulations and market practice as well as clear guidance on the methodology and scenario analysis. This assessment did not result in any change in the Remuneration Policy. However, the Remuneration Committee recommended to the Board of Directors an increase in the remuneration of the CEO based on the good performance of Ageas and the competitive positioning of the base salary. The Remuneration Committee also recommended an increase in the remuneration of the CRO.

It remains the opinion of the Remuneration Committee that the policy, as approved by the General Meetings of Shareholders in 2010 and reconfirmed in 2011, has been established in the spirit of the present standards with a deferral of the LTI and parts of the STI, and assessment of the performance during the period of deferral, and as such fits in with the current situation of the company.

3.9.4 The Remuneration Policy

The full Remuneration Policy for Ageas Board Members and Group Executive Committee Members, as approved by the General Meeting of Shareholders in April 2010 is attached to the Corporate Governance Charter (see annex 4 of the Corporate Governance Charter). The Remuneration Policy can be found on: www.ageas.com/en/Pages/Remuneration.aspx.

This policy describes the principles underlying remuneration, the relative importance of the various components of remuneration and the features of equity-linked remuneration and the applicable claw-back.

The Remuneration Policy was submitted for approval to the General Meetings of Shareholders in April 2010 and reconfirmed by the shareholders in 2011 further to a clarification on severance pay.

3.9.5 Implementation of Remuneration Policy in 2012

Board of Directors

In April 2010, the General Meetings of Shareholders approved the Remuneration Policy and remuneration levels of the non-executive Board Members, with effect from 1 January 2010 and remaining unchanged in 2012. These remuneration levels consist of a fixed annual remuneration on the one hand and an attendance fee on the other hand. The fixed annual remuneration amounts to EUR 60,000 and EUR 45,000 respectively for the Chairman and the other non-executive Board Members. Non-executive Board Members receive an attendance fee of EUR 2,000 per Board Meeting and EUR 1,500 per Board Committee Meeting. For the Chairman of the Board of Directors and the Board Committees, the respective attendance fees are set at EUR 2,500 per Board Meeting and EUR 2,000 per Board Committee Meeting. More detailed information on the actual remuneration of the non-executive Board Members in 2012 can be found in Note 11 Remuneration of Board of Directors Members and Executive Committee Members to the Ageas Consolidated Financial Statements 2012.

Non-executive Board Members do not receive annual incentives or stock options and are not entitled to pension rights. Non-executive Board Members are not entitled to any termination indemnity.

The remuneration of the Executive Board Member (the CEO) is related exclusively to his position as CEO and is therefore determined in line with the Remuneration Policy for Executive Committee Members.

In the framework of good corporate governance, to avoid cascading of the decision process and to increase knowledge and awareness of the issues in the most important operating companies, the Board of Directors decided to delegate most of its non-executive members to the Board of Directors of some of the Ageas subsidiaries. To the extent that these positions are remunerated, the amounts paid out are disclosed in Note 11 Remuneration of Board of Directors Members and Executive Committee Members.

In accordance with the Remuneration Policy and the remuneration levels described above, the total remuneration of all non-executive directors amounted to EUR 1.22 million in 2012, compared to EUR 1.19 million in 2011. For more detailed information, please refer to Note 11 Remuneration of Board of Directors Members and Executive Committee Members in the Ageas Consolidated Financial Statements.

Executive Committee

In 2012, the composition of the Executive Committee remained unchanged. At the end of 2012, the Executive Committee consisted of CEO Bart De Smet, the only executive member of the Board of Directors, CFO Christophe Boizard, and CRO Kurt De Schepper. The Remuneration Policy as described above applies to the members of the Executive Committee, and includes, but is not limited to, the rules on variable remuneration, severance pay and claw-back. In 2012, the total remuneration of the Executive Committee amounted to EUR 3,806,023 compared to EUR 2,453,491 in 2011.

For each member of the Executive Committee, severance pay equal to 12 months' salary, which can in specific circumstances be increased to 18 months, is provided for. Including the non-competition provision, maximum severance pay can, however, never exceed 18 months' salary.

For more detailed information on individual remuneration and the number of granted, exercised and matured shares, share options and other rights to acquire shares, please refer to Note 11 Remuneration of Board of Directors Members and Executive Committee Members in the Ageas Consolidated Financial Statements.

As foreseen by Remuneration Policy, Executive Committee Members are entitled to a short-term and a long-term incentive regarding their performance over the year 2012:

- long-term incentive: the total shareholders return (TSR) of the Ageas shares amounted to 95.9% in 2012, which was the second highest in its peer group. The Remuneration Committee, jointly with the Corporate Governance Committee, thus recommended an LTI corresponding to 187.5% of the target (target 45% of base salary, range of 0-90% of base salary);
- short-term incentive: two components, the Ageas component accounting for 70% and the individual component accounting for 30%, are taken into account in the calculation of the STI. The Remuneration Committee, jointly with the Corporate Governance Committee, recommended that the Board take the following results into account:
  - Net Profit;
  - Net Return on Risk Adjusted Capital;
  - Cost Ratio Life Insurance;
  - Combined Ratio Non-life;
  - Embedded Value.
- taking into account individual performances, this led to the following STI percentages (target 50% of base salary, range 0-100% of base salary):
  - CEO Bart De Smet: 157.7% of target;
  - CFO Christophe Boizard: 150.5% of target;
  - CRO Kurt De Schepper: 150.8% of target.

More detailed information on the Remuneration Policy applicable to the Executive Committee is available in annex 4 of the Corporate Governance Charter: The remuneration for Ageas Board Members and Group Executive Committee Members.

3.9.6 Outlook for Remuneration Policy in 2013

Ageas will continue to benchmark the structure of its Remuneration Policy against the competitive and regulatory environment as it has done in the past and, if required, will propose modifications or updates. Any modifications of the Remuneration Policy will be submitted for approval to the General Meeting of Shareholders.

Brussels, 5 March 2013

Board of Directors

Ageas

CONSOLIDATED
Financial Statements
2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(before appropriation of profit)

	Note	31 December 2012	31 December 2011
Assets			
Cash and cash equivalents	*15*	2,449.9	2,701.5
Financial investments	*16*	62,571.8	55,231.4
Investment property	*17*	2,415.5	2,045.7
Loans	*18*	6,288.4	5,683.4
Investments related to unit-linked contracts		13,683.9	12,771.4
Investments in associates	*19*	2,123.6	1,959.5
Reinsurance and other receivables	*20*	1,968.0	4,111.1
Current tax assets	*29*	9.4	127.1
Deferred tax assets	*29*	171.7	358.8
Call option BNP Paribas shares	*21*	234.0	395.0
Accrued interest and other assets	*22*	2,583.6	2,386.2
Property, plant and equipment	*23*	1,115.0	1,098.3
Goodwill and other intangible assets	*24*	1,498.1	1,594.3
Assets held for sale	*3*		138.5
Total assets		**97,112.9**	**90,602.2**
Liabilities			
Liabilities arising from Life insurance contracts	*25.1*	25,914.3	24,370.4
Liabilities arising from Life investment contracts	*25.2*	29,100.7	27,201.5
Liabilities related to unit-linked contracts	*25.3*	13,767.0	12,823.8
Liabilities arising from Non-life insurance contracts	*25.4*	7,536.3	6,203.9
Debt certificates	*26*	186.8	256.7
Subordinated liabilities	*27*	2,915.5	2,973.6
Borrowings	*28*	1,968.0	2,277.0
Current tax liabilities	*29*	129.1	59.2
Deferred tax liabilities	*29*	1,458.4	614.6
RPN(I)	*30*	165.0	190.0
Accrued interest and other liabilities	*31*	2,119.6	2,094.1
Provisions	*32*	69.1	2,403.4
Liability related to written put option on NCI	*33*	997.0	655.8
Liabilities related to assets held for sale	*3*		110.5
Total liabilities		**86,326.8**	**82,234.5**
Shareholders' equity	*4*	9,910.6	7,760.3
Non-controlling interests	*5*	875.5	607.4
Total equity		**10,786.1**	**8,367.7**
Total liabilities and equity		**97,112.9**	**90,602.2**

CONSOLIDATED INCOME STATEMENT

	Note		2012		2011
Income					
- *Gross premium income* [1]		*9,947.1*		*9,421.2*	
- *Change in unearned premiums*		*47.9*		*(398.7)*	
- *Ceded earned premiums*		*(318.4)*		*(283.8)*	
Net earned premiums	*37*		9,676.6		8,738.7
Interest, dividend and other investment income	*38*		3,055.7		3,093.3
Unrealised gain (loss) on call option BNP Paribas shares	*21*		(161.0)		(214.0)
Unrealised gain (loss) on RPN(I) (incl. settlement of RPN(I)/CASHES)	*30*		(273.1)		275.0
Result on sales and revaluations	*39*		434.3		135.6
Investment income related to unit-linked contracts	*40*		1,954.4		(581.5)
Share of result of associates	*41*		230.6		(146.5)
Fee and commission income	*42*		398.5		427.1
Other income	*43*		323.9		277.1
Total income			**15,639.9**		**12,004.8**
Expenses					
- *Insurance claims and benefits, gross*		*(9,605.8)*		*(8,769.8)*	
- *Insurance claims and benefits, ceded*		*257.2*		*155.2*	
Insurance claims and benefits, net	*44*		(9,348.6)		(8,614.6)
Charges related to unit-linked contracts			(1,946.8)		642.8
Financing costs	*45*		(256.2)		(310.0)
Change in impairments	*46*		(142.6)		(1,615.9)
Change in provisions	*32*		(16.6)		(23.2)
- *Impairment claims on ABN AMRO*		*(1,962.5)*			
- *Release provision MCS conversion and Dutch State issues*		*2,362.5*			
Total impact settlement ABN AMRO			400.0		
Fee and commission expenses	*47*		(1,266.9)		(1,163.4)
Staff expenses	*48*		(794.0)		(739.5)
Other expenses	*49*		(1,000.5)		(937.8)
Total expenses			**(14,372.2)**		**(12,761.6)**
Result before taxation			**1,267.7**		**(756.8)**
Tax income (expenses)	*50*		(338.9)		83.3
Net result for the period			**928.8**		**(673.5)**
Attributable to non-controlling interests			185.8		(95.3)
Net result attributable to shareholders			**743.0**		**(578.2)**
Per share data (EUR)	*6*				
Basic earnings per share [2]			3.13		(2.27)
Diluted earnings per share [2]			3.13		(2.27)

1) *Gross inflow (sum of gross written premiums and premium inflow from investment contracts without discretionary participation features) can be calculated as below.*

2) *The comparative figures have been changed for comparison purposes taking into account the reverse stock split (see Note 4 Shareholders' equity).*

	Note	2012	2011
Gross premium income		9,947.1	9,421.2
Inflow deposit accounting (directly recognised as liability)	*37*	1,106.7	1,815.9
Gross inflow		**11,053.8**	**11,237.1**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Other comprehensive income		2012		2011
Changes in revaluation of investments				
Reclassified revaluation of investments available for sale to held to maturity, gross			*(214.9)*	
Related tax			*55.3*	
Change in amortisation of investments held to maturity, gross	*28.7*		*14.0*	
Related tax	*(7.1)*		*(3.5)*	
Change in investments held to maturity, net		21.6		(149.1)
Change in revaluation of investments available for sale, gross [1]	*3,175.0*		*279.4*	
Related tax	*(1,006.7)*		*(120.3)*	
Reclassified revaluation of investments available for sale to held to maturity, gross			*214.9*	
Related tax			*(55.3)*	
Change in revaluation of investments available for sale, net		2,168.3		318.7
Share of other comprehensive income of associates, gross		(39.9)		78.7
Related tax				
Share of other comprehensive income of associates, net		(39.9)		78.7
Change in revaluation of investments, gross		*3,163.8*		*372.1*
Related tax		*(1,013.8)*		*(123.8)*
Change in revaluation of investments, net		**2,150.0**		**248.3**
Change in foreign exchange differences, gross		*13.0*		*83.9*
Related tax				
Change in foreign exchange differences, net		**13.0**		**83.9**
Other comprehensive income for the period		**2,163.0**		**332.2**
Net result for the period		**928.8**		**(673.5)**
Total comprehensive income for the period		**3,091.8**		**(341.3)**
Net result attributable to non-controlling interests		185.8		(95.3)
Other comprehensive income attributable to non-controlling interests		613.1		(40.3)
Total comprehensive income attributable to non-controlling interests		**798.9**		**(135.6)**
Total comprehensive income attributable to shareholders		**2,292.9**		**(205.7)**

1) The Change in revaluation of investments available for sale gross, includes the revaluation of cash flow hedges and is net of currency differences and shadow accounting.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium reserve	Other reserves	Currency translation reserve	Net result attributable to shareholders	Unrealised gains and losses	Share holders' equity	Non-controlling interests	Total equity
Balance at 1 January 2011	**2,203.6**	**14,394.7**	**(8,702.8)**	**81.9**	**223.1**	**221.2**	**8,421.7**	**744.3**	**9,166.0**
Net result for the period					(578.2)		(578.2)	(95.3)	(673.5)
Revaluation of investments						291.0	291.0	(42.7)	248.3
Foreign exchange differences				81.5			81.5	2.4	83.9
Total non-owner changes in equity				*81.5*	*(578.2)*	*291.0*	*(205.7)*	*(135.6)*	*(341.3)*
Transfer		(12,292.8)	12,515.9		(223.1)				
Dividend			(196.6)				(196.6)	(51.2)	(247.8)
Treasury shares			(230.1)				(230.1)		(230.1)
Share-based compensation		3.1					3.1		3.1
Impact written put option on NCI			(36.4)				(36.4)	83.8	47.4
Other changes in equity			4.3				4.3	(33.9)	(29.6)
Balance at 31 December 2011	**2,203.6**	**2,105.0**	**3,354.3**	**163.4**	**(578.2)**	**512.2**	**7,760.3**	**607.4**	**8,367.7**
Net result for the period					743.0		743.0	185.8	928.8
Revaluation of investments						1,539.7	1,539.7	610.3	2,150.0
Foreign exchange differences				10.2			10.2	2.8	13.0
Total non-owner changes in equity				*10.2*	*743.0*	*1,539.7*	*2,292.9*	*798.9*	*3,091.8*
Transfer			(578.2)		578.2				
Dividend			(188.1)				(188.1)	(7.5)	(195.6)
Treasury shares			(160.1)				(160.1)		(160.1)
Cancelled Shares	(161.4)	(44.5)	205.9						
Share-based compensation		1.0					1.0		1.0
Impact written put option on NCI			207.5				207.5	(548.7)	(341.2)
Reclassified within equity		906.6	(870.2)			(36.4)			
Other changes in equity			(2.9)				(2.9)	25.4 [1]	22.5
Balance at 31 December 2012	**2,042.2**	**2,968.1**	**1,968.2**	**173.6**	**743.0**	**2,015.5**	**9,910.6**	**875.5**	**10,786.1**

1) *The amount of EUR 25.4 million in the line Other changes in equity (Non-controlling interests column) relates mainly to capital injections paid by non-controlling interests.*

Changes in equity are described in greater detail in: Note 4 Shareholders’ equity, Note 5 Non-controlling interests and Note 33 Liability related to written put option on AG Insurance shares held by BNP Paribas Fortis SA/NV.

CONSOLIDATED STATEMENT OF CASH FLOW

	Note	2012	2011
Result before taxation		**1,267.7**	**(756.8)**
Adjustments to non-cash items included in result before taxation:			
Call option BNP Paribas shares	21	161.0	214.0
RPN(I)	30	273.1	(275.0)
Result on sales and revaluations	39	(434.3)	(135.6)
Share of results in associates	41	(230.6)	146.5
Depreciation, amortisation and accretion	49	798.7	686.9
Impairments	46	142.6	1,615.9
Provisions	32	17.1	22.0
Share-based compensation expense	48	1.0	2.5
Changes in operating assets and liabilities:			
Derivatives held for trading (assets and liabilities)	16	(33.7)	(24.5)
Loans	18	(894.5)	(1,157.5)
Reinsurance and other receivables	20	1,955.9	(219.5)
Investments related to unit-linked contracts		(923.8)	1,653.7
Borrowings	28	(364.7)	127.5
Liabilities arising from insurance and investment contracts	25.1 & 25.2	3,795.3	1,893.4
Liabilities related to unit-linked contracts	25.3	1,086.7	(1,679.3)
Net changes in all other operational assets and liabilities		(4,415.5)	(707.3)
Dividend received from associates		13.6	7.7
Income tax paid		(91.6)	(109.1)
Cash flow from operating activities		**2,124.0**	**1,305.5**
Purchases of financial investments	16	(16,258.4)	(19,832.6)
Proceeds from sales and redemptions of financial investments		14,668.1	19,357.6
Purchases of investment property	17	(269.5)	(215.2)
Proceeds from sales of investment property		123.6	83.3
Purchases of property, plant and equipment	23	(84.4)	(74.2)
Proceeds from sales of property, plant and equipment		0.7	9.5
Acquisition of subsidiaries and associates	3	(166.8)	(288.0)
Divestments of subsidiaries and associates (including cash in assets held for sale)	3	67.6	(119.7)
Purchases of intangible assets	24	(39.4)	(16.7)
Proceeds from sales of intangible assets		0.2	0.4
Cash flow from investing activities		**(1,958.3)**	**(1,095.6)**
Redemption of debt certificates	26	(71.0)	(290.5)
Proceeds from the issuance of subordinated liabilities	27	8.0	
Redemption of subordinated liabilities		(26.1)	
Proceeds from the issuance of other borrowings	28	43.9	13.4
Payment of other borrowings		(6.2)	(18.1)
Purchases of treasury shares	4	(160.1)	(230.1)
Dividends paid to shareholders of parent companies		(194.6)	(196.6)
Dividends paid to non-controlling interests		(7.5)	(51.2)
Cash flow from financing activities		**(413.6)**	**(773.1)**
Effect of exchange rate differences on cash and cash equivalents		**(3.7)**	**6.4**
Net increase (decrease) in cash and cash equivalents		**(251.6)**	**556.8**
Cash and cash equivalents as at 1 January	**15**	**2,701.5**	**3,258.3**
Cash and cash equivalents as at 31 December	**15**	**2,449.9**	**2,701.5**
Supplementary disclosure of operating cash flow information			
Interest received	38	2,527.8	2,556.4
Dividend received from financial investments	38	76.1	83.7
Interest paid	45	(267.7)	(314.0)

GENERAL NOTES

1

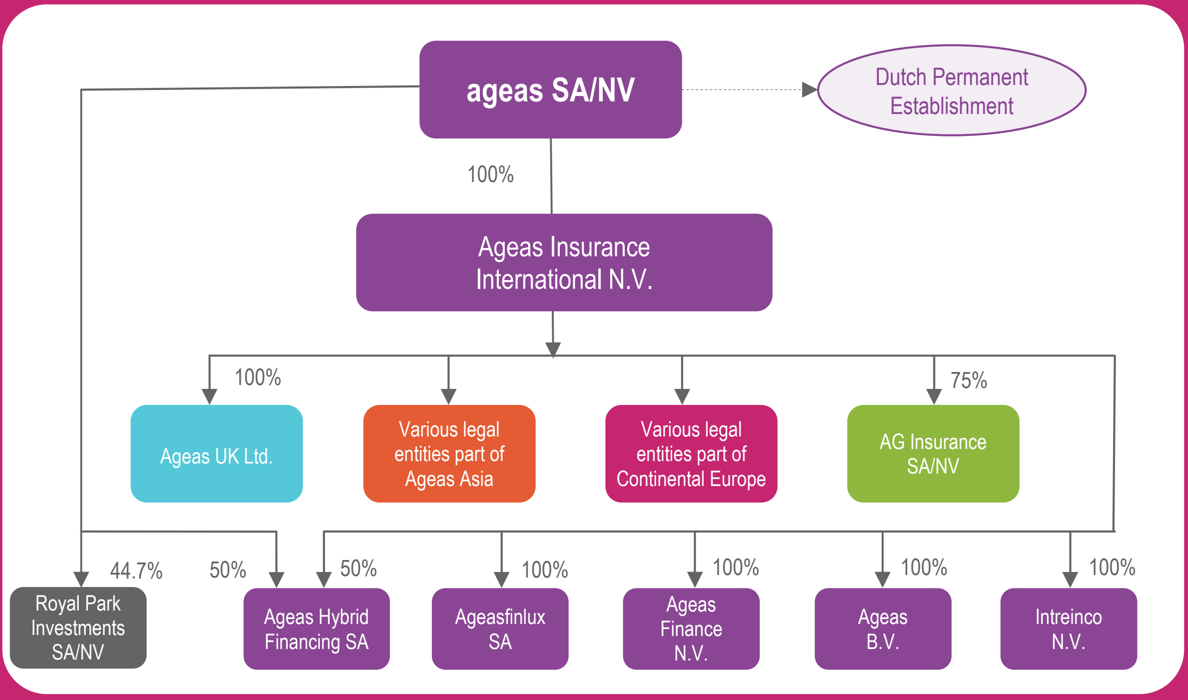
LEGAL STRUCTURE

ageas SA/NV, incorporated in Belgium with its registered office at Rue du Marquis 1/Markiesstraat 1, Brussels, Belgium, is the parent company of the Ageas group. The Consolidated Financial Statements include the Financial Statements of ageas SA/NV (the Parent Company) and its subsidiaries.

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

Ageas shares are listed on the regulated market of NYSE Euronext Brussels. Ageas has a sponsored ADR programme in the United States.

In the course of 2012, Ageas further simplified its legal structure: ageas N.V. was merged into ageas SA/NV. The latter then became the legal owner of all activities. The legal structure of Ageas is as follows:



Ageas has pledged 88,380 shares of AG Insurance (14%) to the Belgian State as security for the complete and timely performance of the Relative Performance Note secured obligations (RPN(I)), see Note 30 RPN(I).

2

SUMMARY OF ACCOUNTING POLICIES

The Ageas Consolidated Financial Statements 2012 comply with International Financial Reporting Standards (IFRS) as at 1 January 2012, as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU) as at that date.

2.1 Basis of accounting

The accounting policies are consistent with those applied for the year ended 31 December 2011. Amended IFRS effective on 1 January 2012 with importance for Ageas (and endorsed by the EU) are listed in paragraph 2.2. The accounting policies mentioned here are a summary of the complete Ageas accounting policies, which can be found on www.ageas.com/en/Pages/accountingpolicies.aspx.

The Ageas Consolidated Financial Statements are prepared on a going concern basis. They give a fair presentation of the financial position, financial performance and cash flows of Ageas, with relevant, reliable, comparable and understandable information. The Ageas Consolidated Financial Statements are presented in euros, which is the functional currency of the parent company of Ageas.

Assets and liabilities recorded in the statement of financial position of Ageas have usually a duration of more than 12 months, except for cash and cash equivalents, reinsurance and other receivables, accrued interest and other assets, accrued interest and other liabilities and current tax assets and liabilities.

The most significant IFRS for the measurement of assets and liabilities as applied by Ageas are:
- IAS 1 for presentation of financial statements;
- IAS 16 for property, plant and equipment;
- IAS 23 for loans;
- IAS 28 for investments in associates;
- IAS 32 for written put options on non-controlling interests;
- IAS 36 for the impairment of assets;
- IAS 38 for intangible assets;
- IAS 39 for financial instruments;
- IAS 40 for investment property;
- IFRS 3 for business combinations;
- IFRS 4 for the measurement of insurance contracts;
- IFRS 7 for the disclosures of financial instruments;
- IFRS 8 for operating segments.

2.2 Changes in accounting policies

The following new or revised standards, interpretations and amendments to standards and interpretations became effective on 1 January 2012 (and are endorsed by the EU).

IFRS 7 Financial Instruments: Disclosures – 'Transfers of Financial Assets'.

The amendments prescribe that an entity shall disclose information that enables users of its financial statements:

- to understand the relationship between transferred financial assets that are not (fully) derecognised in their entirety and the associated liabilities;
- to understand the nature of the transferred assets, and the nature of risk and rewards as well as the nature and quantitative components of the relationship between transferred financial assets and the associated liabilities;
- to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets.

Required disclosures include the carrying amount of the assets and liabilities recognised, fair value of the assets and liabilities that represent continuing involvement, maximum exposure to loss from continuing involvement as well as maturity analysis of the undiscounted cash flows required to repurchase the derecognised financial assets. Additional disclosures are required for any gain or loss recognised at the date of transfer of the assets, income or expenses recognised from the entity's continuing involvement in the derecognised financial assets as well as details of uneven distribution of proceeds from transfer activity throughout the reporting period.

In June 2011 the revised IAS 19 'Employee Benefits' was issued, which will become effective as of 2013. The most significant change in the revised standard is the immediate recognition in equity of 'unrecognised actuarial gains and losses' as of the effective date, instead of using the so called corridor approach. In the Consolidated Financial Statements of 2013, the year-end equity as at 31 December 2012 will be restated as EUR 113.2 million (negative) as a result of the implementation of this change.

Furthermore the revised standard requires the expected return on plan assets to be determined based on a high-grade corporate bond yield, equal to the discount rate of the liability, instead of management's best estimate.

2.3 Accounting estimates

The preparation of the Ageas Consolidated Financial Statements in conformity with IFRS, requires the use of certain estimates at the end of the reporting period. In general these estimates and the methods used have been consistent since the introduction of IFRS in 2005. Each estimate by its nature carries a significant risk of material adjustments (positive or negative) to the carrying amounts of assets and liabilities in the next financial year.

The key estimates at the reporting date are shown in the next table.

31 December 2012	
Assets	**Estimation uncertainty**
Available for sale securities	
- Financial instruments	
- Level 2	- The valuation model - Inactive markets
- Level 3	- The valuation model - Use of non market observable input - Inactive markets
Investment property	Determination of the useful life and residual value
Loans	- The valuation model - Maturity - Parameters such as credit spread, maturity and interest rates
Associates	Various uncertainties depending on the asset mix, operations and market developments
Goodwill	- The valuation model used - Financial and economic variables - Discount rate - The inherent risk premium of the entity
Other intangible assets	- Determination of the useful life and residual value
Deferred tax assets	- Interpretation of complex tax regulations - Amount and timing of future taxable income
Liabilities	
Liabilities for Insurance contracts	
- Life	- Actuarial assumptions - Yield curve used in liability adequacy test
- Non-life	- Liabilities for (incurred but not reported) claims - Claim adjustment expenses - Final settlement of outstanding claims
Pension obligations	- Actuarial assumptions - Discount rate - Inflation/salaries
Provisions	- The likelihood of a present obligation due to events in the past - The calculation of the best estimated amount
Deferred tax liabilities	- Interpretation of complex tax regulations
Written put options on NCI	- Estimated future fair value - Discount rate

For more detailed information on the application of these estimates, please refer to the applicable notes in the Ageas Consolidated Financial Statements. Note 7 Risk Management describes the way in which Ageas mitigates the various risks of the insurance operations.

Events after the reporting period

Events after the reporting period relate to events that occur between the date of the statement of financial position and the date when the financial statements are authorised for issue. Two types of events can be identified:

- Events lead to an adjustment of the Consolidated Financial Statements if they provide evidence of conditions that existed at the date of the statement of financial position;
- Events result in additional disclosures if they are indicative of conditions that arose after the date of the Statement of financial position, and if relevant and material.

Ageas has not identified any of the types of events mentioned above in the reporting period 2012.

2.4 Segment reporting

Operating segments

The format for reporting segment information is based on operating segments. Ageas's reportable operating segments are based on geographical regions; the results are based on IFRS. The regional split is based on the fact that the activities in these regions share the same nature and economic characteristics.

The operating segments are:

- Belgium;
- United Kingdom (UK);
- Continental Europe;
- Asia;
- General Account.

Ageas decided that the most appropriate way of reporting operating segments under IFRS is per region in which Ageas operates, meaning Belgium, United Kingdom, Continental Europe and Asia.

Activities not related to Insurance and elimination differences are reported separately from the Insurance activities in the fifth operating segment: General Account. The General Account comprises activities not related to the core Insurance business, such as group finance and other holding activities. In addition, the General Account also includes the investment in Royal Park Investments, the call option on BNP Paribas shares, the liabilities related to CASHES/RPN(I), the written put option on NCI, Intreinco N.V. (intergroup reinsurance company, in liquidation) and the claims and litigations related to events from the past.

Transactions or transfers between the operating segments are entered into under normal commercial terms and conditions that would be available to unrelated third parties.

2.5 Consolidation principles

Subsidiaries

The Ageas Consolidated Financial Statements include those of ageas SA/NV (the parent company) and its subsidiaries. Subsidiaries are those companies, over which Ageas, either directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from the activities ('control'). Subsidiaries are consolidated from the date on which effective control is transferred to Ageas and are no longer consolidated from the date that control ceases. Subsidiaries acquired exclusively with a view to resale are accounted for as non-current assets held for sale. The result on a sale of a portion of an interest in a subsidiary without a change in control is accounted for in equity.

Intercompany transactions, balances and gains and losses on transactions between Ageas companies are eliminated. Non-controlling interests in the net assets and net results of consolidated subsidiaries are shown separately on the statement of financial position and income statement. Subsequent to the date of acquisition, non-controlling interests comprise the amount calculated at the date of acquisition and the non-controlling interests' share of changes in equity since the date of acquisition.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether Ageas controls another entity.

Associates

Investments in associates are accounted for using the equity method. These are investments over which Ageas has significant influence, but does not control. The investment is recorded at Ageas's share of the net assets of the associate. The ownership share of net income for the year is recognised as share in result of associates and Ageas's share in the investment's post-acquisition direct equity movements are recognised in equity.

Gains on transactions between Ageas and investments accounted for using the equity method are eliminated to the extent of Ageas's interest. Losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Losses are recognised until the carrying amount of the investment is reduced to nil and further losses are only recognised to the extent that Ageas has incurred legal or constructive obligations or made payments on behalf of an associate.

2.6 Foreign currency

For individual entities of Ageas, foreign currency transactions are accounted for using the exchange rate at the date of the transaction. Outstanding balances in foreign currencies at year-end are translated at year end exchange rates for monetary items.

Non-monetary items carried at historical cost are translated using the historical exchange rate that existed at the date of the transaction. Non-monetary items that are carried at fair value are translated using the exchange rate on the date that the fair values are determined. The resulting exchange differences are recorded in the income statement as foreign currency gains (losses), except for those non-monetary items whose fair value change is recorded as a component of equity.

The distinction between exchange differences (recognised in the income statement) and unrealised fair value results (recognised in equity) on available-for-sale financial assets is determined according to the following rules:

- the exchange differences are determined based on the evolution of the exchange rate calculated on the previous balances in foreign currency;
- the unrealised (fair value) results are determined based on the difference between the balances in euros of the previous and the new period, converted at the new exchange rate.

Foreign currency translation

Upon consolidation, the income statement and cash flow statement of entities whose functional currency is not the euro are translated into euros, at average daily exchange rates for the current year (or exceptionally at the exchange rate at the date of the transaction if exchange rates fluctuate significantly) and their statements of financial position are translated using the exchange rates prevailing at the date of the statement of financial position.

Translation exchange differences are recognised in equity. On disposal of a foreign entity, such exchange differences are recognised in the income statement as part of the gain or loss on the sale.

Exchange differences arising on monetary items, borrowings and other currency instruments, designated as hedges of a net investment in a foreign entity are recorded in equity, until the disposal of the net investment, except for any hedge ineffectiveness that is immediately recognised in the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate on the date of the statement of financial position. All resulting differences are recognised in equity until disposal of the foreign entity when a recycling to the income statement takes place.

The following table shows the exchange rates of the most relevant currencies for Ageas.

	Rates at year end		Average rates	
1 euro =	2012	2011	2012	2011
Pound sterling	0.82	0.84	0.81	0.87
US dollar	1.32	1.29	1.28	1.39
Hong Kong dollar	10.23	10.05	9.97	10.84

2.7 Measurement bases used in preparing the financial statements

The classification and measurement of assets and liabilities are based on the nature of the underlying transactions.

2.7.1 Financial assets

Management determines the appropriate classification of its investment securities at the time of purchase. Investment securities with a fixed maturity where management has both the intent and the ability to hold to maturity are classified as held to maturity. Investment securities with fixed or determinable payments that are not quoted in an active market and that upon initial recognition are not designated as held-for-trading nor as available-for-sale, are classified as loans and receivables. Investment securities to be held for an indefinite period of time, which may be sold in response to needs for liquidity or to changes in interest rates, exchange rates or equity prices, are classified as available for sale. Investment securities that are acquired for the purpose of generating short-term profits are considered to be held for trading.

Held-to-maturity investments are carried at amortised cost less any impairment charges. Any difference with the initial recognition amount resulting from transaction costs, initial premiums or discounts is amortised over the life of the investment using the effective interest method. If a held-to-maturity investment is determined to be impaired, the impairment is recognised in the income statement (see Note 16 Financial investments for details on the reclassification of Investments available for sale as Investments held to maturity).

Loans and receivables are measured at amortised cost, using the effective interest rate method (EIR) less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process. For floating rate instruments the cash flows are periodically re-estimated to reflect movements in market interest rates. If the floating rate instrument is initially recognised at an amount (almost) equal to the principal repayable, the re-estimation will have no significant effect on the carrying amount of the instrument and there will be no adjustment to the received interest, reported on an accrual basis. However, if a floating rate instrument is acquired at a significant premium or discount, this premium or discount will be amortised over the expected life of the instrument and included in the calculation of the EIR. The carrying amount is recalculated each period by computing the present value of estimated future cash flows at the actual effective interest rate. Any adjustments are recognised in profit or loss.

Available-for-sale investment securities are measured at fair value. Changes in the fair value are recognised directly in equity until the asset is sold, unless the asset is hedged by a derivative. These investments are carried at fair value with movements in fair value recognised through the income statement for the part attributable to the hedged risk and through equity for the remaining part.

Held-for-trading assets and assets designated as held at fair value through profit or loss are carried at fair value. Changes in the fair value are recognised in the income statement. The (realised and unrealised) results are included in ‘Result on sale and revaluations’. Interest received (paid) on assets (liabilities) held for trading is reported as interest income (expense). Dividends received are included in ‘Interest, dividend and other investment income’. The majority of these financial assets (being bonds and equity shares) are classified as available for sale and measured at fair value. The unrealised gains and losses are reported in shareholders’ equity. For the insurance portfolios, where ‘unrealised‘ gains and losses on bonds have a direct impact on the measurement of the insurance liabilities, Ageas applies shadow accounting in accordance with IFRS 4. This means that the changes in the unrealised gains and losses will affect the measurement of the insurance liabilities and are therefore not part of equity.

2.7.2 Investment property and property held for own use

For reasons of comparability of the performance in the Ageas Consolidated Financial Statements, Ageas did not opt in 2005 for the fair value model for investment property (with gains or losses arising from a change in the fair value recognised in profit or loss), but for the cost model, in line with the classification for property held for own use. After recognition as an asset, all property is carried at cost less any accumulated depreciation and any accumulated impairments. As a consequence, changes in the fair value of the property are not recognised in the income statement or in shareholders' equity, unless the property is impaired.

2.7.3 Investment in Associates

For associates where Ageas has significant influence, i.e. the power to participate in the financial and operating policy decisions of the investee (but is not in control), Ageas applies the equity method of accounting for these associates. Ageas's share of the profit or loss is recognised in the income statement and revaluations are reported in shareholders' equity, while distributions received from the associate reduce the carrying amount of the investment.

2.7.4 Goodwill and other intangible assets

Goodwill arising from business combinations as from 1 January 2010

Goodwill is initially measured at cost, being the excess of the fair value of the consideration transferred over:

- Ageas's share in the net identifiable assets acquired and liabilities assumed; and
- net of the fair value of any previously held equity interest in the acquiree.

Any acquisition costs are directly expensed, except for the costs to issue debt or equity securities, which are recognised in accordance with IAS 32 and IAS 39.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, Ageas has an option to measure any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree' s identifiable net assets. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

If the business combination is achieved in stages, the acquisition date fair value of the previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Goodwill arising from business combinations prior to 1 January 2010

In comparison with the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

A contingent consideration was recognised if, and only if, Ageas had a present obligation, economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration affected goodwill.

Value of business acquired (VOBA)

Value of business acquired represents the difference between the fair value at acquisition date measured using Ageas's accounting policies and the subsequent carrying value of a portfolio of insurance and investment contracts acquired in a business or portfolio acquisition. VOBA is recognised as an intangible asset and amortised over the income recognition period of the portfolio of contracts acquired.

Other intangible assets with finite life

Other intangible assets include intangible assets with a finite life, such as trademarks, internally developed software that is not an integral part of the related hardware and licenses that are generally amortised over their useful life using the straight-line method.

2.7.5 Financial liabilities

The measurement and recognition in the income statement depends on the IFRS classification of the financial liabilities, being: (a) financial liabilities at fair value through profit or loss, and; (b) other financial liabilities measured at amortised cost.

2.7.6 Liabilities arising from insurance and investment contracts

Life insurance
These liabilities relate to insurance contracts, investment contracts with discretionary participation features (DPF) and investment contracts that transfer insurance risk, financial risk or both. Investment contracts without discretionary participation features are valued at amortised cost.

The DPF component concerns a conditional promise related to unrealised gains and losses. This promise remains therefore part of the unrealised gains and losses as included in equity. Once the promise becomes unconditional, the related amount is transferred to liabilities arising from Life insurance contracts.

For Life insurance contracts, future policy benefit liabilities are calculated using a net level premium method (present value of future net cash flows) on the basis of actuarial assumptions as determined by historical experience and industry standards. Participating policies include any additional liabilities relating to any contractual dividends or participation features. For some designated contracts, the future policy benefit liabilities have been re-measured to reflect current market interest rates.

Non-life insurance
Claims and claim adjustment expenses are charged 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. Non-life liabilities for workmen's compensation business are presented at their net present value. Ageas does not discount its liabilities for claims other than for claims with determinable and fixed payment terms.

Shadow accounting
In some of Ageas's accounting models, realised gains or losses on assets have a direct effect on all or part of the measurement of its insurance liabilities and related deferred acquisition costs. Ageas applies 'shadow accounting' to the changes in fair value of the available-for-sale investments and of assets and liabilities held for trading that are linked to and therefore affect the measurement of the insurance liabilities. These changes in fair value will therefore not be part of equity or net profit.

The whole of the remaining unrealised changes in fair value of the available-for-sale portfolio – after application of 'shadow accounting' – that are subject to discretionary participation features are classified as a separate component of equity.

An additional deferred profit sharing liability (DPL) is accrued based on a constructive obligation or the amount legally or contractually required to be paid on differences between statutory and IFRS income and unrealised gains or losses recorded in equity.

Liability Adequacy Test
The adequacy of insurance liabilities (Liability Adequacy Test) is tested by each company at each reporting date. The tests are generally performed at legal fungible level (asset pool level) for Life and at a level of homogeneous product groups for Non-life. Ageas considers current best estimates of all contractual cash flows, including related cash flows such as (re)investment returns and expenses. For Life Insurance contracts, the tests include cash flows resulting from embedded options and guarantees. The present value of these cash flows has been determined by using a risk-free discount rate[1], allowing an illiquidity premium. Any shortfall is recognised immediately in the income statement, either as a DAC or VOBA impairment or as a loss recognition.

2.7.7 Assets and liabilities related to unit-linked contracts

Ageas's non-participating insurance and investment contracts are primarily unit-linked contracts where the investments are held on behalf of the policyholder and measured at fair value. Treasury shares and investments made in own debt instruments on behalf of policyholders are eliminated. The liabilities for such contracts are measured at unit value (i.e. fair value of the fund in which the unit-linked contracts are invested divided by the number of units of the fund).

Certain products contain guarantees, which are also valued at fair value and included in liabilities related to policyholders, with the change in the fair value recognised in the income statement. Insurance risks are taken into account on the basis of actuarial assumptions.

2.8 Measurement of impaired assets

An asset is impaired when its carrying amount exceeds its recoverable amount. Ageas reviews all of its assets at each reporting date for objective evidence of impairment. The carrying amount of impaired assets is reduced to the estimated recoverable amount.

If in a subsequent period the amount of the impairment on assets other than goodwill or available-for-sale equity instruments decreases, due to an event occurring after the write-down, the amount is reversed by adjusting the impairment and is recognised in the income statement. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment been recognised for the asset in prior years.

[1] *After 20 years the ultimate forward rate is used*

Financial assets

A financial asset (or group of financial assets) classified as available for sale is impaired 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 occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset (or group of financial assets) that can be reliably estimated.

For equity securities, the triggers used to determine whether there is objective evidence of impairment include, amongst others, the consideration whether the fair value is significantly (25%) below cost or has been below cost for a prolonged period (four consecutive quarters) at the date of the statement of financial position.

Reversal of impairments of debt instruments which can be objectively related to an event occurring after the recognition of the impairment, are recognised in the income statement. Positive revaluations, after an impairment of equity securities are recognised in equity.

Investment property and property held for own use

Property is measured according to the cost model and impaired when the carrying amount exceeds its recoverable amount, which is the higher of 'fair value less costs to sell' or 'value in use' (the expected present value of future cash flows, without deduction for transfer tax). At the end of each reporting period Ageas assesses whether there is any indication that an asset may be impaired, considering various external (e.g. significant changes in the economic environment) and internal sources of information (e.g. plan to dispose). If any such indication exists (and only then), Ageas will estimate the recoverable amount of the property. Any impairment identified is recognised in the income statement. After the recognition of an impairment, the depreciation for future periods is adjusted based on the revised carrying amount less its residual value over the asset's remaining useful life.

Goodwill and other intangible assets

Goodwill is an intangible asset with an indefinite life and is not amortised, but instead tested for impairment at least annually. Intangible assets with finite lives are amortised over the estimated useful life and reviewed at each reporting date. Any impairment identified is recognised in the income statement.

Other assets

For non-financial assets, the recoverable amount is measured as the higher of the fair value less cost to sell and the value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, after deducting any direct incremental disposal costs. Value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset in its present condition and from its disposal at the end of its useful life.

2.9 Fair value of financial instruments

On initial recognition, the fair value of a financial instrument is the transaction price, unless the fair value is evidenced by observable current market transactions in the same instrument, or is based on a valuation technique that includes inputs only from observable markets.

The principal methods and assumptions used by Ageas in determining the fair value of financial instruments are:

- fair values for securities available for sale or at fair value through profit or loss are determined using market prices from active markets. If no quoted prices are available from an active market, the fair value is determined using discounted cash flow models. Discount factors are based on the swap curve plus a spread reflecting the risk characteristics of the instrument. Fair values for securities held to maturity (only necessary for disclosures) are determined in the same way;
- fair values for derivative financial instruments are obtained from active markets or determined using, as appropriate, discounted cash flow models and option pricing models;
- fair values for unquoted private equity investments are estimated using applicable market multiples (e.g. price/earnings or price/cash flow ratios) refined to reflect the specific circumstances of the issuer;
- fair values for loans are determined using discounted cash flow models based on Ageas's current incremental lending rates for similar type loans. For variable-rate loans that re-price frequently and have no significant change in credit risk, fair values are approximated by the carrying amount. Option pricing models are used for valuing caps and prepayment options embedded in loans that have been separated in accordance with IFRS;
- off-balance-sheet commitments or guarantees are fair valued based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standings.

For more detailed information on the application of these methods and assumptions, please refer to the applicable notes in the Ageas Consolidated Financial Statements.

2.10 Revenue recognition

2.10.1 Gross premium income

Premium income when received

Premiums from Life insurance policies and investment contracts with discretionary participation features that are considered long duration type contracts are recognised as revenue when due from the policyholder. Estimated future benefits and expenses are offset against such revenue in order to recognise profits over the estimated life of the policies. This matching is accomplished by the establishment of liabilities of the insurance policies and investment contracts with discretionary participation features and by the deferral and subsequent amortisation of policy acquisition costs.

Premium income when earned

For short duration type contracts (principally Non-life), premiums are recorded as written upon inception of the contract. Premiums are recognised 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 relating to the unexpired terms of the coverage.

2.10.2 Interest income and expense

Interest income and interest expense are recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective interest method based on the actual purchase price including direct transaction costs. Interest income includes coupons earned on fixed and floating rate income instruments and the accretion or amortisation of the discount or premium.

Once a financial asset has been written down to its estimated recoverable amount, interest income is thereafter recognised based on the effective interest rate that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

2.10.3 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 after adjustment for the impact of any fair value hedge accounting.

For financial instruments carried at fair value through profit or loss, the difference between the carrying value at the end of the current reporting period and the previous reporting period is included in 'Result on sales and revaluations'.

For derivatives, the difference between the carrying clean fair value (i.e. excluding the unrealised portion of the interest accruals) at the end of the current reporting period and the previous reporting period is included in 'Result on sales and revaluations'.

Previously recognised unrealised gains and losses recorded directly in equity are transferred to the income statement upon derecognition or upon impairment of the financial asset.

2.10.4 Fee and commission income

Fees as integral part of effective interest rate

Fees that are an integral part of the effective interest rate of a financial instrument are generally treated as an adjustment to the effective interest rate. However, when the financial instrument is measured at fair value through profit or loss, the fees are recognised as revenue when the instrument is initially recognised.

Fees recognised as services are provided

Fees are generally recognised as revenue as the services are provided. If it is unlikely that a specific lending arrangement will be entered into and the loan commitment is not considered a derivative, the commitment fee is recognised as revenue on a time proportion basis over the commitment period.

Fees recognised upon completion of the underlying transaction

Fees arising from negotiating, or participating in the negotiation of, a transaction for a third party are recognised upon completion of the underlying transaction. Commission revenue is recognised when the performance obligation is complete. Loan syndication fees are recognised as revenue when the syndication has been completed.

Fee revenue from investment contracts

This relates to contracts, without discretionary participation features, issued by insurance companies that are classified as investment contracts, because the covered insurance risk is not significant. Revenues from these contracts consist of fees for the coverage of insurance, administration fees and surrender charges. Expenses include mortality claims and interest credited.

3 ACQUISITONS AND DISPOSALS

The following significant acquisitions and disposals were made in 2012 and 2011. Details on acquisitions and disposals, if any, which took place after the date of the statement of financial position, are included in Note 54 Events after the date of the statement of financial position.

3.1 Acquisitions in 2012

3.1.1 Aksigorta A.Ş.

On 21 November 2011, Ageas and Sabanci agreed to jointly increase their interests in Aksigorta (see also under 3.3.1) to a maximum of 36% in order to further strengthen the partnership between the two groups. As at 31 December 2012, both entities had a 36% interest in Aksigorta. Ageas spent EUR 6.3 million on the additional acquisition in 2012 it totalled EUR 10.5 million as of the last quarter of 2011.

3.1.2 Acquisitions AG Real Estate

AG Real Estate acquired real estate companies for an amount of EUR 84 million. There was no goodwill recognised on these acquisitions.

3.1.3 Groupama Insurance Company Limited

On 21 September 2012 Ageas signed an agreement to acquire Groupama Insurance Company Limited (GICL) for a total cash consideration of GBP 116 million (EUR 145 million). The acquisition was made to strengthen the market position of Ageas UK. The acquisition turned Ageas into the UK's fifth largest Non-life insurer (with a 5.2% market share); fourth largest private motor insurer (with a 11.7% market share); and fourth largest personal lines insurer (with a 7.1% market share). The transaction was closed on 14 November 2012. On completion GICL became a wholly owned subsidiary of Ageas UK.

The impact of the acquisition on Ageas's consolidated statement of financial position at the acquisition date was as follows:

Assets		Liabilities	
Cash & cash equivalents	49	Liabilities arising from Non-life insurance contracts	797
Financial investments and loans	731	Current and deferred tax liabilities	11
Reinsurance and other receivables	162	Accrued interest and other liabilities	49
Property, plant and equipment	6		
Accrued interest and other assets	117		
		Total liabilities	**857**
		Negative goodwill	63
		Cost Price	145
Total Assets	**1,065**	**Total liabilities and cost price**	**1,065**

Groupama generated in 2012 a net result of EUR 3.4 million. No goodwill or intangibles were recognized on the transaction. The negative goodwill of EUR 63 million was recognised directly in the income statement as Other Income, see Note 43 Other Income. The negative goodwill occurred because the acquisition price of Groupama was below the book value.

3.2 Disposals in 2012

3.2.1 Ageas Deutschland Lebensversicherung AG

Ageas signed an agreement with Augur Capital in 2011 on the sale of its German Life activities. The transaction was closed in the first quarter of 2012 and resulted in a capital loss amounting to EUR 14.5 million for Ageas. This loss was already recognised in the General Account at year-end 2011 (included in the line Result on sales and revaluations).

3.3 Acquisitions in 2011

3.3.1 Aksigorta A.Ş.

Ageas closed a deal with Hacı Ömer Sabancı Holding A.Ş. (Sabanci), Turkey's leading industrial and financial conglomerate, in July 2011. This concerned the acquisition of a 31% stake in Aksigorta A.Ş. (Aksigorta), a Non-life company, through the sale by Sabanci of half of its stake in the company. Following the transaction, Sabanci and Ageas have equal shareholdings in Aksigorta. The remaining shares (38%) continue to be traded on the Istanbul Stock Exchange. Under the terms of the transaction, Ageas paid Sabanci a total of USD 220 million (EUR 154 million) in cash upon completion.

The transaction was closed on 27 July 2011 and consequently Aksigorta has been included as an equity associate in the consolidated scope as from that date.

3.3.2 Castle Cover Limited

In March 2011, Ageas acquired Castle Cover Limited for a consideration of GBP 52.4 million (EUR 59.9 million). Castle Cover is a UK based intermediary specialising in the over 50s insurance sector. The goodwill amounts to EUR 54.5 million while the intangible assets amount to EUR 8.7 million. Castle Cover has been included in the consolidation scope as from the first three months of 2011.

The impact of the acquisition on Ageas's consolidated statement of financial position as at the acquisition date was as follows:

Assets		Liabilities	
Cash & cash equivalents	7	Borrowings	1
Receivables	11	Current and deferred tax liabilities	3
Property, plant and equipment	1	Accrued interest and other liabilities	19
Deferred charges and other assets	1		
Goodwill and intangible assets	63		
		Total liabilities	**23**
		Cost Price	60
Total Assets	**83**	**Total liabilities and cost price**	**83**

Founded in 2006 and located in Poole Dorset, close to Ageas UK's operation centre in Bournemouth, Castle Cover Limited is the UK's third largest 50+ insurance specialist, providing home, car and other personal products through its Castle Cover and Regal Insurance brands. The company has more than 280,000 policyholders and employs around 300 staff in the UK. It is based on a similar business model to RIAS, an Ageas UK subsidiary, which is currently the second largest intermediary in the 50+ market. Together with RIAS, Ageas will serve 1.3 million customers in this attractive market segment, currently accounting for 38% of the UK population and showing above average growth rates and relatively high retention rates.

The acquisition of Castle Cover further consolidates Ageas as the fourth largest distributor to personal lines intermediaries in the UK. Castle Cover generated a net loss of EUR 4.3 million in 2012 (2011: EUR (1.0) million), including amortisation of intangible assets of EUR 7.6 million (2011: EUR 2.3 million).

3.3.3 Acquisitions AG Real Estate

AG Real Estate, a Belgium activity dedicated to the real estate and parking business, concluded some acquisitions in 2011. The largest ones were Westland (46% stake acquired for EUR 31.5 million) and Regatta (50% stake acquired for EUR 8.4 million).

3.3.4 Merger of Fortis Lux Vie with Cardif Lux International

In 2011 Ageas Insurance International and BGL BNP Paribas (BGL BNPP), which each held 50% of the shares in Fortis Luxembourg Vie, signed an agreement with BNP Paribas Cardif, parent company of Cardif Lux International, on the merger of their activities. This agreement allows the newly merged entity to distribute Life and protection insurance products in the Luxembourg market and to high net worth clients outside Luxembourg under the Freedom of Services (FOS) principle. Shareholdings in this entity are as follows: Ageas 33.33%, BGL BNP Paribas 33.33% and BNP Paribas Cardif 33.34%.

The newly merged entity will do business under the Cardif Lux Vie brand name.

The merger was accounted for as a sale of Fortis Lux Vie due to the loss of control. At the same time, the merged entity was recognised as an equity associate for EUR 70 million as Ageas owns 33.33% of this entity (see also 3.4.1).

3.4 Disposals in 2011

3.4.1 Fortis Luxembourg Vie

Ageas Insurance International and BGL BNP Paribas (BGL BNPP), which each held 50% of the shares in Fortis Luxembourg Vie, signed in 2011 an agreement with BNP Paribas Cardif, parent company of Cardif Lux International to merge their activities.

The merger was completed at 30 December 2011 and resulted in a capital gain of EUR 29.3 million, which was accounted for in the General Account in 2011 (included in the line Result on sales and revaluations).

3.5 Assets and liabilities of acquisitions and disposals

The table below provides details of the assets and liabilities resulting from the acquisition or disposal of subsidiaries, associates at the date of acquisition or disposal.

		2012		2011
	Acquisitions	Divestments	Acquisitions	Divestments
Assets and liabilities of acquisitions and divestments				
Cash and cash equivalents	48.5		8.6	(129.7)
Financial investments	723.1			(582.9)
Investment property	48.3		16.2	
Loans	7.9			(0.7)
Investments related to unit-linked contracts				(7,335.0)
Investments in associates	14.4	(35.6)	226.9	(0.7)
Reinsurance and other receivables	162.8	(0.3)	11.5	(27.6)
Current and deferred tax assets	36.9	(0.1)		(2.5)
Accrued interest and other assets	141.0	(1.1)	2.2	(26.6)
Property, plant and equipment	5.8		31.3	(1.1)
Goodwill and other intangible assets	5.2	(3.7)	67.3	(6.3)
Assets held for sale		(138.5)		138.5
Liabilities arising from insurance and investment contracts	797.2		1.3	(591.1)
Liabilities related to unit-linked contracts				(7,335.0)
Borrowings	16.1		28.0	(4.4)
Current and deferred tax liabilities	10.4	(0.6)	9.4	(0.3)
Accrued interest and other liabilities	61.4	(0.7)	25.5	(54.8)
Provisions	5.1			(15.8)
Liabilities related to assets held for sale		(110.5)		110.5
Non-controlling interests	25.6	(1.0)	3.2	(37.5)
Changes in equity related to divestments		(13.8)		
Net assets acquired / Net assets disposed of	**278.1**	**(52.7)**	**296.6**	**(46.2)**
Negative goodwill	62.8			
Result of disposal, gross		14.9		33.8
Taxes on result of disposal				
Result on discontinued operations, net of taxes		14.9		33.8
Cash used for acquisitions / received from disposals:				
Total purchase consideration / Proceeds from sale	(215.3)	67.6	(296.6)	80.0
Less: Cash and cash equivalents acquired / divested	48.5		8.6	(129.7)
Less: Non-cash consideration				(70.0)
Cash used for acquisitions / received from disposals	**(166.8)**	**67.6**	**(288.0)**	**(119.7)**

The total purchase consideration for acquisitions of subsidiaries and associates amounted to EUR 236.0 million in 2012 (2011: EUR 296.6 million, which was offset by a capital increase of EUR 20.7 million (2011: nil) stemming from non-controlling interests.

4

SHAREHOLDERS' EQUITY

The following table shows the composition of shareholders' equity as at 31 December.

Share capital	
- Ordinary shares: 243,121,272 shares issued and paid with a nominal value of EUR 8.40	2,042.2
Share premium reserve	2,968.1
Other reserves	1,968.2
Currency translation reserve	173.6
Net result attributable to shareholders	743.0
Unrealised gains and losses	2,015.5
Shareholders' equity	**9,910.6**

Merger of ageas SA/NV and ageas N.V. and reverse stock split

The General Meetings of Shareholders of the Dutch ageas N.V. and of the Belgian ageas SA/NV held respectively on 28 and 29 June 2012 passed, by an overwhelming majority, a resolution approving the merger of the two companies. A reverse stock split and reverse VVPR strip split were similarly approved.

On 3 August 2012, the Board of Directors of ageas SA/NV officially acknowledged the merger of ageas SA/NV and ageas N.V. As a result of this merger ageas SA/NV has been from that date on the sole parent company of the Ageas group and has a permanent establishment in the Netherlands.

Simultaneously with the merger, Ageas carried out the reverse stock split and reverse VVPR Strip split. One new ageas SA/NV share has been issued on 3 August 2012 for every ten Ageas units, and each multiple of twenty Ageas VVPR Strips has been converted into one VVPR Strip. For comparison purposes, the comparative figures have been changed to take account of the reverse stock split.

Share buyback programme 2011

Ageas announced in August 2011, subsequent to the shareholders' authorisation, a programme to buy back its outstanding ordinary shares for a maximum amount of EUR 250 million. The buyback programme was launched on 24 August 2011 for a period ending 23 February 2012.

Ageas completed the buy back on 25 January 2012, a total of 19,216,809 shares were purchased for EUR 250 million, representing 7.3% of the shares outstanding. The General meetings of Shareholders of April 2012 approved the cancellation of the acquired shares. The cancellation was completed on 29 June 2012.

As a consequence of the reverse stock split and the cancellation of shares related to the share buy back programme 2011, there are 243,121,272 ageas SA/NV shares outstanding which are listed on NYSE Euronext Brussels.

Share buyback programme 2012

Ageas launched a programme to buy back its outstanding ordinary shares for a maximum amount of up to EUR 200 million as of 13 August 2012 for a period ending on 19 February 2013 at the latest.

This programme is implemented in accordance with industry best practices and in compliance with the applicable buyback rules and regulations. To this end, Ageas has instructed an independent broker to execute the programme through open market purchases on its behalf on NYSE Euronext Brussels.

Ageas completed the share buyback programme announced on 6 August 2012. Between 13 August 2012 and 26 February 2013, Ageas bought back 9,635,159 shares for a total of EUR 200 million. This corresponds to 3.96% of the total shares outstanding.

Ageas currently holds the shares as treasury shares. Together with the shares previously held by Ageas, the total amount of shares now owned by Ageas amounts to 5.70%. On 19 February 2013, Ageas's Board has decided to propose to the next General Meeting of Shareholders the cancellation of these bought back shares up to and including 15 February 2013.

4.1 Ordinary shares

Shares issued and potential number of shares

In addition to the shares outstanding, Ageas has issued options or instruments containing option features, which could, upon exercise, lead to an increase in the number of outstanding shares. Shares can also be issued due to the so-called alternative coupon settlement method (ACSM), included in certain hybrid financial instruments (for details see Note 51 Contingent liabilities). The table below gives an overview of the shares issued and the potential number of shares as at 31 December.

in thousands	
Number of shares as at 31 December 2012	**243,121**
Shares that may be issued:	
- in connection with option plans (see Note 10)	2,342
Total potential number of shares as at 31 December 2012	**245,464**

The Board of Directors of Ageas was authorised by the Annual General Meeting of Shareholders of ageas SA/NV in 2011 to increase the company capital by a maximum of EUR 84 million to meet the coupon payment obligations of certain financial instruments, the so-called alternative coupon settlement method (ACSM). A separate authorisation for ageas N.V. was not necessary in 2011 as the Board of ageas N.V. was already authorised to increase the company capital by the articles of association. In addition the Board of Directors of Ageas and the Boards of its direct subsidiaries were authorised to acquire Ageas units representing up to a maximum of 10% of the issued share capital, for a consideration equivalent to the closing price of the Ageas unit on Euronext on the day immediately preceding the acquisition, plus a maximum of 15% or minus a maximum of 15%.

Treasury shares

The total number of treasury shares (11.29 million) consists mainly of shares held for the FRESH (3.97 million), the restricted share programme (0.22 million) and the shares resulting from the buyback programme (7.06 million). Details of the FRESH securities are provided in Note 27.1.

The number of shares issued includes shares that related to the convertible instrument FRESH (3.97 million). The FRESH is a financial instrument that was issued in 2002 by Ageasfinlux SA. One of the features of this instrument is that it can only be redeemed through conversion into 3.97 million Ageas shares. Ageasfinlux SA has acquired all necessary Ageas shares to redeem the FRESH (consequently they are included in the number of Ageas shares outstanding). However, Ageasfinlux SA and Ageas have agreed that these shares will not receive dividend nor will they have voting rights as long as these shares are pledged to the FRESH. As Ageasfinlux SA is a subsidiary of Ageas, the shares related to the FRESH are treated as treasury shares and eliminated against shareholders' equity (see Note 6 Earnings per share and Note 27 Subordinated liabilities).

In 2011 and 2012, Ageas created a restricted share programme for its senior management. Dependent on the relative performance of Ageas shares in relation to a peer group over the next three years and some additional conditions, the senior managers will be awarded, in total, between zero and 160,000 existing Ageas shares for free on 1 April 2014 (plan 2011) and between zero and 60,000 existing Ageas shares for free on 1 April 2015. In addition to these plans, the members of the Management Committee have been committed to grant 8,700 shares as a long-term incentive. Ageas decided to hedge these commitments by purchasing the maximum number of shares expected to be awarded under the plans.

Outstanding shares

The following table shows the number of outstanding shares:

in thousands	Shares issued	Treasury shares	Shares outstanding
Number of shares as at 1 January 2011	**262,338**	**(4,051)**	**258,287**
Balance (acquired)/sold		(17,658)	(17,658)
Number of shares as at 31 December 2011	**262,338**	**(21,709)**	**240,629**
Cancelled shares	(19,217)	19,217	
Balance (acquired)/sold		(8,798)	(8,798)
Number of shares as at 31 December 2012	**243,121**	**(11,290)**	**231,831**

CASHES and settlement with BNP Paribas Fortis SA/NV and BNP Paribas

Fortis Bank issued a financial instrument called CASHES in 2007. One of the features of this instrument is that it can only be redeemed through conversion into 12,53 million Ageas shares.

Fortis Bank acquired all necessary Ageas shares to redeem the CASHES (consequently they are included in the number of shares outstanding of Ageas).

On 7 February 2012, Ageas and BNP Paribas reached an agreement on a partial settlement of the RPN/RPN(I) (see Note 30 RPN(I)) and the full call of the Tier 1 instrument, issued by BNP Paribas Fortis SA/NV and for 95% held by Ageas (see Note 18 Loans). The settlement and call were both subject to the successful cash tender on the CASHES financial instrument by BNP Paribas. On 6 February 2012, BNP Paribas converted 7,553 of the tendered securities out of 12,000 CASHES securities outstanding (62.94%) into 7,89 million Ageas shares.

BNP Paribas is committed not to sell these shares for six months. The total number of outstanding Ageas shares remains unchanged. However, the number of shares entitled to dividend and voting rights increased 3.5% at that moment (see also Note 51 Contingent Liabilities).

4.2 Other reserves

Treasury shares, i.e. ordinary shares bought back by Ageas, are deducted from Shareholders' equity and reported in Other reserves. Other reserves also include the adjustment for the written put option on Non-controlling interests.

4.3 Currency translation reserve

The currency translation reserve is a separate component of shareholders' equity in which are reported the exchange differences arising from translation of the results and financial positions of foreign operations that are included in the Ageas Consolidated Financial Statements.

Ageas does not hedge the net investments in foreign operations unless the impact of potential foreign exchange movements is considered beyond Ageas's risk appetite. However, loans not provided for permanent funding purposes and known payments or dividends in a foreign currency, are hedged. Exchange differences arising on loans and other currency instruments designated as hedging instruments of such investments are recorded in equity (under the heading Currency translation reserve) until the disposal of the net investment, except for any hedge ineffectiveness, which will be immediately recognised in the income statement. On disposal of a foreign entity, such exchange differences are recognised in the income statement as part of the gain or loss on the sale.

4.4 Unrealised gains and losses included in shareholders' equity

The table below shows the unrealised gains and losses included in shareholders' equity.

31 December 2012	Available for sale investments	Held to maturity investments	Revaluation of associates	Cash flow hedges	DPF component	Total
Gross	5,368.6	(172.2)	159.5	(30.8)		5,325.1
Related tax	(1,703.2)	44.7		1.7		(1,656.8)
Shadow accounting	(1,656.3)					(1,656.3)
Related tax	531.1					531.1
Non-controlling interests	(570.1)	59.8	(0.7)	13.5		(497.5)
Discretionary participation feature (DPF)	4.3				(4.3)	
Total (including foreign exchange differences)	**1,974.4**	**(67.7)**	**158.8**	**(15.6)**	**(4.3)**	**2,045.6**
Transfer to currency translation reserve (cumulative)	(10.3)		(20.0)	0.2		(30.1)
Total	**1,964.1**	**(67.7)**	**138.8**	**(15.4)**	**(4.3)**	**2,015.5**

31 December 2011	Available for sale investments	Held to maturity investments	Revaluation of associates	Cash flow hedges	DPF component	Total
Gross	588.2	(200.9)	231.7	(21.2)		597.8
Related tax	(214.6)	51.8		0.9		(161.9)
Shadow accounting	(57.8)					(57.8)
Related tax	50.3					50.3
Non-controlling interests	34.1	70.3	(0.2)	8.6		112.8
Discretionary participation feature (DPF)	(6.1)				6.1	
Total (including foreign exchange differences)	**394.1**	**(78.8)**	**231.5**	**(11.7)**	**6.1**	**541.2**
Transfer to currency translation reserve (cumulative)	(13.4)		(15.8)	0.2		(29.0)
Total	**380.7**	**(78.8)**	**215.7**	**(11.5)**	**6.1**	**512.2**

Unrealised gains and losses on available for sale investments are discussed in detail in Note 16 Financial investments.

Changes in the fair value of derivatives that are designated and qualify as a cash-flow hedge are recognised as an unrealised gain or loss in shareholders' equity. Any hedge ineffectiveness is immediately recognised in the income statement. Exchange differences arising on instruments designated as hedges of a net investment in a foreign entity are recorded in shareholders' equity until the disposal of the net investment, except for any hedge ineffectiveness, which is immediately recognised in the income statement.

Ageas enters into insurance contracts that feature not only a guaranteed part but also other benefits, of which the amounts and the timing of declaration and payment are solely at the discretion of Ageas. Depending on the contractual and statutory terms and conditions, unrealised changes in the fair value of the asset mix related to such contracts are, after the application of shadow accounting, reported in shareholders' equity under separate discretionary participation features (DPF) and in unrealised gains and losses related to available-for-sale investments.

The table below shows changes in gross unrealised gains and losses included in shareholders' equity for 2011 and 2012.

	Available for sale investments	Held to maturity investments	Revaluation of associates	Cash flow hedges	Total
Gross unrealised gains (losses) as at 1 January 2011	**91.3**		**151.7**	**(1.6)**	**241.4**
Changes in unrealised gains (losses) during the year	(53.6)		75.6	(19.4)	2.6
Reversal unrealised (gains) losses because of sales	(262.7)				(262.7)
Reversal unrealised losses because of impairments	577.5				577.5
Foreign exchange differences	12.3		0.8	(0.2)	12.9
Acquisition and divestments of associates	8.6		3.6		12.2
Transfer from AFS to HTM	214.9	(214.9)			
Amortisation		14.0			14.0
Other	(0.1)				(0.1)
Gross unrealised gains (losses) as at 31 December 2011	**588.2**	**(200.9)**	**231.7**	**(21.2)**	**597.8**
Changes in unrealised gains (losses) during the year	4,691.3		(39.9)	(9.0)	4,642.4
Reversal unrealised (gains) losses because of sales	52.3				52.3
Reversal unrealised losses because of impairments	39.1				39.1
Foreign exchange differences	(2.3)		4.1		1.8
Amortisation		28.3		(0.6)	27.7
Other		0.4	(36.4)		(36.0)
Gross unrealised gains (losses) as at 31 December 2012	**5,368.6**	**(172.2)**	**159.5**	**(30.8)**	**5,325.1**

4.5 Dividend and shareholder agreements

The companies comprising Ageas are subject to legal restrictions regarding the amount of dividend they may pay to their shareholders. The Dutch Civil Code stipulates that a Dutch company may pay dividends only if the net equity of that company exceeds the total of the paid-up and called-up capital and the reserves required by law or by the company's Articles of Association.

Under the Belgian Companies Code, 5% of a company's annual net profit must be placed in a legal reserve fund until this fund reaches 10% of the share capital. No dividends may be paid if the value of the company's net assets falls below, or following payment of a dividend would fall below, the sum of its paid-up capital and non-distributable reserves.

Subsidiaries and associates are also subject to dividend restrictions arising from minimum capital and solvency requirements imposed by regulators in the countries in which those subsidiaries operate and from shareholder agreements with the partners in the company. In certain situations consensus between the shareholders is required before dividend is declared.

In addition, shareholder agreements (related to parties having a non-controlling interest in Ageas subsidiaries) may include:

- specific articles on voting rights or dividend distribution;
- lock-up periods during which all parties having shares are not allowed to sell shares before a certain period or without preliminary approval of the other parties involved;
- options to sell or resell shares to the other party (ies) involved in the shareholders agreement including the underlying calculation methodology to value the shares;
- earn out mechanisms which allow the party originally selling the shares to additional revenues when certain objectives are realized;
- exclusivity clauses or non-compete clauses related to the sales of insurance products.

Proposed dividend for 2012

Ageas's Board has decided to propose for approval by the Annual General Meeting of Shareholders a gross cash dividend of EUR 1.20 per share for 2012.

4.6 Return on equity

Ageas calculates Return on equity on the basis of a 12-months result and the net equity rolling average of the four past quarters. The Return on equity for 2012 and 2011 is as follows:

	2012	2011
Return on equity	8.4%	(7.2%)

5

NON-CONTROLLING INTERESTS

The following table provides information about the most significant non-controlling interests (NCI) in Ageas entities.

	% of non-controlling interest	Amount as at 31 December 2012	% of non-controlling interest	Amount as at 31 December 2011
Group company				
AG Insurance (Belgium)	25.0%	1,342.7	25.0%	794.0
Interparking SA (part of AG Insurance)	10.1%	88.1	10.1%	85.1
Venti M (part of AG Insurance)	40.0%	32.4	40.0%	38.7
B.G. 1 (part of AG Insurance)	10.0%	5.9		
Cortenbergh le Corrège (part of AG Insurance)	38.8%	3.4	38.8%	3.7
Millenniumbcp Ageas (part of CEU)	49.0%	506.9	49.0%	309.3
F&B/UBI Assicurazioni (part of CEU)	75.0%	124.5	75.0%	87.6
Tesco Insurance Ltd (part of UK)	49.9%	114.3	49.9%	83.0
Total		**2,218.2**		**1,401.4**
Adjustment NCI AG Insurance related to Liability on written put option (see Note 33)		(1,342.7)		(794.0)
Total NCI		**875.5**		**607.4**

Non-controlling interest (NCI) represents the relative participation of a third party in the shareholders' equity of an Ageas subsidiary as determined by Ageas, in accordance with international financial reporting standards.

Details on the adjustment NCI AG Insurance related to Liability on written put option are provided in Note 33 Liability related to written put option on AG Insurance shares held by BNP Paribas Fortis SA/NV.

6

EARNINGS PER SHARE

The following table details the calculation of earnings per share (the comparative figures have been adjusted for the reverse stock split).

	2012	2011
Net result attributable to shareholders	743.0	(578.2)
Amortisation of costs of restricted shares	1.0	0.5
Net result used to determine diluted earnings per share	**744.0**	**(577.7)**
Weighted average number of ordinary shares		
for basic earnings per share (in thousands)	237,449	254,612
Adjustments for:		
- restricted shares (in thousands)	218	62
Weighted average number of ordinary shares for		
diluted earnings per share (in thousands)	**237,667**	**254,673**
Basic earnings per share (in euro per share)	3.13	(2.27)
Diluted earnings per share (in euro per share)	3.13	(2.27)

In 2012, weighted average options on 2,410,735 shares (2011: 2,569,554) with a weighted average exercise price of EUR 19.85 per share (2011: EUR 19.89) were excluded from the calculation of diluted EPS because the exercise price of the options was higher than the average market price of the shares, taking into account that after the reverse stock split 10 options need to be exercised to acquire one share.

During 2012 and 2011, 3.97 million Ageas shares arising from the FRESH were excluded from the calculation of diluted earnings per share because the interest per share saved on these securities was higher than the basic earnings per share.

Ageas shares totalling 4.64 million (31 December 2011: 12.53 million) issued in relation to CASHES are included in the ordinary shares (see also Note 51 Contingent Liabilities).

7

RISK MANAGEMENT

Active in many markets as a provider of insurance, both Life and Non-life, Ageas faces a number of risks that, whether internal or external, may affect its operations, its earnings, its share price, the value of its investments or the sale of certain products and services. Moreover, besides its Insurance operations, Ageas has a General Account, which mainly comprises activities not related to the core Insurance business, such as group finance and other holding activities. The General Account also administers the so-called legacy issues. These legacy issues consist of the investments in Royal Park Investments, the option on BNP Paribas shares, the liabilities attached to various hybrid securities linked to BNP Paribas Fortis SA/NV and a number of contingent liabilities related to litigations.

7.1 Introduction

The insurance business environment remained very challenging in 2012:

- economic growth stalled or turned negative in Europe, slowed down in the US and showed signs of slackening in emerging markets;
- after peaking in the course of the year, most Southern European yield spreads decreased, but still illustrated the on-going eurozone crisis. At the same time, efforts by governments to save their banks and stimulate their economies led to low yields, putting pressure on the future profitability of the insurance sector;
- equity markets rebounded in 2012 from the low levels at year-end 2011 and volatility decreased. Nevertheless, due to the uncertainties, customers expressed a preference for guaranteed Life Insurance products over unit-linked products.

Ageas decided to simplify its legal structure in 2012 by merging its holding companies. Ageas reached major agreements with ABN AMRO and the Dutch State on outstanding legal proceedings and with BNP Paribas on a partial settlement of the RPN(I) reducing uncertainties about the future cash position.

At the same time, Ageas strengthened its Non-life portfolio and in November 2012 acquired Groupama, a Non-life company in the UK.

Ageas also introduced a new asset class: Corporate Loans for a targeted amount of EUR 2 billion to be reached within two to three years, to enhance yields and to further diversify away from sovereign debts.

Net exposure to Southern European government bonds (Available for sale and Held to maturity) was further reduced and the proceeds were broadly reinvested in Belgian sovereigns.

7.2 Risk management framework

As a multinational insurance provider, Ageas creates value through the acceptance, warehousing and transformation of risks that can be properly managed either at the individual or at the overall portfolio level within an appropriate Enterprise Risk Management framework.

Ageas defines risk as the deviation from anticipated outcomes that may have an impact on the value, capital or earnings of Ageas, its business objectives or future opportunities. Ageas's risk therefore stems from its exposure to external or internal risk factors in conducting its business activities. Ageas seeks to take on only risks that:

- it understands well;
- can be adequately managed either at the individual or at the overall portfolio level;
- it can afford (i.e. within the Ageas risk appetite);
- have an acceptable risk/reward trade-off.

The goal of Ageas's approach to risk management is to ensure that all material risks, are understood and effectively managed through a well-designed enterprise risk management framework. The objective of this framework is to add value to the business as well as ensure adequate control by:

- ensuring that risks which affect the achievement of objectives are identified, assessed, monitored and managed (including, if needed, mitigated);
- defining and implementing a risk appetite framework expressed in terms of solvency, earnings and value;
- ensuring that the risk of insolvency is at all times kept low and within the risk appetite;
- supporting the decision making process by ensuring that consistent, reliable and timely risk information is available to the decision makers;
- creating a culture of risk awareness in which each manager fulfils his duty to be aware of the risks of his business, to manage them adequately and to report them transparently.

Ageas's risk framework has four dimensions:

- a documented risk policy framework;
- a defined risk organisation and governance;
- a formal model framework;
- a set of reporting tools.

Risk management at Ageas is based on a set of guiding principles, which are captured by the enterprise risk management (ERM) framework (see illustration). Ageas seeks to ensure that all significant risks are identified, assessed, monitored and managed in accordance with the Group's guidelines and standards, and intended (implicitly) to guide all business conduct within Ageas.

This enterprise risk management framework is permanently under review to ensure Ageas builds on the strengths of the past and the lessons learned during the extreme market conditions of the last years. The framework will also need to be regularly adapted to meet the changing needs of Ageas. The framework is targeted at supporting the mission, objectives and high standards of risk management at group and local operating company level and at ensuring that the above-mentioned objectives are met.

❶ Internal Environment

- Ethics, Values and Risk Culture
- Responsibilities and accountabilities

❷ **Objectives and Risk Strategy**

Corporate Objectives

❸ Risk Management Cycle

3a Risk Identification
- Covers all types of risks
- Identifying events and emerging risks

3b Risk Assessment
- Likelihood, impact
- Inherent/residual Gross
- Inherent/residual Net

3c Risk Management
- Management selects risk responses
- Avoiding, accepting, reducing or sharing
- Actions to ensure within risk appetite

3d Risk Monitoring
- Ongoing monitoring and follow up on exposure and actions

❹ Capital management and planning

- Required capital linked to level of risk and risk appetite;
- Capital (re)allocation based on funding business plans which meet strategic and performance objectives;
- Allocation takes into account optimising expected value creation, risk and capital use.

❺ Information & Communication

- Relevant information is identified, captured and communicated in a form and time-frame that enables people to carry out responsibilities and drives business decisions;
- Effective broader communication down, across and up the organization.

❻ Data, IT, Infrastructure

- Integration of risk and finance systems architecture;
- Data to be consistent, complete, accurate and auditable.

❼ Control Activities and Monitoring of the Framework

- Policies and procedures: describe ERM framework and ensure risk responses are effectively carried out;
- The ERM framework is monitored, assessed and modifications are made as necessary.

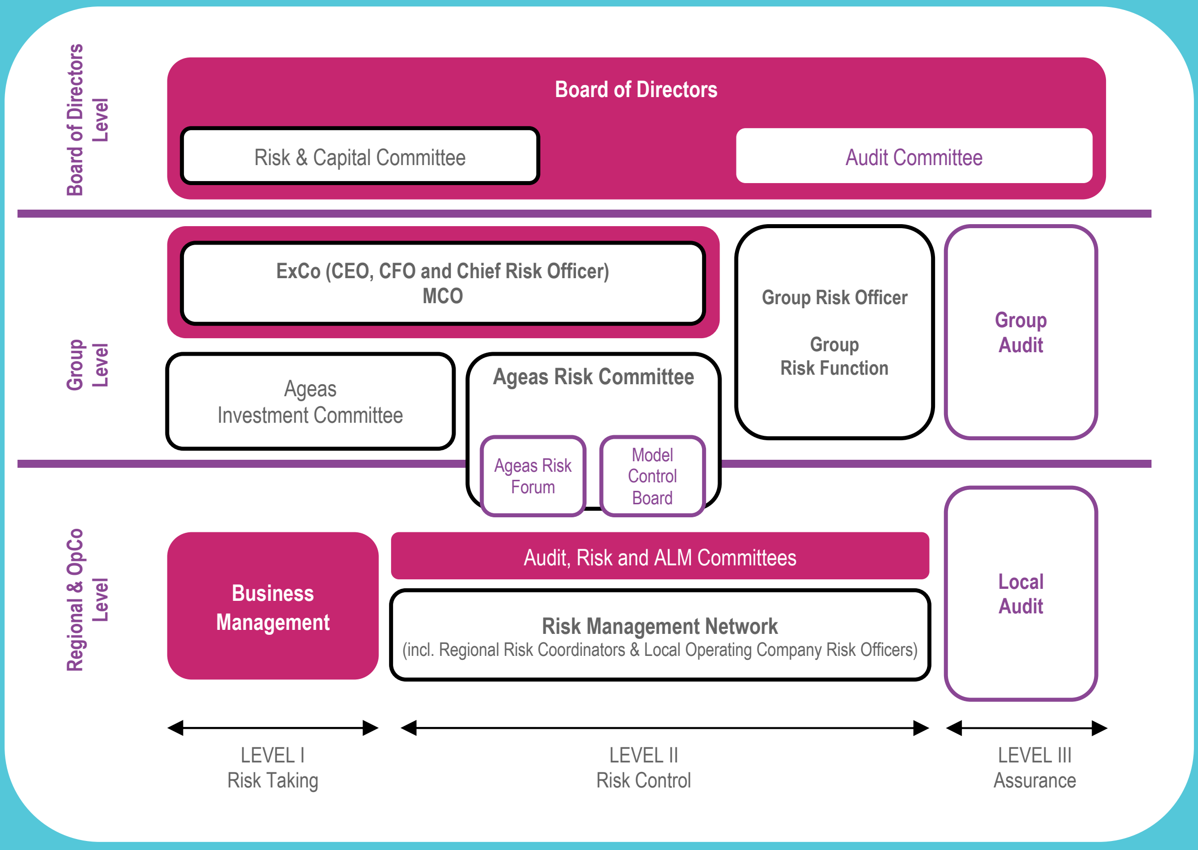
7.3 Risk management organisation and governance

The mission of Risk management at group level and at the operations is to ensure that risks that affect the achievement of our objectives (strategic, operational or financial, etc.) are promptly identified, assessed, managed and monitored.

The Risk management organisation is designed to ensure:

- clear responsibility and accountability for risk management and a culture of risk awareness;
- independence of the risk management functions from local business;
- transparent and coherent risk-related decision-making, covering all risks in Ageas's risk taxonomy;
- knowledge and best practice sharing, and high standards of risk management;
- consistency to enable aggregate risk reporting and oversight at group level.

Ageas's risk governance and organisation is summarised below:



Ageas's risk framework emphasises the importance of ensuring clear responsibilities for efficient risk management.

To monitor the design of the overall risk and control framework, detect deficiencies and optimise its risk management framework, Ageas has adopted the 'three lines of defence' approach:

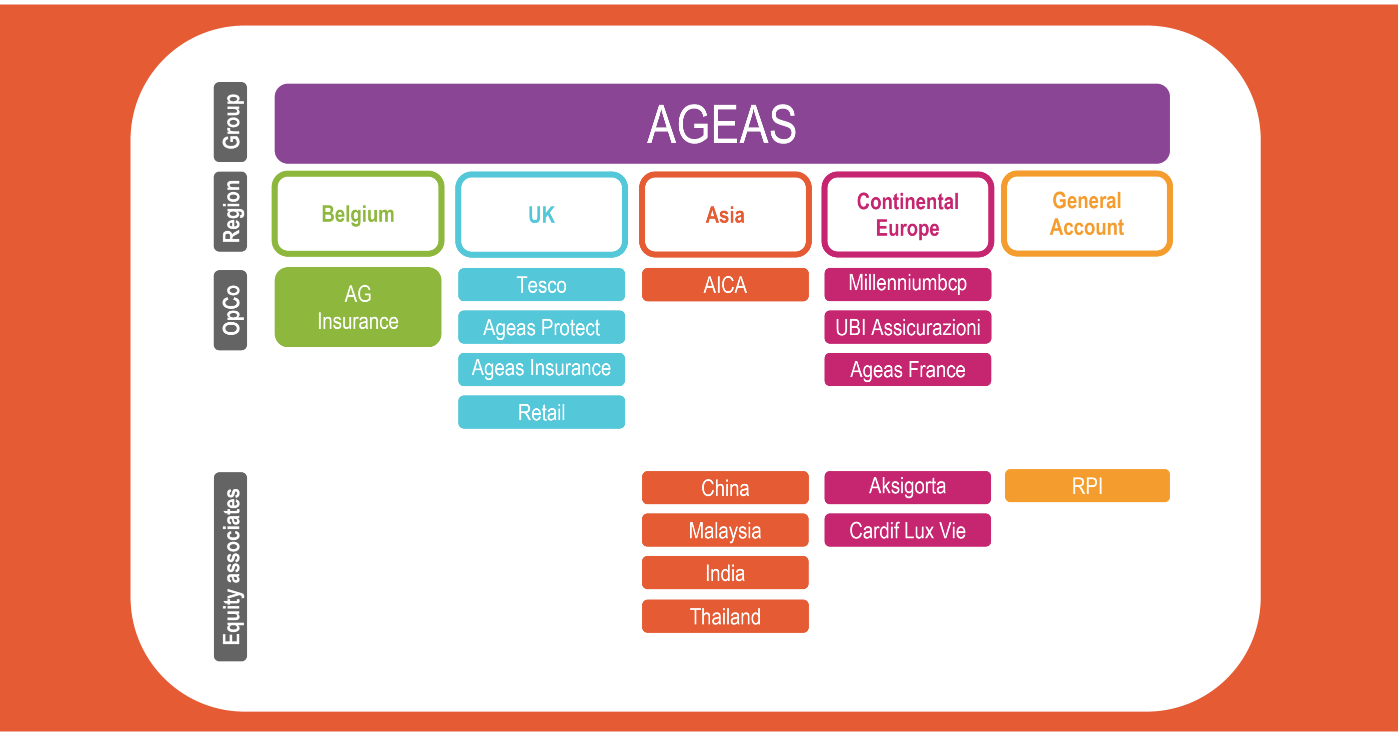
- first line of defence: Local businesses have primary responsibility for managing the full taxonomy of risks arising in their area. They are responsible for the execution of the business strategy ranging from the CEO, line management and business managers to employees at the business lines. They must have in place a robust risk culture and risk awareness all the way down to the deepest levels of their organisation;
- second line of defence: The Group Risk and Local Risk Functions ensure high standards of risk management throughout the organisation through the development of the risk framework and more specifically through risk type specific guidelines and policies. They coordinate the implementation of risk initiatives and raise senior management's awareness of risk and economic performance at the consolidated level and assist the Executive Committee (ExCo) or local Management Committee and Board to optimise Ageas's overall risk appetite, risk limits, risk/return profile and utilisation of risk bearing capacity. Moreover, they are responsible for communicating and embedding risk strategy, risk awareness and risk management throughout the entire organisation. Compliance has an overall assurance role in which it makes sure that policies (both risk and compliance related) are in place and that these policies abide by internal and external rules and requirements;
- third line of defence: Internal Audit provides assurance on the proper design and implementation of the risk governance framework and observance of guidelines, policies and processes.

7.3.1 Governance units

The Group Governance Policy defines requirements relating to the nature, roles and organisation of the risk committees, risk function and Risk Officer and risk interactions required between the Ageas Group, Regions and operating companies.

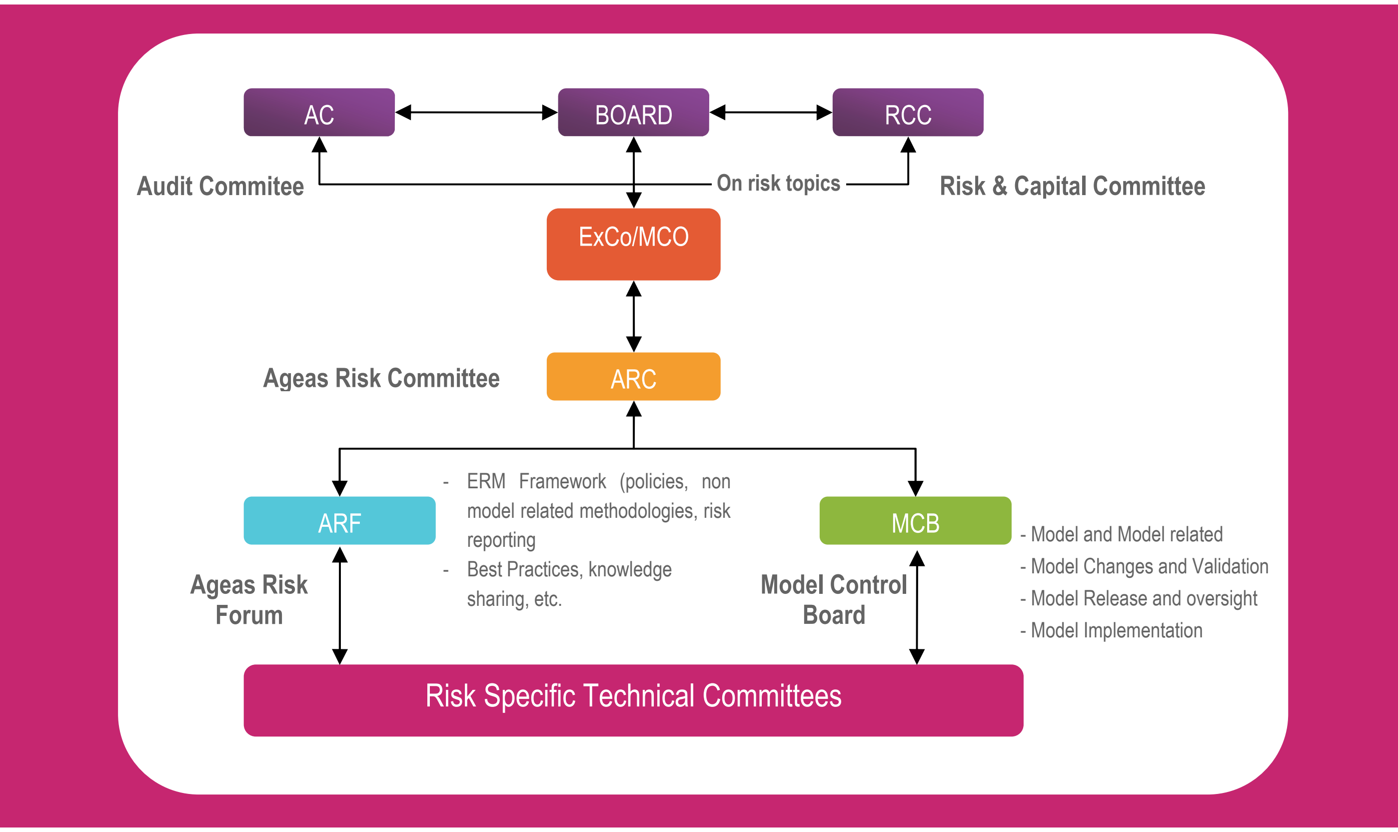
The policy applies to all governance units defined by the Ageas Board. Their risk governance is aligned with the Group governance requirements and allows Group oversight, full reporting and therefore accountability for contribution to group results (Income Statement, Statement of Financial Position and Value).

The following table shows Ageas's governance units.



A. Risk Management Organisation at Group level

The Risk management function is built around a number of boards, committees and functions with various responsibilities in the enterprise risk management (ERM) Framework. At Group level, the following boards, committees and functions are in place to govern risks:



- the Board of Directors has the final responsibility for all risk management related activities. The Board is the ultimate decision-making body of Ageas, with the exception of matters reserved for the General Meetings of Shareholders by company law or by the Articles of Association. It approves the risk appetite for the group as a whole;
- the role of the Risk and Capital Committee is to assist the Board to understand and make recommendations on all matters relating to risk and capital and in particular on (i) the definition, supervision and monitoring of the risk profile of Ageas, compared to the targeted level of risk appetite as determined from time to time by the Board; (ii) on the adequacy of its capital allocation and (iii) on all financial aspects of legacy issues related to the former Fortis;
- the Audit Committee assists the Board to fulfil its supervision and monitoring responsibilities in terms of internal control in the broadest sense within Ageas, including internal control over financial reporting;
- the Executive Committee and its Chief Risk Officer (CRO) in particular have the responsibility towards the Risk & Capital Committee, Board and the markets/shareholders to assure that the relevant (legal) bodies of Ageas and of its local operating companies take adequate decisions regarding structures, risks and execution and to make sure adequate Ageas structures exist and are fully operational. The CRO is supported in his work by the Group Risk Officer, who heads the Group Risk function and is a member of the Management Committee (MCO);
- the Board has created a Group Management Committee to advise the Group Executive Committee. The Group Executive Committee among others extensively discusses and seeks prior advice of the Management Committee on the matters related to Ageas wide policies, to be submitted to the Board for approval, such as: financial management (e.g. funding strategy, solvency matters, but excluding dividend policy) and risk management, (e.g. risk appetite);

- an Ageas Risk Committee advises Ageas's Executive Committee on risk matters by ensuring that all risks that affect the achievement of strategic, operational and financial objectives are promptly identified, measured, managed, reported and monitored (through adequate risk appetite limits) and that adequate risk management governance and organizations are in place and followed (as stipulated in the context of the ERM Framework). To that end, it provides opinion on all key matters of risk governance at the level of the OpCos and the Regions, including on locally proposed deviations to the ERM Framework. It is itself advised by the Ageas Risk Forum on topics related to the risk management framework and by the Ageas Model Control Board (MCB) that makes sure that the models used are appropriate and suited to the task they are used for;
- Ageas Investment Committee advises Ageas' Executive Committee and monitors overall asset exposures to ensure that they are managed in accordance with the risk framework and within agreed limits. It advises management on decisions regarding investments. Its role also includes making specific decisions or recommendations relating to the Strategic Asset Allocation and Asset & Liability management and aims to optimise the overall investment strategy of the group and ensures that risk mitigation actions are taken when necessary. This committee is split into an Asian and a European part to ensure relevant regional focus;
- risk specific technical committees, such as the Ageas's Financial Risk Technical Committee, Ageas's Life Technical Committee and Ageas's Non-life Technical Committee act as technical expert bodies. They assure consistency across Ageas's local operating companies on methodology and modelling approaches. They facilitate the collection of business requirements and align Ageas Group platforms supporting the relevant risk assessments with business requirements and overall regulatory requirements. They act as advisory body to the Ageas Risk Committee and Model Control Boards;
- the Group Risk Officer heads the Group Risk Function which is responsible for monitoring and reporting the overall risk profile of the Group including the aggregate risk profile of the insurance companies and the group holding assets and liabilities. It develops, proposes and implements the ERM framework that it documents through regularly updated risk policies and a risk taxonomy and prepares and provides all relevant risk reports and opinions on risks across the Group, seeking the Ageas Risk Committee's endorsements on them. It ensures the appropriateness of the overall model governance taking into account remarks made by Ageas's independent Model Validation. It coordinates major risk related projects such as the implementation of Solvency II. The Group Risk Officer acts as an independent risk officer that has direct access to the Board.

Ageas's Risk Management gives guidance to management, but is not responsible for the management decisions or the execution.

It is considered the second level of control – their role is primarily one of setting high level strategy and aggregate risk appetite and to coordinate, monitor, challenge and support.

As the third level of control, Internal Audit provides an important additional level of control by both systematic and ad hoc assessments of management processes including risk management, ensuring adherence to policies and auditing risk practices.

These structures favour consistency, transparency, sharing of knowledge and make sure that Group-wide developments benefit from the practical experience and expertise of local operating companies and that development changes are accepted and implemented. Risk Officers from local operating companies are members of the Ageas Risk Forum (ARF) which meets regularly to share knowledge and best practice and to jointly develop and improve the Group's enterprise risk framework.

The Chief Risk Officers from the major local operating companies are members of the ARC, which ensures that decisions or recommendations made by the ARC take into account the views and expertise of the operations. The most significant risk issues and methodologies are also reviewed and decided upon by the Management and Executive Committees and by the Board. Once changes to the group risk framework have been agreed by the group level bodies, they are then taken to each local Board for formal adoption by the local operating companies.

B. Risk management organisation at operating company level

Each Insurance company:

- is responsible for managing its risks and ensuring that it has a comprehensive risk management framework in place;
- is responsible for managing its risks within the limits, policies and guidelines set by regulators , Ageas Group and its local Board.

Local operating companies are required to have the following in place:

- a Board level Risk Committee and Audit Committee to assist the Board in fulfilling its supervision;
- a Management Risk Committee, which supports its management team in ensuring that key risks are well understood and appropriate risk management procedures are in place;

- an ALM Committee whose role includes the monitoring of market risks to ensure they are managed in accordance with the risk framework and within agreed limits and to make specific decisions or recommendations relating to ALM;
- a local Model Control Board which coordinates with the Ageas Model Control Board;
- a risk function (or risk officer) to support the work of the Risk Committee and to provide risk reporting and opinions to the local CEO, local Board and to Group management;
- a compliance function that advises the administrative or management body on compliance with laws, regulations and administrative requirements and Group and local policies where these set additional requirements. Compliance assesses the possible impact of any changes in the legal environment on the operations of the undertaking concerned and identifies any compliance risk;
- an internal audit function assessing the adequacy and effectiveness of the internal control system and other elements of the risk governance system.

Local management is considered the first level of control as they have primary responsibility for identifying and managing risk within their operations.

For those elements defined as requiring local board level approval, the local board is required to know the opinion of the ARC as part of the local decision making process. Note that this is an opinion which is there to support the local boards in their decision making but responsibility for the final decision remains with the local Board. Ageas representatives on the local board are informed of the ARC opinion through its advice to the Executive Committee (MCO informed in parallel).

Note that the Ageas Risk Committee's scope includes the General Account. The General Account is managed separately from the insurance companies.

7.4 Risk taxonomy

Ageas offers a wide range of insurance products across many countries. Ageas is therefore exposed to a wide range of risks. The risk taxonomy has been developed with the objective of ensuring a consistent and comprehensive approach to risk identification, assessment, monitoring and response by highlighting and defining all identified risks within the Group. It should serve therefore as the basis for all risk management efforts.

The taxonomy cannot be considered as exhaustive, and it is the responsibility of business management and risk management to ensure that all risks are identified. While the aim is to keep a high degree of stability and consistency over time in this taxonomy, it will be reviewed on at least an annual basis and adjusted if appropriate.

7.5 Risk Appetite

Ageas has defined and given itself a clear Risk Appetite Framework by means of a formal Risk Appetite Policy approved by its Board and Executive Committee.

The Risk Appetite Policy is intended to ensure that each local operating company and the Group overall set clear and formal boundaries for risk taking and, most importantly of all, are both willing and able to afford the risks they take. The risk appetite sets maximum boundaries – it does not determine the optimal exposure, nor does it deal directly with how the detailed limits are implemented. It is not intended to imply that taking risks to the maximum level allowed by the policy is appropriate from a risk/return or any other business point of view, only that it is affordable. It also is not intended to imply that there is automatic permission to increase risks to the maximum allowable level set by the appetite. Controls are set within other policies (Market Risk and ALM Policy, Investment Policy and the Insurance Risk Policy) through additional constraints on risk taking. Capital needed to support risk taking also needs to earn sufficient returns from a value creation point of view.

The Risk Appetite Framework sets out two types of criteria.

The *quantitative* criteria are based primarily on the company's ability and willingness to accept deviations in the following key measures:

- solvency;
- earnings;
- value.

Each local operating company and the Group set clear limits on the acceptable deviation of Solvency, earnings and value following a range of clearly defined stress events. The current implementation of risk appetite covers the following risk factors:

- Financial risk: equity risk, spread risk, property risk, interest rate risk and investment default risk;
- Insurance Life risk: mortality risk, longevity risk, catastrophe risk, revision risk, lapse risk, expense risk and disability risk.

Qualitative criteria include elements that are not easily quantified but for which boundaries of acceptable activities can be described in a qualitative way.

Risk Appetite Statements can concern either:

- hard limits: Local operating companies and Group must comply with them. Governance Units cannot opt to accept exposures that would endanger breaching minimum regulatory capital requirements;
- soft limits: It is up to each (local) Board to decide if the risk appetite statement is appropriate or if they wish to define a more appropriate limit. Except for earnings or value: Local Boards can accept greater deviations in earnings or value but they must do so after consultation with Ageas's Risk Committee.

Risk Appetite Statement concerning Solvency

Local operating companies and Group are required to define their Target Capital and Minimum Acceptable Capital in line with the Capital Management Policy and to comply with the following risk appetite statement:

- exposures must be limited to ensure that, starting with the Target Capital, the available capital remains above the Minimum Acceptable Capital after applying certain individual predefined stress events. When applying the stress events, the free surplus should be ignored (thus starting with Target Capital);
- the stress events are calibrated to a '1 in 30' year type event which means that the probability that the business will need to seek external capital due to risk exposures is less than 3.33%.

The above appetite statement concerns a hard limit.

Under currently applicable Solvency I regulations, the Target Capital at Group level has been set at 200% of Regulatory Minimum and Minimum Acceptable Capital at 125%.

Risk Appetite Statement concerning Earnings

Local operating companies and Group are required to define their earnings based risk appetite statements. The statement below is a guideline for Ageas and its local operating companies.

- exposures should be limited to ensure that the deviation from year-end budgeted IFRS earnings due to specific single stress events is limited to a set percentage as follows;
- the stress events are calibrated to a '1 in 10' years type event which means that the probability that the business results exceeds the above impact thresholds due to risk exposure is less than 10%.

The above statement concerns a soft limit.

Risk Appetite Statement concerning Value

Local operating companies and Group are required to define their value based risk appetite statements. The statement below is a guideline for Ageas and its local operating companies.

- exposures should be limited to ensure that the reduction in the start year market consistent value due to any single specific stress event is limited to a set percentage;
- the stress events are calibrated to a '1 in 30' years type event which means that that the probability that the business experiences a loss in value that exceeds the impact thresholds given above due to risk exposure is less than 3.33%.

The above statement concerns a soft limit.

Notes on stress events

The Ageas Risk Appetite Policy divides stress events into three groups:

- stress events defined by Group: the Group Minimum Standards on Risk Appetite define the stress events to be applied by all OpCos when monitoring if the risk appetite is met. These stress events may include standalone stress events (i.e. stress events which consider a shock on one of the risk factors) as well as combined stress events (i.e. stress events which consider a shock on multiple risk factors);
- local stress events: in addition to the standard group wide set of stress events each local operating company can define additional stress tests if additional risks have been identified. The local stress events are provided by the local management (and regional office if applicable). At the same time, an advice is asked from the local independent Risk Officer on the results. Moreover, the results are communicated to the Group (to Group Risk Officer);
- additional reporting requirements: these are additional scenarios (standalone or combined) that are added due to specific concerns arising out of recent events or current market conditions. They are not part of the standard appetite framework and may not require actions but are important to obtain additional information on the risk profile of Group and its OpCos. They can either be defined by Group or by a local operating company (local stress events).

7.6 Details on various risk exposures

7.6.1 Financial Risk

Financial risk encompasses all risks relating to the value and performance of financial assets and liabilities. These include:

- market risk which arises from 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;
- credit risk which encompasses spread risk, counterparty default risk as well as market risk concentration.

Financial risk is the most significant risk for many of Ageas's operations. The risk framework in place at all operations combines investment policies, limits, stress tests and regular monitoring in order to control the nature and level of financial risks and to ensure that risks being taken are appropriate for both customer and shareholder and are appropriately rewarded.

The overall asset mix is determined by local businesses based on asset mix studies to identify the appropriate strategic assets and on regular monitoring of the market situation and prospects to decide on the tactical allocation. The decision process needs to balance risk appetite, capital requirements, long-term risks and return, policyholder expectations, profit sharing requirements and tax and liquidity issues to arrive at an appropriate target mix. The mission of the Group Risk function includes monitoring aggregate risk appetite covering financial risks and working with the local businesses to develop the policies and best practice, which must be adopted by the local Boards to ensure they become part of the local regular activity.

This risk is composed of the following risks:

- interest rate risk;
- equity risk;
- currency risk;
- property risk;
- liquidity risk;
- credit risk:
  - spread risk;
  - counterparty risk;
  - concentration risk.

These risks are explained and further detailed in the subsections that follow.

7.6.1.1 Interest Rate Risk

Interest rate risk exists for all assets, liabilities and financial instruments sensitive to changes in the term structure of interest rates or interest rate volatility.

Changes in interest rate risk can also impact the products the insurance companies sell through, for example, guarantees, profit sharing and the value of Ageas' investments. This risk arises as a result of a mismatch between the interest rate sensitivity of assets and liabilities to changes in interest rates.

Ageas measures, monitors and controls its interest rate risk using a number of indicators including cash flow mismatch analysis and stress testing. The investment policies usually require close matching unless specifically approved otherwise. Longer term business can be difficult to match due to lack of availability of suitable assets and matching strategy will be determined taking into account risk appetite, availability of (long-term) assets, current and prospective market rates and levels of guarantee. Derivatives are sometimes used to hedge interest-rate risk.

The typically long insurance liabilities and lack of long-term assets imply a negative gap in the long maturity buckets and a positive one at the shorter end of the curve.

7.6.1.2 Equity Risk

Equity risk arises from the sensitivity of assets, liabilities and financial instruments to changes in the level or volatility of market prices for equities or their yield. This risk is controlled through limit setting based on the risk appetite and by investment policies that require a range of controls to be in place including the action that will be taken in the event of significant falls in value. Pro-active management of this risk in recent years has resulted in the rapid reduction in exposure to equity risk through sales and hedging. It helps to limit losses and to ensure that the insurance companies remain solvent throughout the financial crisis. Given the market turmoil, Ageas imposed a ban on any new equity investments back in 2009. Since then the equity ban has remained intact and has deterred subsidiaries of the Group from investing in equities. During 2012, Ageas relaxed this ban and now allows new investments in equities provided that they are combined with a protection mechanism that assures that the indicators remain within the risk appetite limits.

For risk management purposes, Ageas bases its definition of equity exposure on the underlying assets and risks. Taking a risk based approach, total economic exposure to equities is given in the table below together with a reconciliation to the IFRS reported figures.

	2012	2011
Type of asset		
Direct equity investments	1,190.8	750.0
Equity funds	102.2	142.0
Private equity	33.9	15.5
Alternative investments	1.5	26.1
Asset allocation funds	30.3	7.4
Commodity funds		0.1
Total Economic equity exposure	**1,358.7**	**941.1**
Debt funds	335.3	195.9
Real estate funds (SICAFI/REITS)	686.0	679.6
Total IFRS equity exposure	**2,380.0**	**1,816.6**

7.6.1.3 Currency Risk

Currency risk arises from the sensitivity of assets, liabilities and financial instruments to changes in the level or volatility of relevant currency exchange rates when there is a mismatch between the the assets and liabilities in a relevant currency. At Group level, this includes situations where Ageas has assets (from participations and investments) other than euro denominated assets.

Ageas's investment policy limits this risk by requiring the currency mismatch between assets and liabilities to be minimised and in most cases it is eliminated entirely.

Ageas's policy is not to hedge the equity investments and permanent funding for subsidiaries and equity associates in foreign currency. Ageas accepts the mismatch arising from ownership of local operating companies in non-euro currencies as a consequence of being an international group.

The main currency risk exposures to foreign currencies as at 31 December are stated in the table below. The exposures shown are net (assets minus liabilities), after any hedging denominated in euro.

At 31 December 2012	HKD	GBP	THB	MYR	CNY	TRY	HUF	USD	JPY	CHF	AUD	PLN	INR
Total assets	1,044.0	5,420.0	244.2	307.5	260.5	175.5	2.8	3,652.7	1.1	2.5	12.0	16.6	34.0
Total liabilities	814.0	4,137.6			13.0			1,868.7	0.5	1.4	8.4	1.4	
Total assets minus liabilities	230.0	1,282.4	244.2	307.5	247.5	175.5	2.8	1,784.0	0.6	1.1	3.6	15.2	34.0
Off balance	324.5				0.5			(1,374.9)					
Net position	554.5	1,282.4	244.2	307.5	248.0	175.5	2.8	409.1	0.6	1.1	3.6	15.2	34.0
Of which invested in equity associates	1,011.7	1,183.1	244.2	307.5	260.5	175.5							12.8

At 31 December 2011	HKD	GBP	THB	MYR	CNY	TRY	HUF	USD	JPY	CHF	AUD	PLN	INR
Total assets	934.5	3,931.1	205.5	319.7	211.0	160.1	2.5	2,840.6	4.8	2.1	1.1		34.0
Total liabilities	683.2	2,908.0			5.8			1,696.4	0.5		1.2		
Total assets minus liabilities	251.3	1,023.1	205.5	319.7	205.2	160.1	2.5	1,144.2	4.3	2.1	(0.1)		34.0
Off balance	124.9							(647.8)					
Net position	376.2	1,023.1	205.5	319.7	205.2	160.1	2.5	496.4	4.3	2.1	(0.1)		34.0
Of which invested in equity associates	934.5	1,007.5	205.5	319.7	211.0	160.1							16.4

7.6.1.4 Property Risk

Property risk arises as a result of sensitivity of assets, liabilities and financial investments to the level or volatility of market prices of property or their yield.

For risk management purposes, Ageas defines the exposure to real estate based on the market value of these assets including assets held for own use. This differs from the exposure reported under IFRS definitions, which excludes unrealised gains. The table below identifies what Ageas considers economic exposure to real estate and how this is reconciled to the figures reported under IFRS.

	2012	2011
Type of asset		
Carrying amount		
Investment properties	2,415.5	2,045.7
PP&E: land and buildings for own use	1,010.0	1,000.7
Property intended for sale	107.5	146.0
Total IFRS real estate exposure	**3,533.0**	**3,192.4**
Unrealised capital gain (Economic exposure)		
Investment properties	891.7	753.4
PP&E: land and buildings for own use	421.4	471.7
Real estate funds	686.0	679.6
Total Economic real estate exposure	**5,532.1**	**5,097.1**

7.6.1.5 Liquidity Risk

Liquidity risk arises when Ageas is unable to realise investments and other assets in order to settle their financial obligations when they fall due. For example, this is the risk that expected and unexpected cash demands of policyholders, and other contract holders, cannot be met without suffering losses or without endangering the business franchise due to constraints on liquidating assets. These constraints may be structural or due to market disruption. Liquidity risk also covers the risk that any assumed liquidity premium, used to value illiquid liabilities, will not materialise.

The financial commitments of Ageas and its local businesses are often long-term, and generally assets held to back these would be long-term and may not be liquid. Claims and other outflows can be unpredictable and may differ significantly from expected amounts. If liquid resources are not available to meet a financial commitment as it falls due, liquid funds will need to be borrowed and/or illiquid assets sold (which may trigger a significant loss in value) in order to meet the commitment. Losses would arise from the interest on borrowings and from any discount that would need to be offered to liquidate assets.

As an insurance group, Ageas is normally cash accretive and hence this risk is relatively remote. Recent years have been dominated by the effects of the (European) debt crises; Central Banks applied a very strong liquidity enhancing monetary policy to overcome these crises. Given the uncertainties Ageas kept a significant cash position all year long in order to be able to withstand (relatively) adverse conditions if and when arising.

Causes of liquidity risk can be split into elements that can create a sudden increase in the need for cash and elements that can reduce unexpectedly the availability of expected resources to cover cash needs. Types of liquidity risk are the following:

- *funding liquidity risk* is the risk that Ageas or a local business will not be able to obtain sufficient outside funding, as its assets are illiquid, at the time it is needed (for example, to meet an unanticipated large claim);
- *market liquidity risk* is the risk that the process of selling in itself results in losses due to market conditions or high concentrations.

Each business ensures they can meet all local and group liquidity requirements by identifying and monitoring liquidity risk, so that the circumstances under which liquidity issues are possible are known and understood (i.e. expected liability run-off profile, mass lapse event, slowdown in new business, change in rating etc.), as well as the business's ability to respond to such issues (i.e. liquidity of assets in a crisis). In the General Account, the aggregate liquidity is monitored including payments relating to legacy instruments, transfers to/from local businesses, dividend payments to shareholders both under current conditions and stress conditions.

The following table shows Ageas's assets and liabilities classified by relevant maturity grouping based on the remaining period to the contractual maturity date. It covers all Ageas's assets and liabilities and therefore includes both the insurance business and holding activities.

At 31 December 2012	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Fixed rate financial instruments	1,728.3	1,066.4	3,188.8	18,356.6	40,339.4	64,679.5
Variable rate financial instruments	1,152.9	146.7	389.6	813.4	1,192.5	3,695.1
Non-interest bearing financial instruments	469.4	548.2	558.0	464.6	5,222.5	7,262.7
Non-financial assets	219.7	529.2	2,321.7	3,162.0	15,243.0	21,475.6
Total assets	**3,570.3**	**2,290.5**	**6,458.1**	**22,796.6**	**61,997.4**	**97,112.9**
Liabilities						
Fixed rate financial instruments	188.8	128.1	594.9	347.9	1,640.1	2,899.8
Variable rate financial instruments	59.1	17.4	34.0	172.9	1,519.4	1,802.8
Non-interest bearing financial instruments	477.5	608.3	4,509.8	16,887.0	40,468.4	62,951.0
Non-financial liabilities	171.4	830.3	1,689.7	3,280.0	12,701.8	18,673.2
Total liabilities	**896.8**	**1,584.1**	**6,828.4**	**20,687.8**	**56,329.7**	**86,326.8**
Net liquidity gap	**2,673.5**	**706.4**	**(370.3)**	**2,108.8**	**5,667.7**	**10,786.1**
Liabilities including future interest						
Fixed rate financial instruments	199.5	150.1	696.0	854.8	1,744.7	3,645.1
Variable rate financial instruments	59.1	17.7	35.0	176.4	270.8	559.0
Non-interest bearing financial instruments	477.5	608.3	4,509.8	16,887.0	40,468.4	62,951.0
Non-financial liabilities	171.4	830.3	1,689.7	3,280.0	12,701.8	18,673.2
Total liabilities including future interest	**907.5**	**1,606.4**	**6,930.5**	**21,198.2**	**55,185.7**	**85,828.3**

At 31 December 2011	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Total assets [1)]	2,720.3	3,561.4	4,597.4	21,477.9	58,245.2	90,602.2
Total liabilities [1)]	982.1	2,976.7	6,954.4	20,694.6	50,626.7	82,234.5
Net liquidity gap	**1,738.2**	**584.7**	**(2,357.0)**	**783.3**	**7,618.5**	**8,367.7**

[1)] *Includes assets and liabilities held for sale.*

Ageas issued three hybrid instruments (Hybrone, NITSH I & II; see Note 27 Subordinated liabilities). The principle amount of the latter instruments is included under the heading Fixed rate financial instruments over 5 years under liabilities, because these instruments are perpetual in nature, even though they embed options for the issuer to redeem as of a certain date. The NITSH I and II instruments include first call dates in 2013 and a call option at every subsequent coupon payment date.

The proceeds of these instruments have predominantly been on-lent to BNP Paribas Fortis SA/NV on similar conditions; these on-lent loans are consequently classified as Over 5 years assets. Ageas will only consider exercising the call option on these liabilities if its assets, the on-lent loans to BNP Paribas Fortis SA/NV, are also called. Thus, such a call would be neutral from a liquidity perspective, as EUR 750 million of the hybrid instruments is used within the Ageas group itself (EUR 250 million callable as of 2013, EUR 500 million as of 2016). Ageas is only allowed to call the internally used proceeds after it receives regulatory approval for such a call; it seems unlikely that the regulator would approve a call when the liquidity of Ageas cannot bear such a call.

These instruments are shown in the table above within the net liquidity gap based on the carrying amount and including accrued interest for the period. Under the heading Liabilities including future interest the instruments are shown as follows: the interest amounts based on the rate applicable at year-end 2011 are included in the buckets Up to 1 month until 1 – 5 years. The principal amount is included under the heading Over 5 years.

The FRESH are, in accordance with IFRS, excluded from the Liabilities including future interest since the principal amount of EUR 1,250 million can only be redeemed through conversion into Ageas shares.

7.6.1.6 Credit risk

The following table provides an overview of the credit risk to which Ageas is exposed:

31 December 2012	Belgium	UK	Continental Europe	Asia	General	Eliminations	Total Ageas
Cash and cash equivalents (see note 15)	**889.0**	**776.9**	**284.7**	**96.9**	**402.4**		**2,449.9**
Derivatives held for trading (assets) (see note 16)	**23.2**		**6.3**		**6.3**		**35.8**
Loans	3,759.2	56.8	486.0	130.2	3,130.9	(1,258.1)	6,305.0
Impairments	(10.9)		(0.6)	(5.1)			(16.6)
Total Loans, net (see note 18)	**3,748.3**	**56.8**	**485.4**	**125.1**	**3,130.9**	**(1,258.1)**	**6,288.4**
Interest bearing investments	48,306.1	2,965.7	7,228.6	1,563.6	94.3		60,158.3
Impairments	(2.3)						(2.3)
Total Interest bearing investments, net (see note 16)	**48,303.8**	**2,965.7**	**7,228.6**	**1,563.6**	**94.3**		**60,156.0**
Reinsurance and other receivables	741.3	940.7	235.6	69.8	6.3	(4.7)	1,989.0
Impairments	(4.7)	(3.6)	(8.9)	(1.5)	(2.3)		(21.0)
Total Reinsurance and other receivables, net (see note 20)	**736.6**	**937.1**	**226.7**	**68.3**	**4.0**	**(4.7)**	**1,968.0**
Total credit risk exposure, gross	53,718.8	4,740.1	8,241.2	1,860.5	3,640.2	(1,262.8)	70,938.0
Impairments	(17.9)	(3.6)	(9.5)	(6.6)	(2.3)		(39.9)
Total credit risk exposure, net	**53,700.9**	**4,736.5**	**8,231.7**	**1,853.9**	**3,637.9**	**(1,262.8)**	**70,898.1**

31 December 2011	Belgium	UK	Continental Europe	Asia	General	Eliminations	Total Ageas
Cash and cash equivalents (see note 15)	**1,871.2**	**184.5**	**191.5**	**109.6**	**344.7**		**2,701.5**
Derivatives held for trading (assets) (see note 16)	**18.2**		**12.9**		**11.3**		**42.4**
Loans	2,886.9		393.2	141.8	3,490.1	(1,214.6)	5,697.4
Impairments	(7.9)		(0.8)	(5.3)			(14.0)
Total Loans, net (see note 18)	**2,879.0**		**392.4**	**136.5**	**3,490.1**	**(1,214.6)**	**5,683.4**
Interest bearing investments	43,545.3	2,461.9	7,099.8	1,369.5	111.5		54,588.0
Impairments	(1,215.6)						(1,215.6)
Total Interest bearing investments, net (see note 16)	**42,329.7**	**2,461.9**	**7,099.8**	**1,369.5**	**111.5**		**53,372.4**
Reinsurance and other receivables	685.1	764.9	253.5	63.2	2,370.7	(5.2)	4,132.2
Impairments	(4.9)	(3.6)	(6.7)	(3.6)	(2.3)		(21.1)
Total Reinsurance and other receivables, net (see note 20)	**680.2**	**761.3**	**246.8**	**59.6**	**2,368.4**	**(5.2)**	**4,111.1**
Total credit risk exposure, gross	49,006.7	3,411.3	7,950.9	1,684.1	6,328.3	(1,219.8)	67,161.5
Impairments	(1,228.4)	(3.6)	(7.5)	(8.9)	(2.3)		(1,250.7)
Total credit risk exposure, net	**47,778.3**	**3,407.7**	**7,943.4**	**1,675.2**	**6,326.0**	**(1,219.8)**	**65,910.8**

The table below provides information on the impaired credit risk exposure as at 31 December.

	2012			2011		
	Impaired outstanding	Impairments for specific credit risk	Coverage ratio	Impaired outstanding	Impairments for specific credit risk	Coverage ratio
Interest bearing investments	3.7	(2.3)	62.2%	1,574.0	(1,215.6)	77.2%
Loans to banks	1.1	(1.1)	100.0%	1.4	(1.2)	85.7%
Loans to customers	133.9	(14.5)	10.8%	127.8	(12.1)	9.5%
Other receivables	30.9	(21.0)	68.0%	31.8	(21.1)	66.4%
Total impaired credit exposure	**169.6**	**(38.9)**	**22.9%**	**1,735.0**	**(1,250.0)**	**72.0%**

7.6.1.6.1 Spread Risk

Spread risk results from the sensitivity of the value of assets, liabilities and financial instruments (more specifically bonds and loans) to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure.

Spread risk is one aspect of credit risk. Credit risk means the risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit rating of issuers of securities, counterparties and any debtors to which insurance and reinsurance undertakings are exposed. Credit risk is further referred to as either counterparty default, spread or concentration risk.

Spread risk is managed through limits which take into account the type of credit exposure, credit quality and, where needed, maturity, and through regular monitoring and early warning systems. Ageas also monitors its largest exposures to individual entities, groups and other potential concentrations such as sectors and geographic areas to ensure adequate diversification and identification of significant concentration risk.

An impairment for specific credit risk is established if there is objective evidence that Ageas will not be able to collect all amounts due in accordance with contractual terms. The amount of the impairment is the difference between the carrying amount and the recoverable amount. In the case of market traded securities, the recoverable amount is the fair value.

Impairments are based on Ageas's latest estimate of the recoverable amount and represent the loss that Ageas considers it will incur. Conditions for final write-off may be that the obligor's bankruptcy proceedings have been finalised and securities have been exhausted, the obligor and/or guarantors are insolvent, all normal recovery efforts have been exhausted, or the economic loss period (i.e. the period within which all expenses will exceed the recoverable amount) has been reached.

A significant portion of Ageas' liabilities are illiquid. Ageas generally aims to hold credit assets to maturity. This helps reduce the impact of spread risk significantly because the liabilities are illiquid and Ageas can hold these assets up to maturity. It is highly unlikely that Ageas is forced to sell at distressed prices, but Ageas can choose to sell if it considers this to be the best course of action.

Credit quality

The credit rating applied by Ageas is based on the second best of available ratings from Moody's, Fitch and Standard & Poor's on 31 December 2012. In the paragraphs hereafter more detail is provided on the credit quality of:

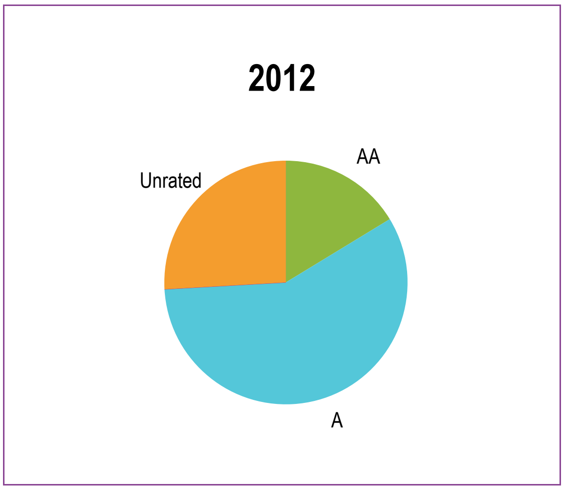
- Loans:
  - to banks;
  - to customers.
- Interest bearing investments:
  - government bonds;
  - corporate bonds;
  - banks and other financials.

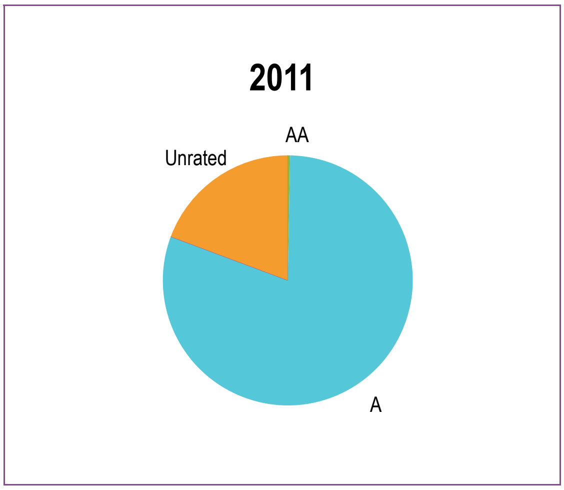
Loans to banks

The table below provides information on the credit quality of Loans to banks.

	2012 Carrying value	2012 Percentage	2011 Carrying value	2011 Percentage
Investment grade				
AAA				
AA	431.0	16.3%	9.8	0.3%
A	1,523.7	57.8%	2,358.4	80.4%
BBB				
Investment grade	1,954.7	74.1%	2,368.2	80.7%
Unrated	682.8	25.9%	566.3	19.3%
Total investments in loans to banks, net	2,637.5	100.0%	2,934.5	100.0%
Impairments	(1.1)		(1.2)	
Total investments in loans to banks, gross	**2,636.4**		**2,933.3**	

The pie charts below show the credit quality of Loans to banks.



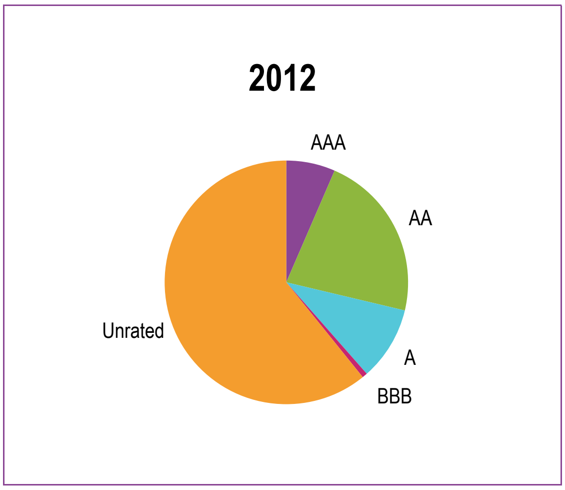


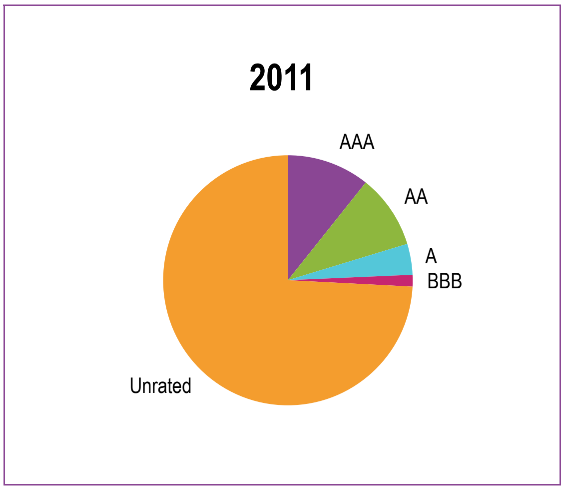
Loans to customers

The table below provides information on the credit quality of Loans to customers.

	2012 Carrying value	2012 Percentage	2011 Carrying value	2011 Percentage
Investment grade				
AAA	238.0	6.5%	294.4	10.7%
AA	814.9	22.2%	265.9	9.6%
A	359.6	9.8%	110.7	4.0%
BBB	25.0	0.7%	41.3	1.5%
Investment grade	1,437.5	39.2%	712.3	25.8%
Unrated	2,230.0	60.8%	2,050.6	74.2%
Total investments in loans to customers, net	3,667.5	100.0%	2,762.9	100.0%
Impairments	(15.5)		(12.8)	
Total investments in loans to customers, gross	**3,652.0**		**2,750.1**	

The pie charts below show the credit quality of Loans to customers.



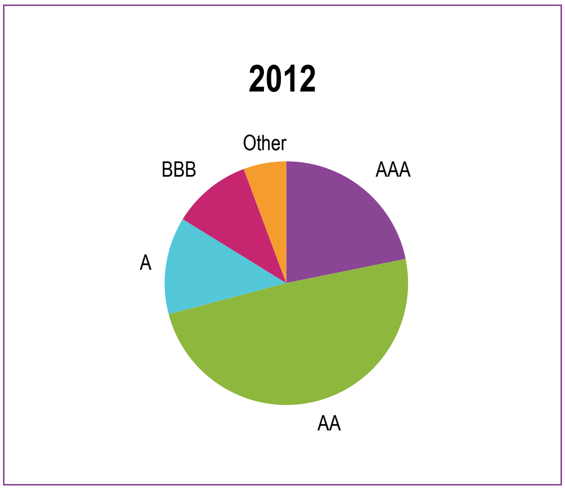


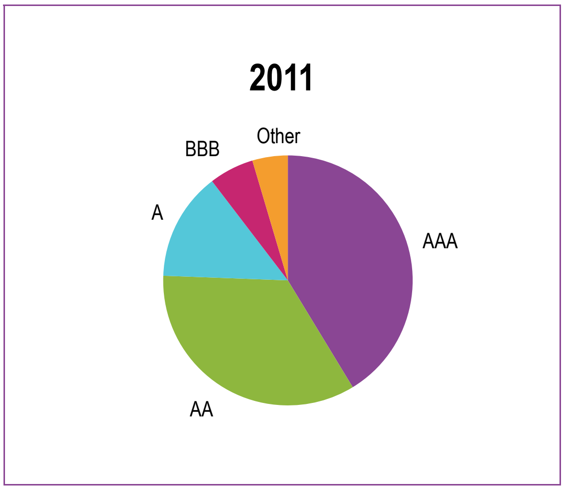
Interest bearing investments

The table below outlines the credit quality of Interest bearing investments.

	2012		2011	
	Carrying value	Percentage	Carrying value	Percentage
Investment grade				
AAA	13,091.0	21.8%	22,026.8	41.3%
AA	29,550.1	49.1%	18,325.1	34.3%
A	7,751.8	12.9%	7,455.0	14.0%
BBB	6,293.9	10.5%	3,102.5	5.8%
Investment grade	56,686.8	94.3%	50,909.4	95.4%
Below investment grade	2,678.8	4.4%	2,197.0	4.1%
Unrated	790.4	1.3%	266.0	0.5%
Total investments in interest bearing securities, net	60,156.0	100.0%	53,372.4	100.0%
Impairments	2.3		1,215.6	
Total investments in interest bearing securities, gross	**60,158.3**		**54,588.0**	

The pie charts below show the credit quality of Interest bearing investments.





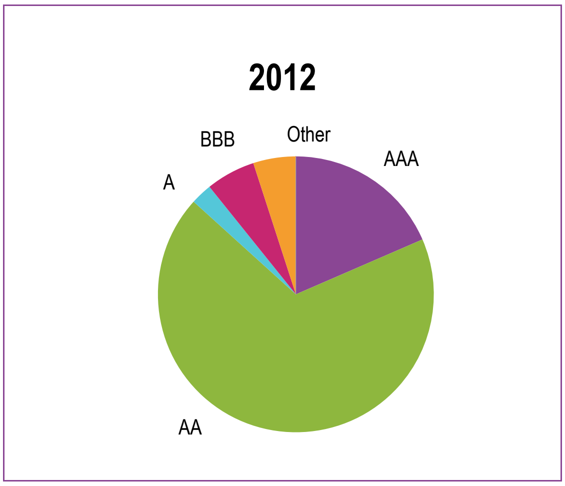
The bond portfolio is highly geared towards investment grade bonds. Investment grade bonds make up 94.3% of the portfolio with 83.8% rated A or higher. The percentage below investment grade in 2012 comprises mainly Portuguese government bonds and the bonds of financial and corporate institutions in Portugal.

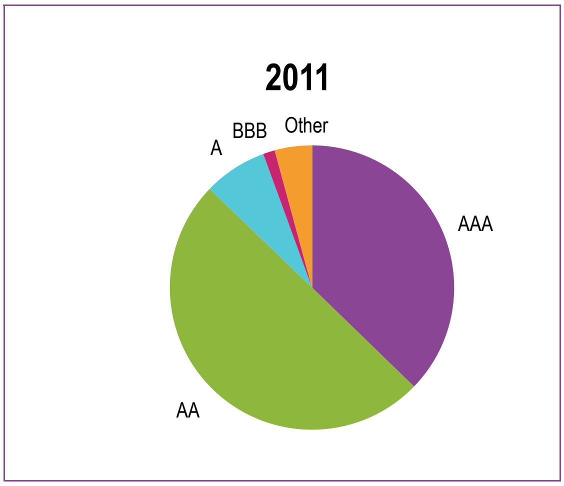
Government bonds

The table below provides information on the credit quality of Government bonds.

	31 December 2012	31 December 2011
By IFRS classification		
Available for sale	29,843.9	26,643.1
Held to maturity	4,884.4	4,867.1
Total government bonds	**34,728.3**	**31,510.2**
By rating		
AAA	6,419.2	11,739.0
AA	23,695.5	15,740.7
A	875.9	2,275.0
BBB	2,003.1	421.8
Total investment grade	32,993.7	30,176.5
BB or lower	1,323.1	1,333.2
Unrated	411.5	0.5
Total non-investment grade and unrated	1,734.6	1,333.7
Total government bonds	**34,728.3**	**31,510.2**

The pie charts below show the credit quality of Government bonds.





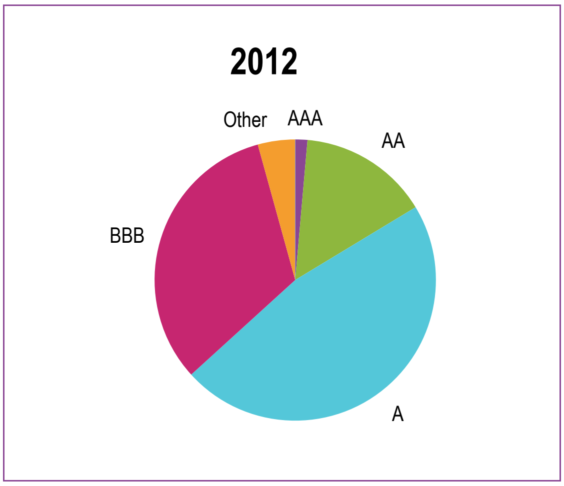
Local operating companies have restructured their government bond portfolios to include more home country exposure. The pie charts above reflect mainly the switch to Belgian government bonds, illustrating the shift from AAA to AA bonds and the impact of the downgrade of France to AA during 2012. The increase in BBB investments is linked mainly to the downgrade of Italy and Spain in 2012. Consequently, the rating taken into account as second best moved to BBB. The section 'Other' is mainly explained by the exposure to Portuguese government bonds.

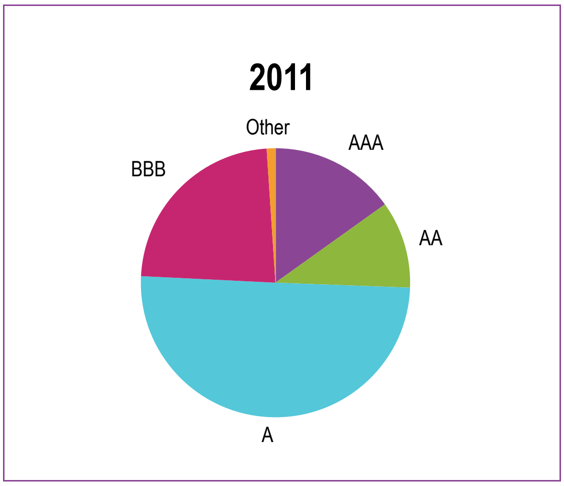
Corporate Bonds

The table below provides information on the credit quality of Corporate bonds.

	31 December 2012	31 December 2011
By IFRS classification		
Available for sale	8,716.2	6,721.5
Total corporate bonds	**8,716.2**	**6,721.5**
By rating		
AAA	121.7	1,014.7
AA	1,302.2	704.6
A	4,089.2	3,374.8
BBB	2,830.2	1,556.4
Total investment grade	8,343.3	6,650.5
BB or lower	287.7	43.7
Unrated	85.2	27.3
Total non-investment grade and unrated	372.9	71.0
Total corporate bonds	**8,716.2**	**6,721.5**

The pie charts below show the credit quality of Corporate bonds.





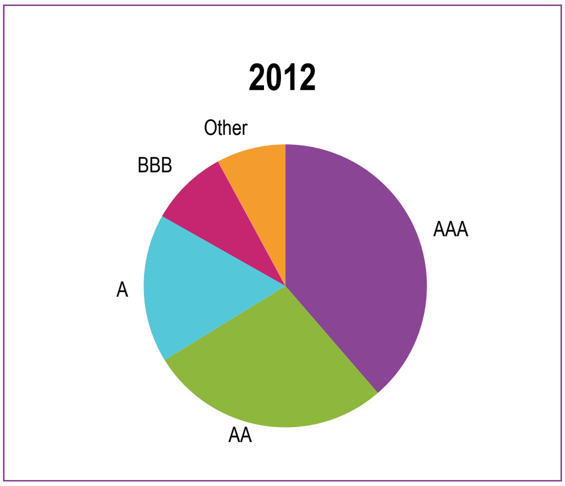
The corporate bond portfolio focuses on investment grade bonds. These bonds comprise 96% of the portfolio with 63% rated A or higher. There has been a sharp increase in BBB bonds although the main focus remains on A-rated investments.The percentage below investment grade in 2012 concerns mainly corporate institutions in Portugal.

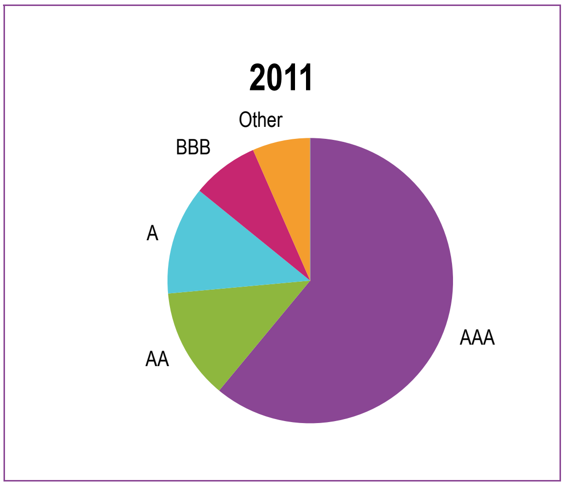
Banks and other financials

The table below provides information on the credit quality of Banks and other financial institutions.

	31 December 2012	31 December 2011
By IFRS classification		
Available for sale	16,035.1	14,409.9
Held at fair value through profit or loss	191.7	95.3
Held to maturity	169.7	165.3
Total banking and other financials	**16,396.5**	**14,670.5**
By rating		
AAA	6,339.8	8,949.4
AA	4,517.3	1,842.6
A	2,784.9	1,804.2
BBB	1,460.5	1,113.1
Total investment grade	15,102.5	13,709.3
BB or lower	1,061.0	770.7
Unrated	233.0	190.5
Total non-investment grade and unrated	1,294.0	961.2
Total banks and other financials	**16,396.5**	**14,670.5**

The pie charts below show the credit quality of Banks and other financials.





7.6.1.6.2 Counterparty Default risk

Counterparty default risk can arise due to the purchasing of re-insurance, other risk mitigation and 'Other assets'. Ageas minimises this risk through policies on counterparty selection, collateral requirements and diversification.

Within Ageas, this risk is mitigated through the application of Ageas's Investment Policy and close monitoring of outstanding counterparty default credit positions. Diversification and avoidance of low rated exposures are key elements in the mitigation of this risk.

Impairment for specific credit risk is established if there is objective evidence that Ageas will not be able to collect all amounts due in accordance with contractual terms. The amount of the impairment is the difference between the carrying amount and the recoverable amount. In the case of market traded securities, the recoverable amount is the fair value.

Impairments are based on Ageas's latest estimate of the recoverable amount and represent the loss that Ageas considers it will incur. Conditions for write-off may be that the obligor's bankruptcy proceedings have been finalised and securities have been exhausted, the obligor and/or guarantors are insolvent, all normal recovery efforts have been exhausted, or the economic loss period (i.e. the period within which all expenses will exceed the recoverable amount) has been reached.

7.6.1.6.3 Concentration risk

Concentration risk refers to risks stemming either from lack of diversification in the asset portfolio or from large exposure to risk of default by a single issuer of securities or a group of related issuers.

Concentration risk can arise due to large aggregate exposures to single counterparties or an aggregate of exposures to a number of positively correlated counterparties (i.e. tendency to default under similar circumstances) with the potential to produce a significant amount of impairments due to a bankruptcy or failure to pay.

Avoidance of concentrations is therefore fundamental to Ageas credit risk strategy of maintaining granular, liquid and diversified portfolios. Each local business is responsible for its own counterparty limits, taking into account its particular situation and any group requirements. Each local business is in charge of continuous monitoring. Periodic reporting allows the group to check these and monitor the overall position.

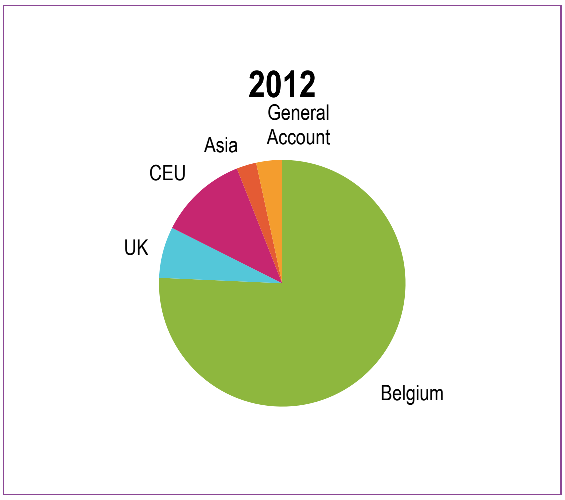
To manage the concentration of credit risk, Ageas's investment limits aims to spread the credit risk across different sectors and countries.

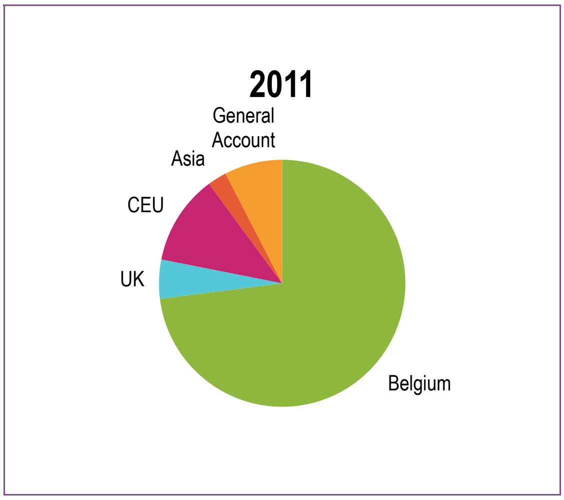
The table below provides information on the concentration of credit risk by location of the Ageas entity as at 31 December.

31 December 2012	Government and official institutions	Credit institutions	Corporate customers	Retail customers	Other	Total
Belgium	30,342.9	11,602.8	9,992.9	1,654.0	126.2	53,718.8
UK	825.0	1,649.5	1,664.0		601.6	4,740.1
Continental Europe	3,150.0	4,171.2	707.1	24.7	188.2	8,241.2
Asia	383.9	755.9	671.5	46.9	2.3	1,860.5
General Account	76.7	2,371.5	(75.9)		5.1	2,377.4
Total	**34,778.5**	**20,550.9**	**12,959.6**	**1,725.6**	**923.4**	**70,938.0**

31 December 2011	Government and official institutions	Credit institutions	Corporate customers	Retail customers	Other	Total
Belgium	28,104.7	12,064.0	7,023.8	1,693.2	121.0	49,006.7
UK	713.6	1,058.9	1,456.2		182.6	3,411.3
Continental Europe	3,482.3	3,625.9	641.4	29.1	172.2	7,950.9
Asia	377.8	590.1	667.5	47.2	1.5	1,684.1
General Account	91.0	2,719.7	(77.9)		2,375.7	5,108.5
Total	**32,769.4**	**20,058.6**	**9,711.0**	**1,769.5**	**2,853.0**	**67,161.5**

The pie charts below show Ageas's credit risk broken down by its operating segments (as described in section 7.3.1) as at 31 December.



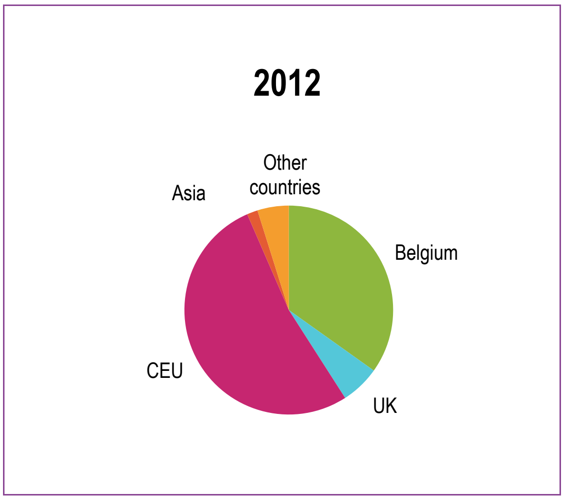


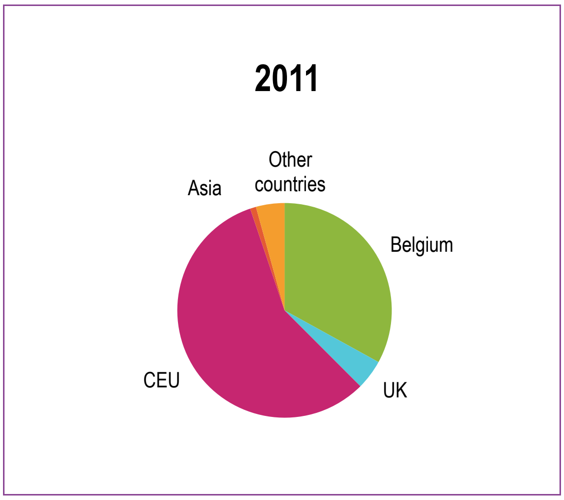
The table below provides information on the concentration of credit risk by type and location of counterparty as at 31 December.

31 December 2012	Government and official institutions	Credit institutions	Corporate customers	Retail customers	Other	Total
Belgium	18,425.0	1,291.7	2,309.5	1,654.0	1,028.0	24,708.2
UK	823.0	950.1	2,122.2		419.2	4,314.5
Continental Europe	15,080.8	15,235.3	6,543.0	24.7	393.2	37,277.0
Asia	16.9	494.9	628.5	46.9	2.3	1,189.5
Other countries	432.8	2,578.9	1,356.4		(919.3)	3,448.8
Total	**34,778.5**	**20,550.9**	**12,959.6**	**1,725.6**	**923.4**	**70,938.0**

31 December 2011	Government and official institutions	Credit institutions	Corporate customers	Retail customers	Other	Total
Belgium	14,171.0	4,110.0	1,070.2	1,693.2	1,118.8	22,163.2
UK	704.5	533.9	1,617.3		159.9	3,015.6
Continental Europe	17,430.9	14,018.3	5,424.9	29.1	1,572.6	38,475.8
Asia	23.0	300.7	234.2	47.2	1.7	606.8
Other countries	440.0	1,095.7	1,364.4			2,900.1
Total	**32,769.4**	**20,058.6**	**9,711.0**	**1,769.5**	**2,853.0**	**67,161.5**

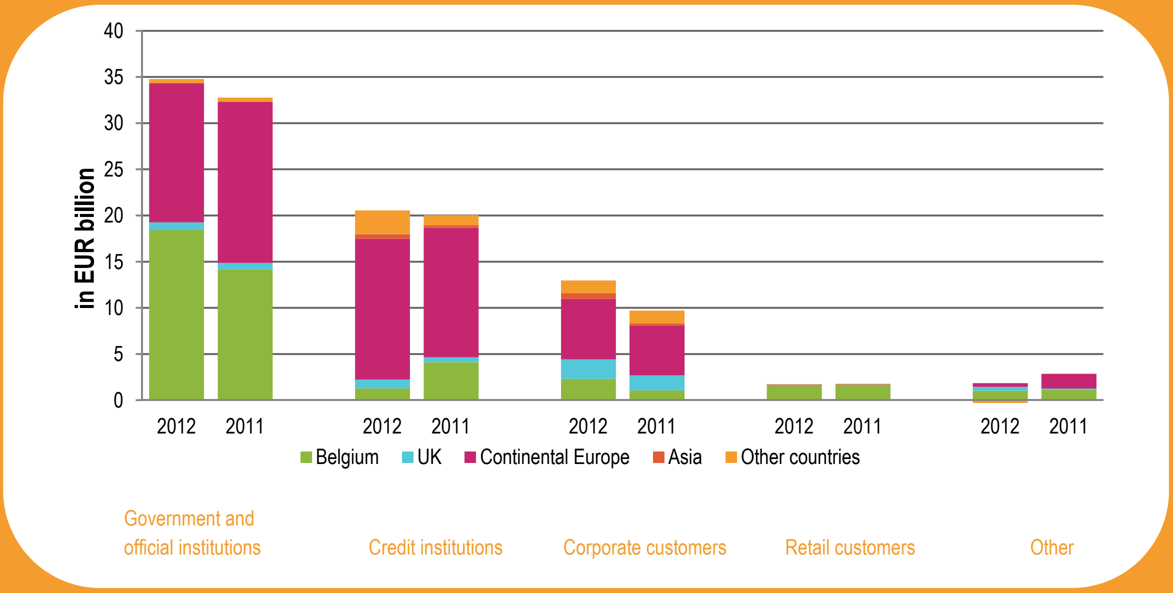
The pie charts below show the concentration of credit risk by location of counterparty as at 31 December.





The movement in the Government and official institutions exposure relates to a rebalancing of the portfolio in 2011 (details are provided in Note 16 Financial investments).

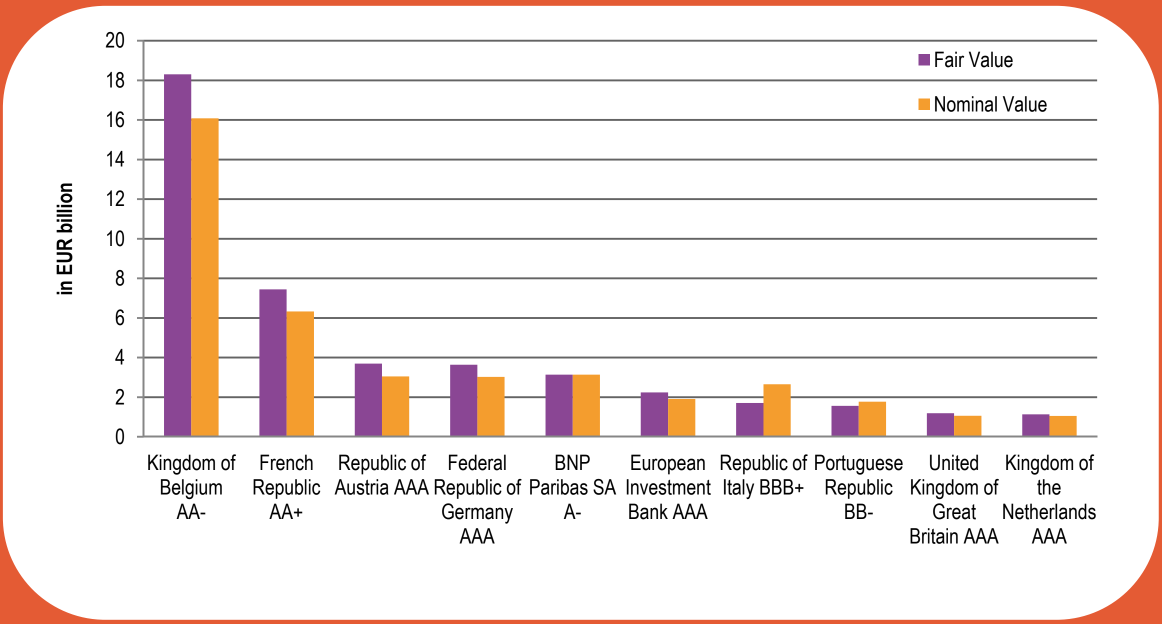
The graph below shows the concentration of credit risk by type of counterparty as at 31 December.



The table below shows the highest exposures on ultimate parents measured at fair value and nominal value with their ratings.

Highest Exposure Top 10	Group Rating	Fair Value	Nominal Value
Kingdom of Belgium	AA-	18,304.1	16,080.6
French Republic	AA+	7,439.9	6,330.9
Republic of Austria	AAA	3,695.3	3,049.8
Federal Republic of Germany	AAA	3,641.4	3,024.9
BNP Paribas SA	A-	3,138.6	3,135.4
European Investment Bank	AAA	2,236.4	1,908.1
Republic of Italy	BBB+	1,704.0	2,651.0
Portuguese Republic	BB-	1,558.4	1,770.5
United Kingdom of Great Britain	AAA	1,191.8	1,057.3
Kingdom of the Netherlands	AAA	1,133.4	1,053.2
Total		**44,043.3**	**40,061.7**

The highest exposures on ultimate parents measured at fair value can graphically be shown as follows.



7.6.1.7 Investments monitoring framework

Internally, the above exposures are monitored through the quarterly Limit Breach Report. Limits are monitored on fair values based on asset classification in line with those of Ageas's consolidated financial statements. The limits are defined by the following categories.

Limits on Governmental bonds are defined by country in multiple ways:

- 'Macro limits' defined as percentages of GDP, government debt and investment assets.
- Total One Obligor (TOO) limits defined as maximum exposure to one obligor based on credit ratings.
- Investment restrictions: No new investments in sovereign debt with a rating below A- or in peripheral countries without the approval of the Ageas Risk Committee.

Limits on Corporates are also defined on multiple criteria:

- Total corporate exposure as a percentage of the portfolio.
- Total One Obligor (TOO) limits defined as a maximum percentage of the fixed income portfolio.
- Triggers for action when downgraded below BBB.
- Limits by sector based on the credit ratings.

Equity investments may require a stop loss protection mechanism assuring that the indicators remain within the risk appetite limits.

7.6.1.8 Sensitivities

The table below shows the gross impact on the IFRS income statement and IFRS equity as the result of stress tests that are calibrated based on a 1 in every 30 years event.

- Equity : (30)%; non-regulated equities (40)%;
- Spread risk : factor times duration. The factor ranges from 70bp for AAA to almost 2% for BBB corporates;
- Interest rate : up and down around 50% at the short end of the yield curve to over 20% at the long end;
- Real estate : (18)%.

	Impact on income statement	Impact on IFRS Equity
Equity - market risk	(166.0)	(308.6)
Spread - rate risk	(9.4)	(515.8)
Interest - rate risk down	(4.3)	426.1
Interest - rate risk up	(0.3)	(1,033.6)
Real - estate risk	(161.8)	(207.8)

7.6.2 Insurance Liability risks

Insurance risks refer to all insurance underwriting risks due to changes in claims arising from uncertainty and timing of the claims as well as changes to the underlying assumptions, including expenses and lapses, made at the start of the policy.

Life risk includes mortality risk, longevity risk, disability, morbidity risk (i.e. critical illness risk), lapse and persistency risk, life-expense risk and revision risk.

Non-life risks include reserve risk and premium risk. Reserve risk is related to outstanding claims while premium risk is related to future claims from which catastrophe claims are excluded. Catastrophe risk is related to claims arising from catastrophic events: either natural disasters or man-made events.

Each business manages insurance risks through a combination of underwriting policy, pricing policy, provisioning, and reinsurance. Particular attention is paid to ensuring that the customer segment that buys the product is consistent with the underlying assumptions made about the customers when the product was designed and priced.

Underwriting policies are adopted at local level as part of the overall management of insurance risk and are revised by actuarial staffs, who examine the actual loss experience. A range of indicators and statistical analysis tools are employed to refine underwriting standards in order to improve loss experience and/or ensure pricing is adjusted appropriately.

Insurance companies aim to set premiums at a level that will ensure that premiums received plus the investment income earned on them exceed total claims, costs of handling those claims and the cost of managing the business. The appropriateness of pricing is tested using a range of techniques and key performance indicators appropriate to a particular portfolio, on both a priori basis (e.g. profit testing) and a posteriori basis (e.g. embedded value, combined ratios).

The factors taken into consideration when pricing insurance vary by product according to the cover and benefits offered. In general they include:

- expected claims by policyholders and related expected payouts and their timing;
- the level and nature of variability associated with the expected benefits. This includes analysis of claims statistics as well as consideration of the evolution of jurisprudence, the economic climate and demographic trends;
- other costs of producing the relevant product, such as distribution, marketing, policy administration, and claim administration costs;
- financial conditions, reflecting the time value of money;
- solvency capital requirements;
- target levels of profitability;
- insurance market conditions, notably competitor pricing of similar products.

In its exposures to the above-mentioned risks, Ageas benefits from diversification across geographical regions, product lines and even across the different insurance risk factors so that Ageas is not exposed to significant concentrations of insurance risks. Moreover, Ageas's insurance companies have built in specific mitigation measures in order to minimise their risk exposures. Example are, lapse supported products via lapse penalties and/or market value adjustments to the payout to the policyholders; reinsurance treaties with a limited exposure to large losses.

7.6.2.1 Life underwriting risks

The life underwriting risk reflects the risk arising from life insurance obligations, in relation to the perils covered and the processes used in the conduct of business.

7.6.2.1.1 Mortality/longevity risk

Mortality risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of mortality rates, where an increase in the mortality rate leads to an increase in the value of insurance liabilities. Mortality risk is mitigated through limits set in the underwriting policy and via a number of excess-of-loss and catastrophe reinsurance treaties.

Longevity risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of mortality rates, where a decrease in the mortality rate leads to an increase in the value of insurance liabilities. This risk is managed through underwriting policy, regular reviewing of the mortality tables used for pricing and establishing liabilities, limitation of the contract period and review of pricing at renewal. Where longevity is found to be rising faster than assumed in the mortality tables, additional provisions are set up and pricing of new products is adjusted accordingly.

7.6.2.1.2 Disability/morbidity risk

Disability/morbidity risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of disability, sickness and morbidity rates. This can, for example, arise in the disability business, health business, workmen's pricing provisioning and underwriting policies. Ageas insurance companies mitigate disability risk through medical selection strategies and appropriate reinsurance cover.

7.6.2.1.3 Lapse and Persistency risks

Lapse risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level or volatility of the rates of policy lapses and persistency, which include renewals, surrenders, premium reductions, and other premium reducing factors. Note that persistency risk is another name sometimes used to describe the volatility in the policy premium lapses and reinstatements of lapsed policies, free look cancellations or surrenders.

When designing and pricing insurance policies, assumptions also need to be made relating to the costs of selling and then administering the policies until they lapse or mature and relating to the rate of persistency that will be experienced. The risks that in actual experience may be different from the potential impact are identified during the product development stage and can be mitigated by thorough product design, for example use of early redemption penalties/loyalty bonuses, initial charges or spreading the commission paid to distributors to align interests.

7.6.2.1.4 Life-expense risk

Life-expense risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of the expenses incurred in servicing insurance or reinsurance contracts. Expense risk arises if the expenses anticipated when pricing a guarantee are insufficient to cover the actual costs accruing in the following year.

7.6.2.1.5 Revision risk

Revision risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the level, trend, or volatility of the revision rates applied to annuities, due to changes in the legal environment or in the state of health of the person insured.

7.6.2.2 Non-life underwriting risks

7.6.2.2.1 Reserve risk

Reserve risk is related to outstanding claims and represents the risk of adverse change in the value of insurance liabilities resulting from fluctuations in the timing and amount of claim settlements and claims expenses.

7.6.2.2.2 Premium risk

Non-life premium risk is the risk that the premium will not be sufficient to cover all liabilities including claims and expenses resulting from fluctuations in frequency, severity of claims, timing of claim settlements, or adverse change in expenses.

Claims losses can differ from the expected outcome for a range of reasons. Analysis of claims will generally consider differently short and long-tail claims. Short-tail claims, such as motor damage and property damage claims, are generally reported within a few days or weeks and are settled soon afterwards. The resolution of long-tail claims, such as bodily injury or liability claims, can take years to complete. In the case of long-tail claims, information concerning the event, such as medical treatment required, may, due to its very nature, not be readily obtainable. Analysis of long-tail losses is also more difficult, requires more detailed work and is subject to greater uncertainties than analysis of short-tail losses.

Ageas's insurance companies take into account experience with similar cases and historical trends, such as reserving patterns, exposure growth, loss payments, pending levels of unpaid claims, as well as court decisions and economic conditions.

To mitigate the claims risk, Ageas's insurance companies adopt selection and underwriting policies based on their historical claims experience and modelling. They do this by client segment and class of business based on knowledge or expectations of future movements in claims frequency and severity. Ageas insurance also benefits from diversification effects by engaging in a wide range of Non-life insurance classes and geographies, and while this does not reduce the average claims it does significantly reduce the variation in the total claims book and therefore the risk. The risk of unexpectedly large claims is contained by policy limits, concentration management and reinsurance.

7.6.2.2.3 Catastrophe risk

Catastrophe risk is related to claims generated by catastrophic events, natural disasters such as storms, floods, earthquakes, freezes, tsunamis or man-made events such as terrorist attacks, explosions or train accidents.

7.6.2.2.4 Lapse risk

Lapse risk is related to future premiums included in the premium provision where an expected profit is foreseen. Lapse risk is the risk that more lapses will occur than the expected ones, generating less profit than foreseen.

7.6.2.3 Reinsurance

Where appropriate, Ageas insurance companies enter into reinsurance contracts to limit their exposure to underwriting losses. This reinsurance may be on a policy-by-policy basis (per risk), or on a portfolio basis (per event), i.e. where individual policyholder exposures are within local limits but an unacceptable risk of accumulation of claims exists at group level (catastrophe risks). The latter events are mostly weather related or man-made. Reinsurance companies are selected based primarily on pricing and counterparty default risk considerations. The management of counterparty default risk is integrated into the overall management of credit risk.

The major uses of external reinsurance include the mitigation of the impact of natural disasters (e.g. hurricanes, earthquakes and floods), large single claims from policies with high limits and multiple claims triggered by a single man-made event.

The table below provides details of risk retention by product line (in nominal amounts).

2012	Highest retention per risk	Highest retention per event
Product		
Motor, Third Party liability	12,530,540	12,530,540
Motor Hull	Not applicable	3,500,000
Property	30,000,000	350,855,120
General Third Party Liability	12,530,540	12,530,540
Workmen's Compensation	89,775,000	89,775,000
Personal Accident	2,500,000	2,500,000

The table below provides details by product line on the proportion of premiums ceded to reinsurers in the year ended 31 December (amounts in millions).

2012	Gross written premiums	Ceded premiums	Net premiums
Product			
Life	5,585.9	(86.6)	5,499.3
Accident & Health	789.8	(22.2)	767.6
Property & Casualty	3,571.9	(209.6)	3,362.3
General and eliminations	(0.5)		(0.5)
Total	**9,947.1**	**(318.4)**	**9,628.7**

2011	Gross written premiums	Ceded premiums	Net premiums
Product			
Life	5,315.3	(82.1)	5,233.2
Accident & Health	782.3	(32.9)	749.4
Property & Casualty	3,325.1	(168.8)	3,156.3
General and eliminations	(1.5)		(1.5)
Total	**9,421.2**	**(283.8)**	**9,137.4**

7.6.2.4 Sensitivities

Life and Non-life sensitivities are as follows.

Life Sensitivities	Impact on value at 31 December 2012 [1]	Impact on value at 31 December 2011
Mortality rates (5%)	30.5	24.6
Expenses (10%)	176.1	209.3
Lapse rates (10%)	40.8	12.9

Non-life Sensitivities	Impact on pre-taxation result at 31 December 2012	Impact on pre-taxation profit at 31 December 2011
Expenses (10%)	129.3	109.1
Incurred claims 5%	(143.0)	(122.8)

1) *Value refers to the unaudited embedded value that Ageas calculates for its major Life insurance entities. For further details of the calculation of the embedded value, please refer to the 2012 Embedded Value Report that is available on the Ageas website.*

7.7 Loss reserve development table

The reserves for claims and claim expenses that appear in the statement of financial position are analysed by the actuaries and claims management departments by accident year. Payments and loss reserves are therefore represented in a two time-related dimension table: accident year (year of loss occurrence, in the columns) and calendar year (or development year, in the rows). This so-called run-off triangle shows how loss reserve develops over time due to payments made and new estimates of the expected ultimate loss at the respective date of the statement of financial position.

All contracts concerned are insurance contracts as defined by IFRS, including all accident & health and property and casualty contracts whose reserves can be reported in a triangular format. All material figures quoted are undiscounted. Claim reserves that are held on a discounted basis with similar to life techniques (e.g. permanent disability or death annuities deriving from health or Workers Compensation or other contracts) are included in the reconciliation lines.

All amounts in the table are calculated at the applicable exchange rate at year-end 2012 (the exposure mainly relates to the British pound). The tables also include information over 10 years on the newly acquired entity Groupama Insurance Company Ltd.

The loss reserve development table per accident year is as follows:

Accident Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Payments at:										
N	622.9	722.3	708.0	819.6	1,044.6	1,034.4	1,104.6	1,174.4	1,248.5	1,377.5
N + 1	336.1	329.7	349.3	404.6	501.4	473.4	534.6	658.0	673.0	
N + 2	97.0	87.2	86.2	101.9	127.8	125.0	145.2	144.4		
N + 3	61.2	60.6	49.5	65.0	69.7	85.4	88.6			
N + 4	41.3	48.6	42.1	47.9	51.2	60.0				
N + 5	29.4	29.2	29.3	33.6	34.1					
N + 6	20.5	17.9	18.0	22.1						
N + 7	10.3	13.2	15.2							
N + 8	10.4	14.3								
N + 9	7.9									
Cost of claims: (Cumulative Payments + Outstanding claims reserves)										
N	1,437.4	1,530.4	1,494.4	1,653.2	1,999.0	1,992.1	2,153.4	2,364.9	2,676.3	2,925.2
N + 1	1,471.1	1,546.7	1,470.9	1,632.3	1,990.7	1,952.2	2,102.9	2,326.0	2,571.3	
N + 2	1,326.9	1,448.1	1,440.6	1,625.1	1,985.7	1,972.0	2,124.4	2,330.9		
N + 3	1,349.2	1,411.8	1,427.2	1,612.1	1,979.4	1,963.9	2,141.2			
N + 4	1,329.7	1,393.6	1,411.2	1,599.9	1,954.6	1,956.6				
N + 5	1,313.0	1,383.8	1,395.5	1,587.1	1,955.3					
N + 6	1,304.1	1,383.1	1,395.1	1,578.8						
N + 7	1,300.1	1,383.9	1,400.6							
N + 8	1,289.2	1,390.3								
N + 9	1,296.1									
Ultimate loss estimated at initial date	1,437.4	1,530.4	1,494.4	1,653.2	1,999.0	1,992.1	2,153.3	2,364.9	2,676.3	2,925.2
Ultimate loss estimated at prior year	1,289.2	1,383.9	1,395.1	1,587.1	1,954.6	1,963.9	2,124.4	2,326.0	2,676.3	
Ultimate loss estimated at current year	1,296.1	1,390.3	1,400.6	1,578.8	1,955.3	1,956.6	2,141.2	2,330.9	2,571.3	2,925.2
Surplus (deficiency) current year versus initial accident year	141.3	140.1	93.8	74.4	43.7	35.5	12.1	34.0	105.0	
Surplus (deficiency) current year versus prior year	(6.9)	(6.4)	(5.5)	8.3	(0.7)	7.3	(16.8)	(4.9)	105.0	
Outstanding claims reserves prior to 2003										230.5
Outstanding claims reserves from 2003 to 2012										3,438.2
Other claims liabilities (not included in table)										739.2
Claims with regard to workers' compensation and health care										1,187.6
Total claims in the statement of financial position										**5,595.5**

The loss reserve development table per accident year shows the development of the ultimate total loss (as payments made and outstanding claims reserves) for each individual accident year (as indicated in the column), for each development year (as indicated in the row) since the year of occurrence through to the reporting year 2012.

The triangle related to ‘Payments‘ reports the amount of claim payments net of recoveries.

The second triangle, ‘Outstanding claims reserves’, reports the outstanding loss reserve including IBN(E)R for each accident year, based on the new estimate of ultimate loss on the claims and the payments already made.

The lines ‘Ultimate loss’, estimated at the initial date of occurrence, at prior reporting year and at current reporting year reflect the fact that the estimate fluctuates with the knowledge and information gained on the claims. The longer the period of development of the claims, the more accurate is the estimate of the ultimate loss.

The loss reserve development table per accounting years is as follows:

Accounting Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Gross liabilities for unpaid claims and claims expenses developed initially at the booking date	2,036.4	2,191.5	2,265.6	2,378.0	2,532.6	2,638.7	2,738.9	2,983.4	3,280.2	3,668.7
Cumulative payments in:										
2004	608.9									
2005	892.9	613.7								
2006	1,085.4	893.4	629.0							
2007	1,195.3	1,064.0	885.8	661.4						
2008	1,283.4	1,200.5	1,071.9	949.4	789.4					
2009	1,357.5	1,303.9	1,217.4	1,159.9	1,127.7	811.8				
2010	1,405.0	1,367.6	1,310.8	1,300.9	1,338.4	1,147.6	870.4			
2011	1,444.0	1,420.4	1,381.6	1,405.4	1,494.1	1,388.6	1,252.0	1,029.0		
2012	1,479.7	1,470.5	1,446.8	1,492.8	1,615.5	1,570.1	1,522.1	1,443.4	1,087.4	
Reserves re-estimated for:										
2004	1,992.3									
2005	1,877.3	2,092.8								
2006	1,907.3	2,024.1	2,173.4							
2007	1,856.3	1,937.0	2,055.9	2,239.6						
2008	1,841.2	1,903.5	2,009.1	2,185.6	2,470.3					
2009	1,788.0	1,840.6	1,930.2	2,093.7	2,373.4	2,501.9				
2010	1,772.2	1,829.5	1,903.8	2,054.9	2,328.3	2,476.6	2,663.1			
2011	1,746.6	1,804.1	1,876.7	2,019.4	2,278.0	2,410.7	2,615.6	2,896.8		
2012	1,769.4	1,827.5	1,906.8	2,036.9	2,286.1	2,419.0	2,639.2	2,914.6	3,208.4	
Gross Outstanding Claims Liabilities (including IBNR)	289.7	357.0	460.0	544.1	670.6	848.9	1,117.1	1,471.2	2,121.0	3,668.7
Cumulative redundancy/deficiency of initial claims versus re-estimated reserves										
- Nominal	267.0	364.1	358.8	341.1	246.5	219.6	99.7	68.8	71.8	
- Percentage	13.1%	16.6%	15.8%	14.3%	9.7%	8.3%	3.6%	2.3%	2.2%	
Other claims liabilities (not included in table)										739.2
Claims with regard to workers' compensation and health care										1,187.6
Total claims in the statement of financial position										**5,595.5**

The loss reserve development table per accounting years shows the movements of accounting reserves from 31 December 2003 until 31 December 2012. This table shows cumulative values. The columns report all years of claims occurrence prior to and including the indicated year.

The row 'Gross liabilities for unpaid claims and claim expenses developed initially at the booking date' represents the liabilities reported in the statement of financial position on the reporting date for the year indicated in the column heading. As such, each amount in this row reflects the outstanding claim liabilities for all years of occurrence prior to and including the indicated year.

The first part of the runoff table related to 'Cumulative Payments' reports the cumulative amount of claim payments made per development period since the first of January of the year indicated (in the rows). The payments relate to the years of occurrence prior to and including the year of liability reporting (in the column).

The second part of the runoff table entitled 'Reserves re-estimated at' shows an estimate of the final liabilities carried at 31 December of the year indicated (in the rows) in respect of all years of occurrence prior to and including this year (in the column). The further the claims have developed, the more reliable the valuation of the liabilities becomes.

The row 'Gross outstanding claim liabilities (including IBNR)' represents the amount reported at year end 2012.
The amount Total claims in the statement of financial position is further disclosed in Note 25.4 Liabilities arising from Non-life insurance contracts.

7.8 Operational risks

All companies including financial institutions are subject to operational risk due to inadequately controlled internal processes or systems, human error or non-compliance as well as from external events and in general due to the uncertainty inherent in all business undertakings.

The Group at a central level as well as every local business need to have in place a process to manage operational risk. This process is an integral part of the risk management framework and needs to be approved by the appropriate local bodies. The operational risk management framework consists of company-wide processes embedded at Group level and in all local businesses, which collectively aims at identifying, assessing, managing, monitoring and reporting on operational risks. These company-wide processes are:

- operational Risk Event Reporting;
- loss Data Collection;
- large loss Exposure Analysis;
- annual Key Risk Reporting.

While Ageas and its local businesses manage their operational risks, these risks remain an inherent part of their businesses.

The operational risks that Ageas faces include 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 financial loss as well as harm Ageas' reputation. Additionally, the loss of key personnel (although remote) is an operational risk that could adversely affect Ageas's operations and results. Ageas's businesses are dependent on processing a large number of complex transactions involving numerous and diverse products, and are subject to a number of different legal and regulatory regimes. Additionally, because of the long-term nature of much of Ageas's businesses, accurate records have to be maintained for significant periods. Ageas attempts to keep operational risks at appropriate levels by maintaining sound and well-controlled environments in light of the characteristics of its business, the markets and the regulatory environments in which it operates. While these control measures mitigate operational risks they can never completely eliminate them.

7.9 Strategic risks

Strategic risks cover external and internal factors that can impact Ageas's ability to meet its current business plan and also to position itself for achieving on-going growth and value creation. This includes changes in the regulatory, legal or competitive landscape and reputation risks (see also Note 51 Contingent liabilities). Business strategies need to take such risks into account and Ageas aims to be pro-active in identifying such risks and responding to them.

Ageas's regular risk identification and assessment processes include strategic risks. These were also explicitly considered throughout the strategic review and planning processes and followed up as part of the regular performance dialogues.

For instance, in 2012, the following risks were identified:

- continuing difficult market conditions and business cycles in which Ageas operates may adversely affect its business and profitability;
- litigation or other proceedings or actions may adversely affect the Company's business, financial condition and results of operations;
- new regulatory developments, including changes in tax laws, could impact Ageas' operations. Ageas is subject to extensive regulations. It is preparing for the upcoming EU Solvency II framework which is expected to impact its capital requirements methodologies, valuation techniques and risk management practices;
- as a Belgian company, Ageas has been designated and is considered a "systemically important financial institution" that could be exposed to or cause systemic risk of economic disruption. As such, the Belgian regulator has further rights to oppose certain strategic decisions taken by Ageas's Board before they are implemented, should any such decision be deemed to be in breach of sound and prudent management, or if it should create material risks to the stability of the financial sector. Although this additional supervision ensures an even more robust risk management framework at Ageas group level, it may generate additional constraints on Ageas' strategy;
- Ageas's strategy of partnership and reliance on the distribution and brand of its partners adds distribution risks in terms of ability to negotiate, ability to fully control product mix and volumes, commoditisation of our products. Potential loss of sales could occur should a distribution partner decide to end a relationship;
- as part of the financial services industry, Ageas faces substantial competitive pressures, which can affect the results of its operations. This is mitigated in part by its reliance on strong partnerships with strong local market partners.

7.10 Total risk

Each year Ageas undertakes a group-wide Key Risk Report process to identify key risks that could impact the realisation of Ageas's objectives. It also assesses the control framework in place to ensure that these risks are managed on an on-going basis. Each business follows up on their key risks at least on a quarterly basis and the most significant risks are also monitored at group level. A wide range of internal and external sources is used in the identification of the key risks. In addition to being a core part of Ageas's risk framework, this process leads to Management Control Statements made by each business and signed at group level by the Ageas CEO.

Process

At least once a year, a full bottom-up control and risk self-assessment exercise is conducted, listing in a bottom-up process all key risks the company is confronted with.

The thus identified risks, categorised in accordance with the Ageas Risk Taxonomy are assessed and reported to Ageas Group Risk by the various entities using a standard likelihood and impact grid which provides an overview on the overall level of concern they represent (i.e. their materiality). The risks are qualitatively described and explained in relation to the objectives they are associated with. They are categorised in line with the Ageas Risk Taxonomy.

The annual Key Risk Report is accompanied by the annual Management Control Statement issued by all CEOs who express their confidence in their local risk management frameworks. Quarterly, the list with the top risks is communicated to the Risk and Capital Committee and Ageas Board.

Risk Officers from each local business and Regions (including Corporate Function) provide quarterly updates on those risk statements to Ageas's Group Risk with updates on those risk statements. Group Risk consolidates all reports and a consolidated view is then discussed at the level of the Ageas Risk Committee and Executive Committee.

On a monthly basis at each Ageas Group Risk Committee the evolutions of the key risks are discussed.

8

REGULATORY SUPERVISION *AND* SOLVENCY

The National Bank of Belgium, the lead supervisor for Ageas, has designated Ageas as Insurance Group. As such, Ageas is subject to supervision and reporting requirements at the consolidated level. The operating companies are subject to local supervision.

8.1 Ageas consolidated supervision

At the Ageas consolidated level, the National Bank of Belgium (NBB) supervises Ageas. The regulators in the countries in which the subsidiaries are located supervise the subsidiaries of Ageas in those countries, using their own solvency measures and based on local accounting principles.

Based on the rules and regulations for Insurance Groups applicable in Belgium, Ageas reports on a quarterly basis to the NBB its available regulatory capital and required solvency. This prudential supervision includes quarterly verification that Ageas, on a consolidated basis, meets the solvency requirements.

The reconciliation of the Shareholders' capital to the available regulatory capital and resulting solvency ratios is as follows:

	2012	2011
Share capital and reserves	7,152.1	7,826.3
Net result attributable to shareholders	743.0	(578.2)
Unrealised gains and losses	2,015.5	512.2
Shareholders' equity	9,910.6	7,760.3
Non-controlling interests	875.5	607.4
Total equity	10,786.1	8,367.7
Subordinated liabilities	2,915.5	2,973.6
Prudential filters		
Local required equalisation reserves for catastrophes	(174.3)	(135.5)
Pension adjustment	(27.2)	(22.9)
Revaluation of investment property, net of tax (at 90%)	761.2	715.2
Adjustment valuation of available for sale investments	(2,341.5)	(252.5)
Cash flow hedge	29.0	20.3
Goodwill	(892.8)	(923.4)
Other intangible assets	(371.0)	(382.1)
Expected dividend	(362.2)	(187.4)
Expected dividend, related to Call option BNP Paribas shares	(234.0)	(395.0)
Limitation subordinated debt to 50% of required solvency	(932.3)	(1,153.5)
Regulatory capital	**9,156.5**	**8,624.6**
Solvency ratio's		
Solvency requirements	3,966.4	3,640.3
Solvency excess	5,190.1	4,984.3
Solvency ratio	230.9%	236.9%

8.2 Ageas capital management

Ageas considers a strong capital base in the individual insurance operations a necessity, on one hand as a competitive advantage and on the other as being necessary to fund the planned growth.

The General Account comprises the group functions, financing transactions, as well as the so-called legacy related issues. Ageas uses for the General Account the notion of 'net cash' as the indicator for the freely available capital at group level as long as it is lower then the available capital at group level.

Ageas targets a minimum aggregate solvency ratio of 200% of the minimum regulatory requirements at the Total Insurance level. Ageas will review the minimum targets at the latest at the time of the introduction of Solvency II.

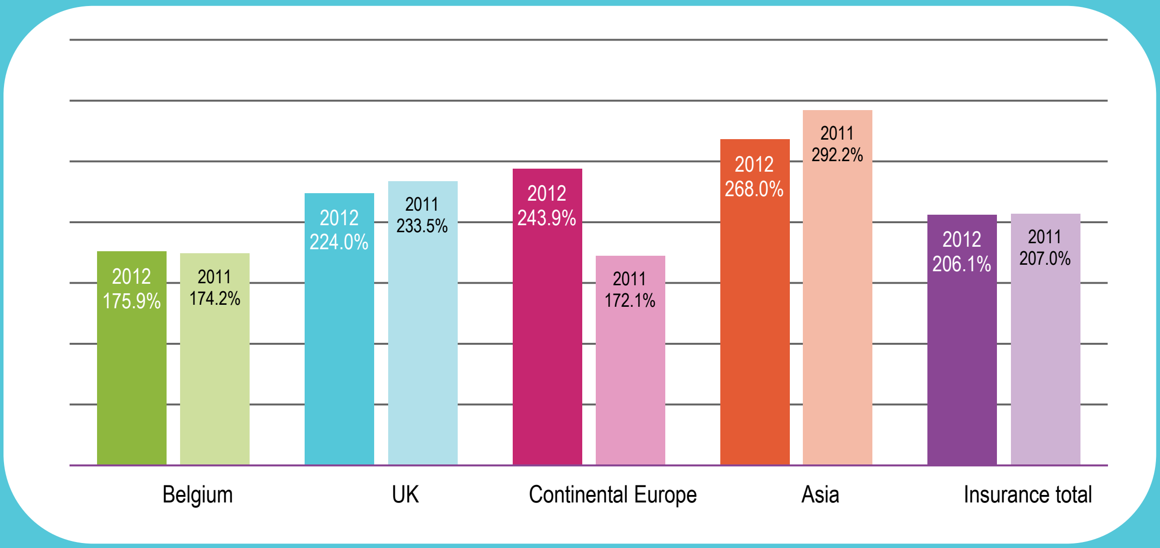
Capital position Insurance

At 31 December 2012, the total available capital of the insurance operations stood at EUR 8.2 billion (31 December 2011: EUR 7.5 billion), 206.1% of the required minimum (31 December 2011: 207.0%).

31 December 2012	Belgium	UK	Continental Europe	Asia	Consolidation Adjustments	Insurance total	General (incl. elim)	Total Ageas
Total available capital	4,184.7	1,097.4	1,396.7	1,396.7	90.8	8,166.3	990.2	9,156.5
Minimum solvency requirements	2,379.6	489.9	572.6	521.1		3,963.2	3.2	3,966.4
Amount of total capital above minimum	1,805.1	607.5	824.1	875.6	90.8	4,203.1	987.0	5,190.1
Total solvency ratio	175.9%	224.0%	243.9%	268.0%		206.1%		230.9%

31 December 2011	Belgium	UK	Continental Europe	Asia	Consolidation Adjustments	Insurance total	General (incl. elim)	Total Ageas
Total available capital	3,940.3	857.9	973.3	1,291.0	467.1	7,529.6	1,095.0	8,624.6
Minimum solvency requirements	2,262.5	367.4	565.4	441.8		3,637.1	3.2	3,640.3
Amount of total capital above minimum	1,677.8	490.5	407.9	849.2	467.1	3,892.5	1,091.8	4,984.3
Total solvency ratio	174.2%	233.5%	172.1%	292.2%		207.0%		236.9%

The solvency position per Insurance segment and for Insurance total can graphically be shown as follows:



Net cash position General Account

Based on the rules and regulations of the NBB the available regulatory capital of the General Account (including eliminations) amounted to EUR 1.0 billion (31 December 2011: EUR 1.1 billion). At year-end 2011, the available capital is lower than the net cash position at group level and thus represents the constraining factor.

The net cash position stood per 31 December 2012 at EUR 1.2 billion and was positively impacted compared to year-end 2011 by:

- Ageas received EUR 953 million for the redemption of the Tier 1 instrument (see Note 18 Loans);
- Ageas received EUR 400 million in connection with the settlement arrangement with the Dutch State and ABN AMRO (see to Note 20 Reinsurance and other receivables);
- Ageas paid an indemnity of EUR 287 million (see Note 30 RPN(I));
- Ageas paid its annual dividend of EUR 195 million;
- Ageas paid EUR 160 million in relation to the share buyback programs.

	31 December 2012	31 December 2011
Cash and cash equivalents	402.4	344.7
Due from banks	1,000.0	600.0
Debt certificates	(186.8)	(256.7)
Net cash position	**1,215.6**	**688.0**

9

POST-EMPLOYMENT BENEFITS, OTHER LONG-TERM EMPLOYEE BENEFITS *AND* TERMINATION BENEFITS

Post-employment benefits are employee benefits, such as pensions and post-employment medical care, which are payable after the end of employment. Other long-term employee benefits are employee benefits which do not fall fully due within twelve months of the period in which the employees rendered the related service, including long-service awards and long-term disability benefits. Termination benefits are employee benefits payable as a result of the premature end of the employee's employment contract.

9.1 Post-employment benefits

9.1.1 Defined benefit pension plans and other post-employment benefits

Ageas operates defined benefit pension plans covering the majority of its employees. Ageas's preferred approach is to replace defined benefit plans by defined contribution plans, in order to better monitor and control the employer costs and to facilitate cross-country mobility.

Under defined benefit pension plans, benefits are calculated based on years of service and level of salary. Pension obligations are determined on the basis of mortality tables, employee turnover, wage drift and economic assumptions such as inflation and discount rate. Discount rates are set by country or region on the basis of the yield (at closing date) of corporate AA-bonds.

In addition to pensions, post-employment benefits may also include other expenses such as reimbursement of part of health insurance premiums and favourable conditions on financial products, such as mortgage loans, which continue to be granted to employees after retirement.

The following table provides details of the amounts shown in the statement of financial position as at 31 December regarding defined-benefit pension obligations and other post-employment benefits.

	Defined benefit pension plans		Other post-employment benefits	
	2012	2011	2012	2011
Present value of funded obligations	250.8	222.2		
Present value of unfunded obligations	367.1	323.0	81.2	63.4
Defined benefit obligation	**617.9**	**545.2**	**81.2**	**63.4**
Fair value of plan assets	(211.8)	(182.5)		
	406.1	**362.7**	**81.2**	**63.4**
Unrecognised actuarial gains (losses)	(111.9)	(81.2)	(25.5)	(9.8)
Net defined benefit liabilities (assets)	**294.2**	**281.5**	**55.7**	**53.6**
Amounts in the statement of financial position:				
Defined benefit liabilities	321.4	304.4	55.7	53.6
Defined benefit assets	(27.2)	(22.9)		
Net defined benefit liabilities (assets)	**294.2**	**281.5**	**55.7**	**53.6**

Defined benefit liabilities are classified under Accrued interest and other liabilities (see Note 31) and defined benefit assets are classified under Accrued interest and other assets (see Note 22).

As Ageas is a financial institution specialising in the management of employee benefits, some of its employees' pension plans are insured by Ageas insurance companies. Under IFRS, the assets backing these pension plans are non-qualifying and consequently may not be considered as plan assets. For this reason, these plans are classified as 'unfunded'.

From an economic point of view, the net defined liability is offset by the non-qualifying plan assets which are held within Ageas (2012: EUR 274.2 million; 2011: EUR 253.1 million), resulting in a net liability of EUR 20.0 million in 2012 (2011: EUR 28.4 million) for defined benefit pension obligations.

The following table reflects the changes in net defined benefit liabilities (assets) as recognised in the statement of financial position.

	Defined benefit pension plans		Other post-employment benefits	
	2012	2011	2012	2011
Net defined benefit liabilities (assets) as at 1 January	**281.5**	**275.2**	**53.6**	**53.1**
Total defined benefit expense	40.3	39.3	4.7	2.9
Employer's contributions	(16.7)	(18.4)		
Benefits directly paid by the employer	(10.3)	(13.7)	(1.9)	(1.5)
Acquisitions and disposals of subsidiaries		(1.0)		
Transfer	(0.3)	0.3		
Foreign exchange differences	(0.3)	(0.6)		
Other		0.4	(0.7)	(0.9)
Net defined benefit liabilities (assets) as at 31 December	**294.2**	**281.5**	**55.7**	**53.6**

Benefits directly paid by the employer relate to defined benefit pension plans that are directly held within an Ageas entity.

The table below shows the changes in the defined benefit obligation.

	Defined benefit pension plans		Other post-employment benefits	
	2012	2011	2012	2011
Defined benefit obligation as at 1 January	**545.2**	**468.7**	**63.4**	**60.0**
Current service cost	23.6	23.6	2.0	2.0
Interest cost	21.0	19.8	2.4	2.4
Past service cost - vested benefits				(1.5)
Curtailments	2.4	3.0		
Settlements	(0.8)			
Actuarial losses (gains) on defined benefit obligation	38.2	45.9	16.0	2.9
Participants' contributions	0.3	0.1		
Benefits paid	(5.3)	(5.4)		
Benefits directly paid by the employer	(10.3)	(13.7)	(1.9)	(1.5)
Acquisitions and disposals of subsidiaries		(1.3)		
Transfer	(0.3)	0.2		
Foreign exchange differences	3.7	3.8		
Other	0.2	0.5	(0.7)	(0.9)
Defined benefit obligation as at 31 December	**617.9**	**545.2**	**81.2**	**63.4**

Actuarial losses (gains) on defined benefit obligation mainly reflect the change in discount rate and other actuarial assumptions and the experience adjustment on defined benefit obligations. The actuarial loss of defined benefit obligation of pensions in 2012 reflects the overall decrease of discount rate and a change in lifetime expectancy rates in UK. The actuarial loss on defined benefit obligation of post-employment medical care reflects the decrease of discount rate.

The following table shows the changes in the fair value of plan assets.

Defined benefit pension plans	2012	2011
Fair value of plan assets as at 1 January	**182.5**	**159.7**
Settlements		0.8
Expected return on plan assets	8.8	8.0
Actuarial gains (losses) on plan assets	5.8	(3.2)
Employer's contributions	16.7	18.4
Participants' contributions	0.3	0.1
Benefits paid	(5.3)	(5.4)
Foreign exchange differences	3.0	4.0
Other		0.1
Fair value of plan assets as at 31 December	**211.8**	**182.5**

Actuarial gains (losses) on plan assets are mainly the difference between actual and expected return. The following table shows the actual return on plan assets for defined benefit pension plans.

Defined benefit pension plans	2012	2011
Actual return on plan assets	14.7	4.9

The following table shows the changes in the total of unrecognised actuarial gains (losses) on liabilities and assets.

	Defined benefit pension plans		Other post-employment benefits	
	2012	2011	2012	2011
Unrecognised actuarial gains (losses) as at 1 January	**(81.2)**	**(33.8)**	**(9.8)**	**(6.9)**
Curtailments	0.3	0.3		
Settlements		1.0		
Amortisation of unrecognised actuarial losses (gains) on defined benefit obligation	2.0	0.3	0.3	
Amortisation of unrecognised actuarial losses (gains) on plan assets	0.6	0.1		
Actuarial gains (losses) on defined benefit obligation	(38.2)	(45.9)	(16.0)	(2.9)
Actuarial gains (losses) on plan assets	5.8	(3.2)		
Acquisitions and disposals of subsidiaries		0.3		
Transfer		0.1		
Foreign exchange differences	(1.0)	(0.4)		
Other	(0.2)			
Unrecognised actuarial gains (losses) as at 31 December	**(111.9)**	**(81.2)**	**(25.5)**	**(9.8)**

The changes in unrecognised past service cost were nil in 2012 and 2011.

Experience adjustments are actuarial gains and losses that arise because of differences between the actuarial assumptions made at the beginning of the year and actual experience during the year.

The following table shows experience adjustments to plan assets and defined benefit obligations.

	Defined benefit pension plans					Other post-employment benefits				
	2012	2011	2010	2009	2008	2012	2011	2010	2009	2008
Experience adjustments to plan assets, gain (loss)	5.8	(3.2)	0.7	8.3	(25.0)					
As % of plan assets as at 31 December	2.7%	(1.8%)	0.4%	4.6%	(15.7%)					
Experience adjustments to defined Benefit obligation, loss (gain)	(2.0)	0.4	(9.0)	1.8	16.0	0.5	0.9	(2.5)	2.9	5.0
As % of defined benefit obligation as at 31 December	(0.3%)	0.1%	(1.9%)	0.4%	3.7%	0.6%	1.4%	(4.2%)	6.5%	13.2%

The following table shows the components of expenses related to the defined benefit pension plans and other post-employment benefits for the year ended 31 December.

	Defined benefit pension plans		Other post-employment benefits	
	2012	2011	2012	2011
Current service cost	23.6	23.6	2.0	2.0
Interest cost	21.0	19.8	2.4	2.4
Expected return on plan assets	(8.8)	(8.0)		
Past service cost - vested benefits				(1.5)
Amortisation of unrecognised actuarial losses (gains) on defined benefit obligation	2.0	0.3	0.3	
Amortisation of unrecognised actuarial losses (gains) on plan assets	0.6	0.1		
Curtailments	2.7	3.3		
Settlements	(0.8)	0.2		
Total defined benefit expense	**40.3**	**39.3**	**4.7**	**2.9**

The current service cost, past service cost, amortisation of unrecognised actuarial losses (gains) on the defined benefit obligation and losses (gains) on curtailments and settlements impacting liabilities are included in Staff expenses (see Note 48). All other defined benefit expense items are included in Financing costs (see Note 45).

The table below shows the expected and actual return on non-qualifying assets for defined benefit pension plans. In accordance with IFRS, the expected return on non-qualifying assets cannot be deducted from the defined benefit expense.

	2012	2011
Expected return on non-qualifying assets	10.6	9.6
Actual return on non-qualifying assets	10.5	7.5

The following table shows the principal actuarial assumptions made for the euro-zone countries.

	Defined benefit pension plans				Other post-employment benefits			
	2012		2011		2012		2011	
	Low	High	Low	High	Low	High	Low	High
Discount rate	2.3%	2.9%	3.4%	4.1%	2.4%	2.8%	3.9%	4.4%
Expected return on plan assets as at 31 December	3.5%	4.0%	3.5%	5.3%				
Future salary increases (price inflation included)	2.0%	5.0%	2.4%	5.4%				
Future pension increases (price inflation included)	0.0%	2.0%	1.8%	2.4%				
Medical cost trend rates					3.8%	3.8%	3.8%	3.8%

The discount rate on pensions is weighted by the defined benefit obligation on pensions. The discount rate on other post-employments benefits varies in 2012 from 2.4% in the Netherlands to 2.8% in Belgium, and is lower than in 2011. The expected return on plan assets reflects an asset mix concentrated in group insurance contracts and bonds. The future salary increases varies in 2012 from 2.0% for older employees group, to 5.0% for the younger ones.

The following table shows the principal actuarial assumptions made for other countries.

Defined benefit pension plans	2012	2011
Discount rate	3.6%	4.3%
Expected return on plan assets as at 31 December	3.9%	4.8%
Future salary increases (price inflation included)	5.0%	5.0%
Future pension increases (price inflation included)	2.3% - 5.0%	2.3% - 3.0%

The euro-zone represents 71% of Ageas's total defined benefit obligations. Other countries include only obligations in the United Kingdom. Other post-employment benefits in countries outside the euro-zone are not regarded as significant.

Ageas uses the government bond curve and AA-graded corporate bonds as references for the expected return on bonds and adds a risk premium to that return for equity securities and real estate.

A one-per-cent change in assumed medical cost trend rates would have the following effect on the defined benefit obligation and defined benefit expense for medical costs:

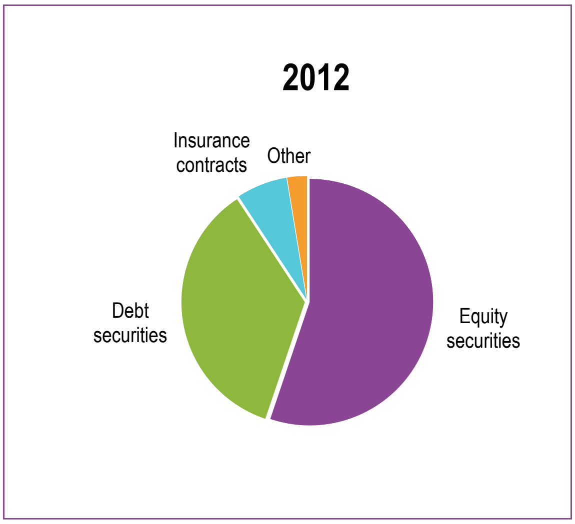
	Medical care	One-percent increase	One-percent decrease
Effect on the defined benefit obligation - medical costs	79.5	23.0%	(17.6%)
Effect on the total defined benefit expense - medical costs	4.0	32.8%	(23.9%)

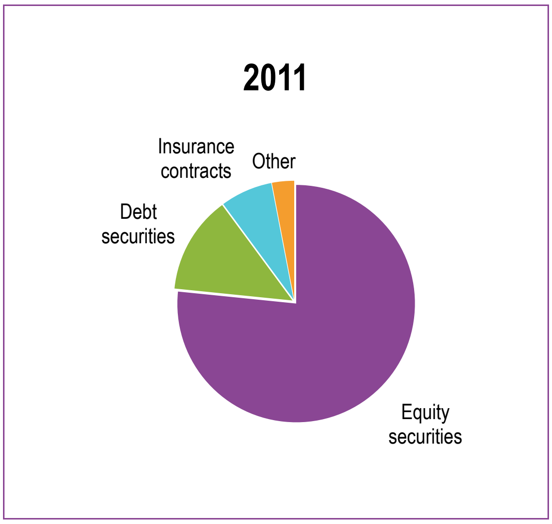
The plan assets comprise predominantly equity securities, fixed-income securities and investment contracts with insurance companies. Ageas's internal investment policy stipulates that investment in derivatives and emerging markets for the purpose of funding pension plans is to be avoided. Ageas gradually adjusts its asset allocation policy to ensure a close match between the duration of assets and that of pension liabilities.

The asset mix of the plan assets for pension obligations is as follows:

	31 December 2012	31 December 2011
Equity securities	56.0%	76.6%
Debt securities	34.5%	13.3%
Insurance contracts	6.8%	7.1%
Real estate	0.3%	0.0%
Cash	1.7%	2.2%
Other	0.7%	0.8%

The asset mix of the plan assets can graphically be shown as follows:

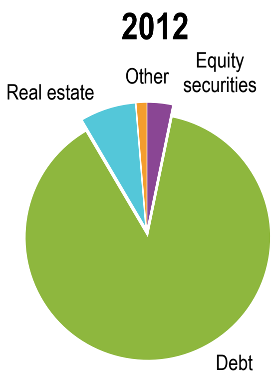


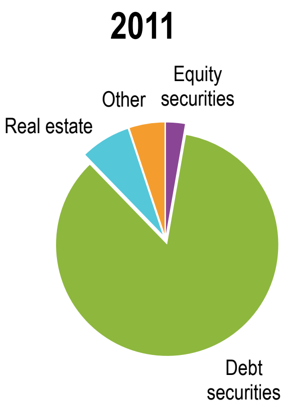


The mix of the unqualified assets for pension obligations is as follows:

	31 December 2012	31 December 2011
Equity securities	3.2%	2.7%
Debt securities	88.3%	85.0%
Insurance contracts	1.0%	1.1%
Real estate	7.2%	7.2%
Convertible bonds	0.3%	0.3%
Cash		3.7%

The mix of the unqualified assets for pension obligations can graphically be shown as follows:





The employer's contributions expected to be paid to post-employment benefit plans for the year ending 31 December 2013 are as follows:

	Defined benefit pension plans
Expected contribution next year to plan assets	4.4
Expected contribution next year to unqualified plan assets	18.6

9.1.2 Defined-contribution plans

Ageas operates a number of defined contribution plans worldwide. The employer's commitment to a defined contribution plan is limited to the payment of contributions calculated in accordance with the plan's regulations. Employer contributions to defined-contribution plans amounted to EUR 18.8 million in 2012 (2011: EUR 17.3 million) and are included in Staff expenses (see Note 48).

9.2 Other long-term employee benefits

Other long-term employee benefits include long-service awards and long-term disability benefits. The table below shows net liabilities. The liabilities related to other long-term employee benefits are included in the statement of financial position under Accrued interest and other liabilities (see Note 31). The assets are included in the statement of financial position under Accrued interest and other assets (see Note 22).

	2012	2011
Defined benefit obligation	13.1	12.3
Other amounts recognised in the statement of financial position		
Net defined benefit liabilities (assets)	**13.1**	**12.3**
Amounts shown in the statement of financial position:		
Defined benefit liabilities	13.1	12.3
Defined benefit assets		
Net defined benefit liabilities (assets)	**13.1**	**12.3**

The following table shows the changes in liabilities for other long-term employee benefits during the year.

	2012	2011
Net liability as at 1 January	**12.3**	**8.7**
Total expense	2.0	2.9
Benefits directly paid by the employer	(1.2)	(0.5)
Transfer		1.2
Net liability as at 31 December	**13.1**	**12.3**

The table below provides the range of actuarial assumptions applied when calculating the liabilities for other long-term employee benefits.

	2012		2011	
	Low	High	Low	High
Discount rate	2.2%	5.0%	3.4%	4.4%
Future salary increases	2.0%	5.0%	2.9%	5.2%

Expenses related to other long-term employee benefits are shown below. Interest cost is included in Financing costs (see Note 45), all other expenses are included in Staff expenses (see Note 48).

	2012	2011
Current service cost	0.5	0.4
Interest cost	0.4	0.3
Net actuarial losses (gains) recognised immediately	1.1	0.5
Past service costs recognised immediately		1.7
Total expense	**2.0**	**2.9**

9.3 Termination benefits

Termination Benefits are employee benefits payable as a result of either an enterprise'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.

The table below shows liabilities related to termination benefits included in the statement of financial position under Accrued interest and other liabilities (see Note 31).

	2012	2011
Defined benefit obligation	14.7	20.3
Net defined benefit liabilities (assets)	**14.7**	**20.3**

The following table shows the changes in liabilities for termination benefits during the year.

	2012	2011
Net liability as at 1 January	**20.3**	**26.2**
Total expense	(0.5)	2.7
Benefits directly paid by the employer	(5.1)	(6.5)
Transfer		(2.1)
Net liability as at 31 December	**14.7**	**20.3**

Expenses related to termination benefits are shown below. Interest cost is included in Financing costs (see Note 45). All other expenses are included in Staff expenses (see Note 48). The expense level of 2012 reflects a low number of employees anticipated to leave before the normal retirement date.

	2012	2011
Current service cost	0.3	2.8
Interest cost	0.2	0.4
Net actuarial losses (gains) recognised immediately	(1.0)	(0.5)
Total expense	**(0.5)**	**2.7**

10

EMPLOYEE SHARE OPTION AND SHARE PURCHASE PLANS

Ageas's remuneration package for its employees and executive committee members may include share-related instruments. These benefits take the form of:

- employee share options;
- shares offered at a discount;
- restricted shares.

10.1 Employee share options

Ageas decides each year whether or not to offer options to its employees. The features of the option plans may vary from country to country depending on local tax regulations. There is a difference between conditional and unconditional options. Unconditional options are granted to employees who work in countries where options are subject to taxation directly upon being granted. Conditional options are granted to employees in countries where the options are taxed upon exercise. Conditional options become vested if the employee is still employed after a period of five years. In general, options may not be exercised until five years after they are granted, regardless of whether they are conditional or unconditional. In 2012, like in 2011, no new options were granted to employees.

Ageas has committed itself to fulfilling the existing option obligations towards employees of the discontinued operations. The number of options that is disclosed in this note therefore relates to current employees of Ageas and to former employees of Ageas who were employed by the discontinued operations Fortis Bank, Fortis Insurance Netherlands and Fortis Corporate Insurance.

The following option plans are outstanding as at 31 December 2012 (the exercise prices are expressed in euros).

2012	Outstanding options (in '000)	Weighted average exercise price	Highest exercise price	Lowest exercise price
Lapsing year				
2013	3,467	14.24	27.23	12.17
2014	3,257	14.88	16.46	14.18
2015	3,265	18.55	18.65	18.41
2016	4,347	24.61	24.68	24.49
2017	4,944	28.03	28.62	27.23
2018	4,828	15.44	16.46	15.06
Total	**24,108**	**19.85**		

2011	Outstanding options (in '000)	Weighted average exercise price	Highest exercise price	Lowest exercise price
Lapsing year				
2012	1,588	20.48	26.58	18.65
2013	3,467	14.24	27.23	12.17
2014	3,257	14.88	16.46	14.18
2015	3,265	18.55	18.65	18.41
2016	4,347	24.61	24.68	24.49
2017	4,944	28.03	28.62	27.23
2018	4,828	15.44	16.46	15.06
Total	**25,696**	**19.89**		

The average duration of the options outstanding at year end 2012 is 3.8 years (2011: 4.5 years). The changes in outstanding options are as follows:

	2012 Number of options (in '000)	2012 Weighted average exercise price	2011 Number of options (in '000)	2011 Weighted average exercise price
Balance as at 1 January	**25,696**	**19.89**	**26,492**	**19.95**
Lapsed	(1,588)		(796)	
Balance as at 31 December	**24,108**	**19.85**	**25,696**	**19.89**
On existing ageas shares	685		1,149	
On new ageas shares	23,423		24,547	
Of which are conditional	2,084		2,748	
Of which are unconditional	22,024		22,948	
Exercisable out of the money	24,108		25,696	

In the table above, Number of options granted and Exercise price relate to the share units prior to the reverse stock split operation of August 2012. Expressed in current shares and share prices, the number of options has to be divided by ten and the Exercise price multiplied by ten.

In 2012, Ageas recorded EUR 1.0 million as staff expenses with respect to the option plans (2011: EUR 2.5 million). As long as the options are not exercised, they have no impact on shareholders' equity, as the expenses recorded in the income statement are offset by a corresponding increase in shareholders' equity. When the options are exercised, shareholders' equity is increased by the exercise price. In 2012 and 2011 no options were exercised.

The options granted by Ageas are ten-year American at-the-money call options with a five-year vesting period, the value is based on the Simple-Cox model. The volatility is based on market information of external parties.

All option plans and restricted share plans (see below) are settled by the delivery of Ageas shares rather than in cash. Some option plans and restricted share plans specifically state that existing shares must be delivered upon exercise. New shares may be issued in other cases.

10.2 Restricted shares

In 2012 and 2011, Ageas created a restricted share programme for its senior management. Dependent on the relative performance of Ageas's share in relation to a peer group over the next three years and some additional conditions, the senior managers will be awarded, in total, between zero and 160,000 existing Ageas shares for free on 1 April, 2014. Ageas has decided to hedge this commitment by purchasing the maximum number of shares to be awarded in 2011. Ageas acquired in 2011 and 2012 161,500 shares for the restricted share programme. In addition, in 2012 a restricted share programme for the ExCo and MCO has been created.

The conditions of the commitments to grant and sell restricted shares are described in Note 11 Remuneration of Board of Directors Members and Executive Committee Members.

The table below shows the changes in commitments for restricted shares during the year for senior management.

(number of shares in '000)	2012	2011
Number of restricted shares committed to be granted as at 1 January	**162**	**11**
Restricted shares committed to grant and granted	126	162
Restricted shares vested		(11)
Restricted shares cancelled	(16)	
Number of restricted shares committed to be granted as at 31 December	**272**	**162**

The table below shows the changes in commitments for restricted shares during the year for ExCo and MCO Members.

(number of shares in '000)	2012	2011
Number of restricted shares committed to be granted as at 1 January		
Restricted shares committed to grant and granted	157	
Number of restricted shares committed to be granted as at 31 December	**157**	

11

REMUNERATION OF BOARD OF DIRECTORS MEMBERS AND EXECUTIVE COMMITTEE MEMBERS

This note describes the Ageas Remuneration Policy as applied in 2012. It contains detailed information on the remuneration of individual Board Members and Executive Committee Members who held office during 2012.

The remuneration of Board of Directors Members and Group Executive Committee Members has been determined in accordance with the Remuneration Policy, which was approved by the General Meetings of Shareholders of ageas SA/NV and ageas N.V. on, respectively 28 and 29 April 2010, and which is set forth in the Ageas Corporate Governance Charter as may be amended from time to time (see www.ageas.com/en/Pages/governance.aspx).

Paragraph 11.1 describes the remuneration of the non-executive Board of Directors Members. The remuneration of the executive Board Member (the CEO) and the other members of the Group Executive Committee is clarified in paragraph 11.2 entitled Remuneration of Ageas Executive Committee Members.

11.1 Remuneration of the Board of Directors

Changes in the Board of Directors in 2012 – Remuneration 2012

In November 2012, Belén Romana (non-executive) stepped down as Board Member following her appointment as Chairwoman of SAREB, (Asset Management Company for Assets arising from Bank Restructuring) in Spain. There were no other changes in the Board's composition. The Board is therefore currently composed of ten members: Jozef De Mey (Chairman, non-executive), Bart De Smet (CEO, executive), Guy de Selliers de Moranville (vice-chairman, independent), Frank Arts, Bridget McIntyre, Lionel Perl, Roel Nieuwdorp, Shaoliang Jin and Jan Zegering Hadders (non-executives, independent) and Ronny Brückner (non-executive).

Regarding Ageas UK Ltd, Guy de Selliers de Moranville (Chairman), Jan Zegering Hadders and Bridget McIntyre remain members of the Board of Directors. Regarding AG Insurance SA/NV, Frank Arts and Lionel Perl continue to be members of the Board of Directors and Jozef De Mey Chairman of the Board. Jozef De Mey is also a member of the Board of Directors of AICA (Hong Kong), Muang Thai Group Holding Co. Ltd. and Muang Thai Life (Thailand) and Taiping Life (China). Roel Nieuwdorp is member of the Board of Directors of Ageas France and Belén Romana was a member of the Board of Directors of Millenniumbcp Ageas, she resigned from this position in November 2012. To the extend that these positions are remunerated, the amounts paid out are disclosed in the tables below.

Total remuneration of non-executive Board Members amounted to EUR 1.22 million in the 2012 financial year (2011: EUR 1.19 million). This remuneration includes the basic remuneration for Board membership and the attendance fees for Board meetings and Board Committee meetings both at the level of Ageas and at its subsidiaries.

Implementation of Remuneration Policy

In April 2010, the General Meetings of Shareholders of ageas SA/NV and ageas N.V. approved the Remuneration Policy applicable as of 1 January 2010 in respect of Ageas's non-executive Board Members. In April 2011, the General Meetings of Shareholders of ageas SA/NV and ageas N.V. reconfirmed this Remuneration Policy.

The Ageas Remuneration Policy is in line with the Corporate Governance Act of 6 April 2010.

Please refer to the Report of the Remuneration Committee for further information on the remuneration of non-executive Board Members.

In accordance with the policy, non-executive Board Members did not receive annual incentives or stock options and were not entitled to pension rights. The remuneration of the executive Board Member (the CEO) is related exclusively to his position as CEO and is therefore determined in line with the Remuneration Policy for executive Committee Members (see paragraph 11.2).

Remuneration of the Board of Directors

The remuneration received by Board of Directors Members in 2012, is mentioned in the table below. The number of Ageas shares held by Board Members at 31 December 2012 is reported in the same table. For specific Board mandates we refer to paragraph 3.7 Board of directors.

	Function	From	Remuneration in 2012 (in EUR) as Board Member of Ageas 1) 4)	Ageas shares directly held at 31 December 2012 by current Board Members 5)
Jozef De Mey	Chairman	1 January 2012	114,500	9,427
Guy de Selliers de Moranville	Vice-chairman	1 January 2012	94,500	
Frank Arts	Non-executive Board Member	1 January 2012	74,000	833
Shaoliang Jin	Non-executive Board Member	1 January 2012	63,000	
Ronny Brückner	Non-executive Board Member	1 January 2012	71,500	3,100,000
Bridget McIntyre	Non-executive Board Member	1 January 2012	72,500	
Roel Nieuwdorp 3)	Non-executive Board Member	1 January 2012	90,500	260
Lionel Perl	Non-executive Board Member	1 January 2012	83,000	7,000
Belén Romana	Non-executive Board Member	1 January 2012	76,000	
Jan Zegering Hadders	Non-executive Board Member	1 January 2012	90,500	
Bart De Smet	Chief Executive Officer (CEO)	1 January 2012	See infra 2)	3,660 6)
Total			**830,000**	**3,121,180**

1) Board Members also receive an attendance fee for committee meetings they attend as invitee.
2) Bart De Smet is not remunerated as Board Member but as CEO (see Note 11.2 for details of his remuneration).
3) Total remuneration is paid to the company, where the Board Member holds a position.
4) Excluding reimbursement of expenses.
5) All numbers after reverse stock split.
6) Not including the shares committed to be granted for the LTI.

The remuneration received by Board of Directors Members in 2012 for their mandates in subsidiaries of Ageas is mentioned in the table below.

	Total Remuneration in 2012 (in EUR) as member of the Board of directors of Ageas subsidiaries 3)
Jozef De Mey	98,395
Guy de Selliers de Moranville	50,420
Frank Arts	49,000
Shaoliang Jin	
Ronny Brückner	
Bridget McIntyre	50,184
Roel Nieuwdorp 2)	29,500
Lionel Perl	62,000
Belén Romana	
Jan Zegering Hadders	51,660
Bart De Smet	See infra 1)
Total	**391,159**

1) Bart De Smet is not remunerated as Board Member but as CEO (see Note 11.2 for details of his remuneration).
2) Total remuneration is paid to the company, where the Board Member holds a position.
3) Excluding reimbursement of expenses.

11.2 Remuneration of Ageas Executive Committee Members

The Executive Committee of Ageas is composed of Bart De Smet (CEO), Christophe Boizard (CFO) and Kurt De Schepper (Chief Risk Officer). The CEO is the only executive member of the Board of Directors.

The members of the Executive Committee jointly earned in the course of 2012:

- a base remuneration of EUR 1,325,000 (compared to EUR 1,357,197 in 2011);
- a short-term incentive (STI) of EUR 774,973 in 2012 compared to EUR 335,257 in 2011. In line with the approved Remuneration Policy, only 50% of the short-term incentive earned over 2010 was paid in 2011, 25% of the remainder has been adjusted and paid in 2012, the remainder is to be adjusted and paid in 2013. Additionally only 50% of the short-term incentive earned over 2011 was paid in 2012, the remainder is to be adjusted and paid in 2013 and 2014. The STI for the 2012 financial year will be paid partly in 2013, 2014 and 2015;
- a long-term incentive of 43,927 shares with a value of EUR 1,118,010 (compared to 2011 when 6,989 shares – with a value of EUR 116,825 – were earned), and;
- pension costs of EUR 397,417 (excluding taxes) (compared to EUR 491,893 in 2011);
- an amount of EUR 190,623 (compared to EUR 152,819 in 2011) representing other usual benefits;
- no termination compensation was paid in 2012.

The remuneration of each Executive Committee Member is further detailed below.

Remuneration Policy

The Remuneration Policy for the members of the Executive Management was determined by the Board of Directors, upon proposals by the Remuneration Committee and in April 2010 approved by the General Meetings of Shareholders of ageas SA/NV and ageas N.V. For more detailed information on the remuneration applicable to the Ageas Executive Committee Members, please refer to the Report of the Remuneration Committee.

The remuneration package is part of a contract specifying terms and conditions: a description of the components of the package, termination clauses and various other clauses such as confidentiality and exclusivity. With effect from 1 December 2009 the contracts include a termination indemnity in accordance with the regulations laid down by the Belgian government.

The members of the Executive Committee are self-employed.

Remuneration of the ExCo Members in 2012

CEO

The remuneration of the CEO, who is also a member of the Board of Directors, relates solely to his position as CEO.

The remuneration of Bart De Smet has been determined after consultation with an external firm specialised in executive compensation and benefits, upon recommendation of the Remuneration Committee and in accordance with the Remuneration Policy.

Bart De Smet's remuneration in 2012 comprised:

- a base remuneration of EUR 500,000, unchanged since 2009;
- a short-term incentive of EUR 340,751 of which:
  - EUR 197,125 is related to the 2012 financial year. In line with the Remuneration Policy, only 50% of the EUR 394,250 of STI related to the 2012 financial year will be paid in 2013. The balance of the STI related to the 2012 financial year will be paid in the next two years, subject to – upward or downward – revision as foreseen in the Remuneration Policy approved by the General Meetings of Shareholders in 2010;
  - the initial amount corresponding to 25% of the STI for the 2011 financial year was EUR 42,063, this amount was revised upward taking into account the 2012 result to EUR 70,502. The balance of the STI related to the 2011 financial year will be paid next year, subject to – upward or downward – revision, and;
  - the initial amount corresponding to 25% of the STI for the 2010 financial year was EUR 71,437, this amount was revised upwards, taking into account the 2011 and 2012 results, to EUR 73,124.
- a long-term incentive of 16,576 shares (with a counter value of EUR 421,875), based on the volume weighted average price (VWAP) of February 2013. In line with the Remuneration Policy approved by the General Meetings of Shareholders in 2010, the shares related to this long-term incentive will be blocked until 2017 and further adjusted taking into account the evolution over the years 2013, 2014 and 2015. For 2011, 3,365 shares were conditionally granted and blocked until 2016, to be further adjusted taking into account the evolution over the years 2012, 2013 and 2014. All numbers mentioned are after the reverse stock split.
- an amount of EUR 160,676 (excluding taxes) representing the costs of the defined contribution pension plan;
- an amount of EUR 71,664 representing other usual benefits such as health, death and disability cover and company car.

Other members of the Executive Committee

The composition of the Executive Committee remained unchanged in 2012.

In 2012, the remuneration of Christophe Boizard, CFO comprised:

- a base remuneration of EUR 425,000; unchanged since 2011;
- a short-term incentive of EUR 177,923 representing:
  - 50% of the EUR 319,813 of STI related to the 2012 financial year. This amount will be paid in 2013. The balance of the STI related to the 2012 financial year will be paid in the next two years, subject to – upward or downward – revision as foreseen in the Remuneration Policy;
  - the initial amount corresponding to 25% of the STI for the 2011 financial year was EUR 10,141, this amount was revised upwards taking into account the 2012 result to EUR 18,016. The remaining 25% of the STI related to the 2011 financial year will be paid next year subject to – upward or downward – revision;
- a long-term incentive of 14,090 shares (with a counter value of EUR 358,615) based on the volume weighted average price (VWAP) of February 2013. The shares related to this long-term incentive will be blocked until 2017 and further adjusted taking into account the evolution over the years 2013, 2014 and 2015. For 2011, 932 shares were conditionally granted and blocked until 2016, to be further adjusted taking into account the evolution over the years 2012, 2013 and 2014. All numbers mentioned are after the reverse stock split.
- an amount of EUR 111,321 (excluding taxes) representing the costs of the defined contribution pension plan;
- an amount of EUR 66,952 representing other usual benefits such as health, death and disability cover and company car.

In 2012, the remuneration of Kurt De Schepper, CRO comprised:

- a base remuneration of EUR 400,000 unchanged since 2009;
- a short-term incentive of EUR 256,299 representing:
  - 50% of the EUR 301,600 of STI related to the 2012 financial year. This amount will be paid in 2013. The balance of the STI related to the 2012 financial year will be paid in the next two years, subject to – upward or downward – revision as foreseen in the Remuneration Policy;
  - the initial amount corresponding to 25% of the STI for the 2011 financial year was EUR 30,500, this amount was revised upwards, taking into account the 2012 result, to EUR 53,250.The remaining 25% of the STI related to the 2011 financial year will be paid next year subject to – upward or downward – revision;
  - the initial amount corresponding to the remaining 25% of the STI for the 2010 financial year was EUR 50,850 this amount was revised upwards, taking into account the 2012 result, to EUR 52,249.
- a long-term incentive of 13,261 shares (with a counter value of EUR 337,520) based on the volume weighted average price (VWAP) of February 2013. The shares related to this long-term incentive will be blocked until 2017 and further adjusted taking into account the evolution over the years 2013, 2014 and 2015. For 2011, 2,692 shares were conditionally granted and blocked until 2016, to be further adjusted taking into account the evolution over the years 2012, 2013 and 2014. All numbers mentioned are after the reverse stock split.
- an amount of EUR 125,420 (excluding taxes) representing the costs of the defined contribution pension plan;
- an amount of EUR 52,007 representing other usual benefits such as health, death and disability cover and company car.

Long-term incentive

In 2011, 6,989 shares were committed to be granted to the ExCo. These shares are blocked until 2016 and the number of shares can be adjusted taking into account the evolution over the years 2012, 2013 and 2014.

As mentioned above, in 2012, 43,927 shares were committed to be granted to the ExCo. These shares are blocked until 2017 and the number of shares can be adjusted taking into account the evolution over the years 2013, 2014 and 2015.

There are no restricted shares outstanding from previous years.

	Number of shares committed to be granted in 2011	Number of shares committed to be granted in 2012	Number of shares granted in 2012
Bart De Smet	3,365	16,576	
Christophe Boizard	932	14,090	
Kurt De Schepper	2,692	13,261	
Total	**6,989**	**43,927**	

Before appointment

Details of the share options (granted), relating to the options awarded to the CEO and CRO in the past in relation to their previous positions with the Group are as follows.

	Year	Number of options granted	Exercise price	Expiry date	Exercised before 2012	Options exercised in 2012	Outstanding at 31 December 2012
Bart De Smet	2007	12,339	28.62	1-04-2013			12,339
	2008	2,530	16.46	2-04-2014			2,530
Kurt De Schepper	2003	8,959	12.17	27-04-2013			8,959
	2004	8,959	14.78	13-04-2014			8,959
	2005	8,959	18.41	11-04-2015			8,959
	2007	9,771	28.62	1-04-2013			9,771
	2008	2,040	16.46	2-04-2014			2,040

In the table above, the number of options granted and the exercise price relate to the share units prior to the reverse stock split in August 2012. To express them as current shares and at current share prices, the number of options has to be divided by ten and the exercise price multiplied by ten.

12

AUDIT FEES

Fees paid to Ageas's auditors for 2012 and 2011 can be broken down into the following components:

- audit fees, which include fees for auditing the statutory and Consolidated Financial Statements, the review of the Interim Financial Statements as well as the review of the embedded value report;
- audit-related fees, which include fees for work performed on prospectuses, non-standard auditing and advisory services not related to statutory auditing;
- fees for tax advice;
- other non-audit fees, which include fees for support and advice.

The breakdown of audit fees for the year ended 31 December is as follows:

		2012		2011
	Ageas Statutory Auditors	Other Ageas Auditors	Ageas Statutory Auditors	Other Ageas Auditors
Audit fees	4.7		5.2	0.2
Audit-related fees	0.7		1.0	
Tax fees	0.2			
Other non-audit fees	1.5	0.4	0.9	0.1
Total	**7.1**	**0.4**	**7.1**	**0.3**

13 RELATED PARTIES

Parties related to Ageas include associates, pension funds, Board members (i.e. non-executive and executive members of the Ageas Board of Directors), Executive Managers, close family members of any individual referred to above, entities controlled or significantly influenced by any individual referred to above and other related entities. Ageas frequently enters into transactions with related parties in the course of its business operations. Such transactions mainly concern loans, deposits and reinsurance contracts and are entered into under the same commercial and market terms that apply to non-related parties.

Ageas companies may grant credits, loans or guarantees in the normal course of business to Board members and Executive Managers or to close family members of the Board members or close family members of Executive Managers.

As at 31 December 2012, no outstanding loans, credits or bank guarantees have been granted to Board members and Executive Managers or to close family members of the Board members and close family members of Executive Managers.

Transactions entered into with the following related parties during the year ended 31 December are summarised below:

- associates;
- other related parties such as pension funds;
- Board members.

In December 2011, AG Insurance issued DTH Partners LLC and NB 70 Pine LLC (joint and several borrowers), both real estate investment companies in the U.S., a convertible bridge loan of USD 70 million (EUR 53.0 million) to help finance the acquisition of a landmark building in New York City on 70 Pine Street in Manhattan. The loan has an original maturity of one year but was extended at year-end 2012. It bears an interest rate of 12% and benefits from a security package that features (i) pledges over shares of the special purpose vehicle owning the building, (ii) guarantee agreements, (iii) pledges over receivables and (iv) options for AG Insurance to convert into entities holding residential rental properties in downtown Manhattan.

In September 2012, AG Insurance signed an Operating Agreement with Westbridge SARL to subscribe to:

- a USD 97.5 million capital contribution for DTH Partners LLC, representing a 33% participation in DTH Partner LLC, and
- a Mezzanine Loan Agreement with DTH Partners LLC granting a USD 97.5 million loan to DTH Partners LLC at an initial interest rate of 10.5%.

These commitments are subject to several conditions precedent related to the 70 Pine Street development project.

As DTH Partners LLC is an entity affiliated with Mr. Ronny Brückner, a member of the Ageas Board of Directors, the aforementioned transactions and commitments are regarded as a related party transaction under IFRS rules, and as such are hereby disclosed. Although these are unique circumstances, management considers the transaction to be concluded at arm's length.

The tables below show the lines of the income statement and statement of financial position in which amounts for related parties are included.

			2012			2011
	Associates	Other	Total	Associates	Other	Total
Income and expenses - related parties						
Interest income	3.1	6.7	9.8	2.3	0.2	2.5
Insurance premiums, net of reinsurance (earned)				0.1		0.1
Fee and commission income	12.6		12.6	5.7		5.7
Other income	0.5		0.5	0.5		0.5
Operating, administrative and other expenses	(18.0)		(18.0)	(18.5)		(18.5)

			2012			2011
	Associates	Other	Total	Associates	Other	Total
Statement of financial position - related parties						
Financial Investments	8.0		8.0	8.0		8.0
Loans to customers	47.4	53.0	100.4	33.4	54.1	87.5
Other assets	57.8	3.7	61.5	7.9	0.1	8.0
Debt certificates, subordinated liabilities and other borrowings	4.9		4.9	4.6		4.6
Other liabilities	6.9		6.9	15.9		15.9

The changes in Loans to customers, being related parties, during the year ended 31 December are as follows:

		Loans to customers
	2012	2011
Related party loans to customers as at 1 January	**87.5**	**24.0**
Additions or advances	12.9	63.5
Related party loans to customers as at 31 December	**100.4**	**87.5**

14

INFORMATION ON OPERATING SEGMENTS

14.1 General information

Ageas has an organisational structure based on a lean Executive Committee and a Management Committee consisting of the ExCo, the Chief Operating Officer, the Chief Executive Officers of the four geographical regions and the Group Risk Officer.

Operating segments

Ageas is organised into five operating segments (for details see below):

- Belgium;
- United Kingdom (UK);
- Continental Europe;
- Asia;
- General Account.

Ageas decided that the most appropriate way of reporting operating segments under IFRS is per region in which Ageas operates, meaning Belgium, United Kingdom, Continental Europe and Asia. In addition, Ageas reports activities not related to the core insurance business such as group finance and other holding activities within the General Account that is presented as a separate operating segment.

Ageas's segment reporting based on IFRS reflects the full economic contribution of the businesses of Ageas. The aim is direct allocation to the businesses of all statements of financial positions and income statement items for which the businesses have full managerial responsibility.

Transactions between the different businesses are executed under the standard commercial terms and conditions.

Allocation rules

In accordance with Ageas's business model, insurance companies report support activities directly in the business.

When allocating items from the statement of financial position to operating segments, a bottom-up approach is used based on the products sold to external customers.

For the items of the statement of financial position not related to products sold to customers, a tailor-made methodology adapted to the specific business model of each reportable segment is applied.

14.2 Belgium

The Belgian insurance activities, operating since June 2009 under the name of AG Insurance, have a longstanding history. The company serves approximately 2.5 million customers and its premium income amounts to EUR 6.9 billion. Some 70% of this income comes from Life insurance; the remainder from Non-life insurance. AG Insurance is also a 100% owner of AG Real Estate, which manages its real estate activities and has grown into the largest real estate group in Belgium.

AG Insurance targets private individuals as well as small, medium-sized and large companies. It offers its customers a comprehensive range of Life and Non-life insurance through various channels: more than 3,000 independent brokers and via the bank channels of BNP Paribas Fortis SA/NV and its subsidiaries. AG Employee Benefits is the dedicated business unit offering group pension and health care solutions, mainly to larger enterprises. Since May 2009, BNP Paribas Fortis SA/NV owns 25% of AG Insurance.

14.3 United Kingdom (UK)

Ageas's business in the UK is a leading national provider of Non-life insurance solutions and a related Life protection business launched in 2008. The UK business has a strong presence in the Personal lines market and is continuing to expand its Commercial lines proposition. The split is around 82% Personal lines, 16% Commercial lines and 2% Life. The UK business is the affinity partner of a number of very strong brands including Tesco Bank, John Lewis Partnership, Age UK and Toyota (GB) Limited. The UK business adopts a multi-channel distribution strategy across brokers, affinity partners and own distribution. Its 100% owned subsidiaries include RIAS and Castle Cover which have over a million customers in the growing +50 age market segment and Ageas Insurance Solutions which provides white label solutions to affinity partners, outsourcing services as well as direct internet promotion of its own brands.

The successful start-up of Tesco Underwriting, the partnership with Tesco Bank (49%) and the integration of the acquired business of Kwik-Fit Insurance Services will further strengthen Ageas's respective market positions in the UK. In addition, Ageas acquired in November 2012 Groupama Insurance Company Limited (GICL). The acquisition was done to strengthen the market position of Ageas UK. The acquisition propels Ageas to fifth largest UK Non-life insurer (with a 5.2% market share); fourth largest Private Motor insurer (with a 11.7% market share); and fourth largest Personal lines insurer (with a 7.1% market share).

In order to provide transparency in respect of the contribution from its various business segments, Ageas took the decision to break down the UK results in three sub-segments – Life, Non-life and Other Insurance. Other Insurance includes the results of its retail operations and UK regional head offices.

14.4 Continental Europe

Continental Europe currently consists of the insurance activities of Ageas in Europe, excluding Belgium and the United Kingdom. Active in five markets: Portugal, France, Italy and Luxembourg and since 2011 Turkey, the product range includes Life (in Portugal, France and Luxembourg) and Non-life (in Portugal, Italy and Turkey). Access to markets is facilitated through a number of key partnerships with companies enjoying a sizeable position in their respective markets.

In 2012, about 67% of total inflows were Life related and 33% Non-life.

In Luxembourg, Ageas and BNP Paribas merged at the end of 2011 their respective Luxembourg Life operations into Cardif Luxembourg Vie, the second largest Luxembourg provider of Life insurance. Furthermore, since August 2011 Ageas has become the Non-life insurance partner of Sabanci in Turkey, acquiring a 31% stake in Aksigorta. Since then both Sabanci and Ageas have further increased their stakes in the company (each owning 36% at year-end 2012).

14.5 Asia

Ageas is active in a number of countries in Asia with its regional office based in Hong Kong and the fully-owned subsidiary in Hong Kong. The other activities are organised in the form of joint ventures with leading local partners and financial institutions in China (20-24.9% owned by Ageas), Malaysia (30.95% owned by Ageas), Thailand (15-31% owned by Ageas) and India (26% owned by Ageas). In terms of reporting, Ageas reports on a consolidated basis the Hong Kong subsidiary while the other stakes are accounted for as associates.

14.6 General Account

The General Account comprises activities not related to the core Insurance business, such as group finance and other holding activities. In addition, the General Account also includes the investment in Royal Park Investments, the call option on BNP Paribas shares, the liabilities related to CASHES/(RPN(I)) and the written put option on NCI.

14.7 Statement of financial position by operating segment

31 December 2012	Belgium	UK	Continental Europe	Asia	General Account	Eliminations	Total
Assets							
Cash and cash equivalents	889.0	776.9	284.7	96.9	402.4		2,449.9
Financial investments	50,118.8	2,966.5	7,772.8	1,613.0	112.3	(11.6)	62,571.8
Investment property	2,391.6		23.5	0.4			2,415.5
Loans	3,748.3	56.8	485.4	125.1	3,130.9	(1,258.1)	6,288.4
Investments related to unit-linked contracts	6,035.2		7,166.2	566.7		(84.2)	13,683.9
Investments in associates	127.5		272.9	825.1	890.1	8.0	2,123.6
Reinsurance and other receivables	736.6	937.1	226.7	68.3	4.0	(4.7)	1,968.0
Current tax assets	1.0	8.4					9.4
Deferred tax assets	18.1	39.8	34.2		79.6		171.7
Call option BNP Paribas shares					234.0		234.0
Accrued interest and other assets	1,494.4	511.7	248.4	279.6	82.5	(33.0)	2,583.6
Property, plant and equipment	1,035.8	68.1	5.7	4.0	1.4		1,115.0
Goodwill and other intangible assets	364.9	268.1	465.0	400.0	0.1		1,498.1
Assets held for sale							
Total assets	**66,961.2**	**5,633.4**	**16,985.5**	**3,979.1**	**4,937.3**	**(1,383.6)**	**97,112.9**
Liabilities							
Liabilities arising from Life insurance contracts	21,886.3	93.7	2,654.1	1,282.9		(2.7)	25,914.3
Liabilities arising from Life investment contracts	24,781.0		4,318.8	0.9			29,100.7
Liabilities related to unit-linked contracts	6,035.2		7,165.1	566.7			13,767.0
Liabilities arising from Non-life insurance contracts	3,405.7	3,435.5	695.1				7,536.3
Debt certificates					186.8		186.8
Subordinated liabilities	896.4	173.0	28.0		2,945.8	(1,127.7)	2,915.5
Borrowings	1,657.7	242.7	18.2	187.2	76.8	(214.6)	1,968.0
Current tax liabilities	20.0	18.0	83.5	7.2	0.4		129.1
Deferred tax liabilities	1,286.4	37.0	55.5		79.5		1,458.4
RPN(I)					165.0		165.0
Accrued interest and other liabilities	1,468.6	320.5	133.7	97.5	136.5	(37.2)	2,119.6
Provisions	23.5	15.6	12.6		17.4		69.1
Liability related to written put option on NCI					997.0		997.0
Liabilities related to assets held for sale							
Total liabilities	**61,460.8**	**4,336.0**	**15,164.6**	**2,142.4**	**4,605.2**	**(1,382.2)**	**86,326.8**
Shareholders' equity	4,027.9	1,183.1	1,189.5	1,836.7	1,674.8	(1.4)	9,910.6
Non-controlling interests	1,472.5	114.3	631.4		(1,342.7)		875.5
Total equity	**5,500.4**	**1,297.4**	**1,820.9**	**1,836.7**	**332.1**	**(1.4)**	**10,786.1**
Total liabilities and equity	**66,961.2**	**5,633.4**	**16,985.5**	**3,979.1**	**4,937.3**	**(1,383.6)**	**97,112.9**
Number of employees	**5,970**	**5,782**	**1,085**	**389**	**109**		**13,335**

31 December 2011	Belgium	UK	Continental Europe	Asia	General Account	Eliminations	Total
Assets							
Cash and cash equivalents	1,871.2	184.5	191.5	109.6	344.7		2,701.5
Financial investments	43,595.6	2,461.9	7,647.3	1,416.8	122.7	(12.9)	55,231.4
Investment property	2,020.9		24.4	0.4			2,045.7
Loans	2,879.0		392.4	136.5	3,490.1	(1,214.6)	5,683.4
Investments related to unit-linked contracts	5,894.3		6,528.0	401.0		(51.9)	12,771.4
Investments in associates	150.8		241.7	752.6	804.6	9.8	1,959.5
Reinsurance and other receivables	680.2	761.3	246.8	59.6	2,368.4	(5.2)	4,111.1
Current tax assets	118.7	6.7	1.7				127.1
Deferred tax assets	27.7	3.6	165.4		162.1		358.8
Call option BNP Paribas shares					395.0		395.0
Accrued interest and other assets	1,481.5	366.9	273.8	208.7	88.8	(33.5)	2,386.2
Property, plant and equipment	1,034.6	53.3	5.6	3.2	1.6		1,098.3
Goodwill and other intangible assets	357.5	312.7	504.9	419.2			1,594.3
Assets held for sale					138.5		138.5
Total assets	**60,112.0**	**4,150.9**	**16,223.5**	**3,507.6**	**7,916.5**	**(1,308.3)**	**90,602.2**
Liabilities							
Liabilities arising from Life insurance contracts	20,720.5		2,471.5	1,181.3		(2.9)	24,370.4
Liabilities arising from Life investment contracts	22,478.2		4,722.2	1.1			27,201.5
Liabilities related to unit-linked contracts	5,894.3		6,528.5	401.0			12,823.8
Liabilities arising from Non-life insurance contracts	3,195.9	2,347.6	660.4				6,203.9
Debt certificates					256.7		256.7
Subordinated liabilities	894.6	161.2	28.0		2,980.5	(1,090.7)	2,973.6
Borrowings	1,787.9	197.3	233.6	155.4	78.7	(175.9)	2,277.0
Current tax liabilities	34.4	15.4	3.6	5.8			59.2
Deferred tax liabilities	361.6	53.1	65.7		134.2		614.6
RPN(I)					190.0		190.0
Accrued interest and other liabilities	1,426.6	284.2	159.1	75.9	186.8	(38.5)	2,094.1
Provisions	15.6	1.6	11.7		2,374.5		2,403.4
Liability related to written put option on NCI					655.8		655.8
Liabilities related to assets held for sale					110.5		110.5
Total liabilities	**56,809.6**	**3,060.4**	**14,884.3**	**1,820.5**	**6,967.7**	**(1,308.0)**	**82,234.5**
Shareholders' equity	2,380.8	1,007.5	929.3	1,687.1	1,755.9	(0.3)	7,760.3
Non-controlling interests	921.6	83.0	409.9		(807.1)		607.4
Total equity	**3,302.4**	**1,090.5**	**1,339.2**	**1,687.1**	**948.8**	**(0.3)**	**8,367.7**
Total liabilities and equity	**60,112.0**	**4,150.9**	**16,223.5**	**3,507.6**	**7,916.5**	**(1,308.3)**	**90,602.2**
Number of employees	**5,806**	**5,238**	**1,062**	**352**	**99**		**12,557**

14.8 Income statement by operating segment

2012	Belgium	UK	Continental Europe	Asia	General Account	Eliminations	Total
Income							
- *Gross premium income* [1]	*6,403.2*	*2,229.0*	*1,026.1*	*289.3*		*(0.5)*	*9,947.1*
- *Change in unearned premiums*	*(7.5)*	*64.2*	*(8.8)*				*47.9*
- *Ceded earned premiums*	*(57.5)*	*(150.3)*	*(80.4)*	*(30.2)*			*(318.4)*
Net earned premiums	6,338.2	2,142.9	936.9	259.1		(0.5)	9,676.6
Interest, dividend and other investment income	2,465.2	75.6	290.3	83.4	211.1	(69.9)	3,055.7
Unrealised gain (loss) on call option BNP Paribas shares					(161.0)		(161.0)
Unrealised gain (loss) on RPN(I) (incl. settlement of RPN(I)/CASHES)					(273.1)		(273.1)
Result on sales and revaluations	268.6	37.4	12.9	(6.1)	121.5		434.3
Income related to investments for unit-linked contracts	608.5		1,287.2	58.7			1,954.4
Share of result of associates	(0.3)		16.4	116.7	98.4	(0.6)	230.6
Fee and commission income	100.9	132.9	109.5	55.2			398.5
Other income	159.4	167.0	8.0	2.2	3.4	(16.1)	323.9
Total income	**9,940.5**	**2,555.8**	**2,661.2**	**569.2**	**0.3**	**(87.1)**	**15,639.9**
Expenses							
- *Insurance claims and benefits, gross*	*(6,730.1)*	*(1,700.7)*	*(933.2)*	*(242.3)*	*(0.1)*	*0.6*	*(9,605.8)*
- *Insurance claims and benefits, ceded*	*32.2*	*171.0*	*38.5*	*15.5*			*257.2*
Insurance claims and benefits, net	(6,697.9)	(1,529.7)	(894.7)	(226.8)	(0.1)	0.6	(9,348.6)
Charges related to unit-linked contracts	(628.6)		(1,253.0)	(65.2)			(1,946.8)
Financing costs	(100.3)	(14.9)	(3.8)	(23.8)	(183.2)	69.8	(256.2)
Change in impairments	(101.4)	(37.6)	(4.0)	(0.2)		0.6	(142.6)
Change in provisions	(6.8)	(7.8)	(1.3)		(0.7)		(16.6)
- *Impairment claims on ABN AMRO*					*(1,962.5)*		(1,962.5)
- *Release provision MCS conversion and Dutch State issues*					*2,362.5*		2,362.5
Total impact settlement ABN AMRO					400.0		400.0
Fee and commission expenses	(633.8)	(403.2)	(125.2)	(104.1)	(0.6)		(1,266.9)
Staff expenses	(447.4)	(227.9)	(71.7)	(30.1)	(16.9)		(794.0)
Other expenses	(663.3)	(188.2)	(126.5)	13.0	(51.5)	16.0	(1,000.5)
Total expenses	**(9,279.5)**	**(2,409.3)**	**(2,480.2)**	**(437.2)**	**147.0**	**87.0**	**(14,372.2)**
Result before taxation	**661.0**	**146.5**	**181.0**	**132.0**	**147.3**	**(0.1)**	**1,267.7**
Tax income (expenses)	(223.6)	(25.3)	(57.9)	(3.5)	(28.6)		(338.9)
Net result for the period	**437.4**	**121.2**	**123.1**	**128.5**	**118.7**	**(0.1)**	**928.8**
Attributable to non-controlling interests	113.0	13.2	59.6				185.8
Net result attributable to shareholders	**324.4**	**108.0**	**63.5**	**128.5**	**118.7**	**(0.1)**	**743.0**
Total income from external customers	9,927.1	2,554.7	2,660.9	565.1	(67.9)		15,639.9
Total income internal	13.4	1.1	0.3	4.1	68.2	(87.1)	
Total income	**9,940.5**	**2,555.8**	**2,661.2**	**569.2**	**0.3**	**(87.1)**	**15,639.9**
Non-cash expenses (excl. depreciation & amortisation)	(161.4)		(100.7)	(0.4)			(262.5)

1) *Gross inflow (sum of gross written premiums and premium inflow from investment contracts without discretionary participation features) can be calculated as follows.*

2012	Belgium	UK	Continental Europe	Asia	General Account	Eliminations	Total
Gross premium income	6,403.2	2,229.0	1,026.1	289.3		(0.5)	9,947.1
Inflow deposit accounting	482.5		466.9	157.3			1,106.7
Gross inflow	**6,885.7**	**2,229.0**	**1,493.0**	**446.6**		**(0.5)**	**11,053.8**

2011	Belgium	UK	Continental Europe	Asia	General Account	Eliminations	Total
Income							
- *Gross premium income* [1)]	*5,933.9*	*2,034.7*	*1,214.6*	*239.4*	*(1.0)*	*(0.4)*	*9,421.2*
- *Change in unearned premiums*	*(9.0)*	*(371.9)*	*(17.8)*				*(398.7)*
- *Ceded earned premiums*	*(65.1)*	*(100.8)*	*(89.9)*	*(28.0)*			*(283.8)*
Net earned premiums	5,859.8	1,562.0	1,106.9	211.4	(1.0)	(0.4)	8,738.7
Interest, dividend and other investment income	2,415.5	63.6	362.8	58.5	263.3	(70.4)	3,093.3
Unrealised gain (loss) on call option BNP Paribas shares					(214.0)		(214.0)
Unrealised gain (loss) on RPN(I)					275.0		275.0
Result on sales and revaluations	284.1	11.7	13.4	2.4	(176.0)		135.6
Income related to investments for unit-linked contracts	(177.3)		(329.1)	(75.1)			(581.5)
Share of result of associates	7.6		10.2	31.9	(197.0)	0.8	(146.5)
Fee and commission income	91.7	120.4	177.3	37.8		*(0.1)*	*427.1*
Other income	159.7	110.8	6.4	2.2	12.3	(14.3)	277.1
Total income	**8,641.1**	**1,868.5**	**1,347.9**	**269.1**	**(37.4)**	**(84.4)**	**12,004.8**
Expenses							
- *Insurance claims and benefits, gross*	*(6,154.5)*	*(1,208.7)*	*(1,212.1)*	*(189.8)*	*(5.1)*	*0.4*	*(8,769.8)*
- *Insurance claims and benefits, ceded*	*26.7*	*70.6*	*40.9*	*10.1*	*6.9*		*155.2*
Insurance claims and benefits, net	(6,127.8)	(1,138.1)	(1,171.2)	(179.7)	1.8	0.4	(8,614.6)
Charges related to unit-linked contracts	166.0		403.5	73.3			642.8
Financing costs	(108.7)	(15.6)	(4.8)	(14.6)	(236.6)	70.3	(310.0)
Change in impairments	(1,370.9)		(145.3)	(99.3)	(0.4)		(1,615.9)
Change in provisions	(1.5)	2.4	(15.1)		(9.0)		(23.2)
- *Impairment claims on ABN AMRO*							
- *Release provision MCS conversion and Dutch State issues*							
Total impact settlement ABN AMRO							
Fee and commission expenses	(601.3)	(303.3)	(181.4)	(76.8)	(0.6)		(1,163.4)
Staff expenses	(425.2)	(177.4)	(91.3)	(26.1)	(18.2)	(1.3)	(739.5)
Other expenses	(641.9)	(115.6)	(134.9)	(7.4)	(52.1)	14.1	(937.8)
Total expenses	**(9,111.3)**	**(1,747.6)**	**(1,340.5)**	**(330.6)**	**(315.1)**	**83.5**	**(12,761.6)**
Result before taxation	**(470.2)**	**120.9**	**7.4**	**(61.5)**	**(352.5)**	**(0.9)**	**(756.8)**
Tax income (expenses)	40.4	(31.4)	(10.0)	(2.6)	86.9		83.3
Net result for the period	**(429.8)**	**89.5**	**(2.6)**	**(64.1)**	**(265.6)**	**(0.9)**	**(673.5)**
Attributable to non-controlling interests	(102.8)	3.5	5.4		(1.4)		(95.3)
Net result attributable to shareholders	**(327.0)**	**86.0**	**(8.0)**	**(64.1)**	**(264.2)**	**(0.9)**	**(578.2)**
Total income from external customers	8,629.8	1,762.3	1,347.4	265.3			12,004.8
Total income internal	11.3	106.2	0.5	3.8	(37.4)	(84.4)	
Total income	**8,641.1**	**1,868.5**	**1,347.9**	**269.1**	**(37.4)**	**(84.4)**	**12,004.8**
Non-cash expenses (excl. depreciation & amortisation)	(1,327.0)		(319.0)	(75.5)	(20.0)		(1,741.5)

1) *Gross inflow (sum of gross written premiums and premium inflow from investment contracts without discretionary participation features) can be calculated as follows.*

2011	Belgium	UK	Continental Europe	Asia	General Account	Eliminations	Total
Gross premium income	5,933.9	2,034.7	1,214.6	239.4	(1.0)	(0.4)	9,421.2
Inflow deposit accounting	244.8		1,457.5	113.6			1,815.9
Gross inflow	**6,178.7**	**2,034.7**	**2,672.1**	**353.0**	**(1.0)**	**(0.4)**	**11,237.1**

14.9 Statement of financial position split into Life, Non-life and Other Insurance

31 December 2012	Life	Non-life	Other Insurance	General Account	Eliminations	Total
Assets						
Cash and cash equivalents	1,170.8	832.5	44.2	402.4		2,449.9
Financial investments	55,466.9	7,003.4	0.8	112.3	(11.6)	62,571.8
Investment property	2,197.6	217.9				2,415.5
Loans	4,101.2	314.4	132.0	3,130.9	(1,390.1)	6,288.4
Investments related to unit-linked contracts	13,768.1				(84.2)	13,683.9
Investments in associates	938.9	286.6		890.1	8.0	2,123.6
Reinsurance and other receivables	630.8	1,149.8	281.3	4.0	(97.9)	1,968.0
Current tax assets	5.5	1.6	2.3			9.4
Deferred tax assets	33.2	55.6	3.3	79.6		171.7
Call option BNP Paribas shares				234.0		234.0
Accrued interest and other assets	2,002.1	500.0	34.8	82.5	(35.8)	2,583.6
Property, plant and equipment	953.0	143.8	16.8	1.4		1,115.0
Goodwill and other intangible assets	1,084.4	155.9	257.7	0.1		1,498.1
Assets held for sale						
Total assets	**82,352.5**	**10,661.5**	**773.2**	**4,937.3**	**(1,611.6)**	**97,112.9**
Liabilities						
Liabilities arising from Life insurance contracts	25,917.0				(2.7)	25,914.3
Liabilities arising from Life investment contracts	29,100.7					29,100.7
Liabilities related to unit-linked contracts	13,767.0					13,767.0
Liabilities arising from Non-life insurance contracts		7,536.3				7,536.3
Debt certificates				186.8		186.8
Subordinated liabilities	854.3	253.1	122.0	2,945.8	(1,259.7)	2,915.5
Borrowings	1,710.2	163.4	232.2	76.8	(214.6)	1,968.0
Current tax liabilities	90.7	32.3	5.7	0.4		129.1
Deferred tax liabilities	1,258.7	120.2		79.5		1,458.4
RPN(I)				165.0		165.0
Accrued interest and other liabilities	1,288.6	664.8	162.9	136.5	(133.2)	2,119.6
Provisions	21.8	29.7	0.2	17.4		69.1
Liability related to written put option on NCI				997.0		997.0
Liabilities related to assets held for sale						
Total liabilities	**74,009.0**	**8,799.8**	**523.0**	**4,605.2**	**(1,610.2)**	**86,326.8**
Shareholders' equity	6,528.7	1,458.3	250.2	1,674.8	(1.4)	9,910.6
Non-controlling interests	1,814.8	403.4		(1,342.7)		875.5
Total equity	**8,343.5**	**1,861.7**	**250.2**	**332.1**	**(1.4)**	**10,786.1**
Total liabilities and equity	**82,352.5**	**10,661.5**	**773.2**	**4,937.3**	**(1,611.6)**	**97,112.9**
Number of employees	**4,964**	**5,516**	**2,746**	**109**		**13,335**

31 December 2011	Life	Non-life	Other Insurance	General Account	Eliminations	Total
Assets						
Cash and cash equivalents	2,121.3	199.3	36.2	344.7		2,701.5
Financial investments	48,964.3	6,157.4		122.7	(13.0)	55,231.4
Investment property	1,844.2	201.5				2,045.7
Loans	3,266.2	141.8	41.3	3,490.1	(1,256.0)	5,683.4
Investments related to unit-linked contracts	12,823.3				(51.9)	12,771.4
Investments in associates	855.2	289.9		804.6	9.8	1,959.5
Reinsurance and other receivables	541.1	928.7	385.3	2,368.4	(112.4)	4,111.1
Current tax assets	113.7	13.3	0.1			127.1
Deferred tax assets	153.5	39.7	3.5	162.1		358.8
Call option BNP Paribas shares				395.0		395.0
Accrued interest and other assets	1,835.8	485.5	13.5	88.8	(37.4)	2,386.2
Property, plant and equipment	938.1	143.1	15.5	1.6		1,098.3
Goodwill and other intangible assets	1,115.3	179.3	299.7			1,594.3
Assets held for sale				138.5		138.5
Total assets	**74,572.0**	**8,779.5**	**795.1**	**7,916.5**	**(1,460.9)**	**90,602.2**
Liabilities						
Liabilities arising from Life insurance contracts	24,373.3				(2.9)	24,370.4
Liabilities arising from Life investment contracts	27,201.5					27,201.5
Liabilities related to unit-linked contracts	12,823.8					12,823.8
Liabilities arising from Non-life insurance contracts		6,203.9				6,203.9
Debt certificates				256.7		256.7
Subordinated liabilities	821.2	184.8	119.2	2,980.5	(1,132.1)	2,973.6
Borrowings	2,025.5	183.7	165.0	78.7	(175.9)	2,277.0
Current tax liabilities	37.1	15.1	7.0			59.2
Deferred tax liabilities	410.2	65.7	4.5	134.2		614.6
RPN(I)				190.0		190.0
Accrued interest and other liabilities	1,334.4	509.9	212.7	186.8	(149.7)	2,094.1
Provisions	16.3	12.5	0.1	2,374.5		2,403.4
Liability related to written put option on NCI				655.8		655.8
Liabilities related to assets held for sale				110.5		110.5
Total liabilities	**69,043.3**	**7,175.6**	**508.5**	**6,967.7**	**(1,460.6)**	**82,234.5**
Shareholders' equity	4,506.6	1,211.5	286.6	1,755.9	(0.3)	7,760.3
Non-controlling interests	1,022.1	392.4		(807.1)		607.4
Total equity	**5,528.7**	**1,603.9**	**286.6**	**948.8**	**(0.3)**	**8,367.7**
Total liabilities and equity	**74,572.0**	**8,779.5**	**795.1**	**7,916.5**	**(1,460.9)**	**90,602.2**
Number of employees	**4,764**	**4,664**	**3,030**	**99**		**12,557**

14.10 Income statement split into Life, Non-life and Other Insurance

2012	Life	Non-life	Other Insurance	General Account	Eliminations	Total
Income						
- *Gross premium income* [1]	*5,585.9*	*4,361.7*			*(0.5)*	*9,947.1*
- *Change in unearned premiums*		*47.9*				*47.9*
- *Ceded earned premiums*	*(86.6)*	*(231.8)*				*(318.4)*
Net earned premiums	5,499.3	4,177.8			(0.5)	9,676.6
Interest, dividend and other investment income	2,644.0	287.9	(12.3)	211.1	(75.0)	3,055.7
Unrealised gain (loss) on call option BNP Paribas shares				(161.0)		(161.0)
Unrealised gain (loss) on RPN(I) (incl. settlement of RPN(I)/CASHES)				(273.1)		(273.1)
Result on sales and revaluations	239.0	73.8		121.5		434.3
Income related to investments for unit-linked contracts	1,954.4					1,954.4
Share of result of associates	116.5	16.3		98.4	(0.6)	230.6
Fee and commission income	245.1	27.5	176.6		(50.7)	398.5
Other income	107.1	155.9	94.5	3.4	(37.0)	323.9
Total income	**10,805.4**	**4,739.2**	**258.8**	**0.3**	**(163.8)**	**15,639.9**
Expenses						
- *Insurance claims and benefits, gross*	*(6,616.8)*	*(2,989.5)*		*(0.1)*	*0.6*	*(9,605.8)*
- *Insurance claims and benefits, ceded*	*150.1*	*107.1*				*257.2*
Insurance claims and benefits, net	(6,466.7)	(2,882.4)		(0.1)	0.6	(9,348.6)
Charges related to unit-linked contracts	(1,946.8)					(1,946.8)
Financing costs	(116.1)	(20.2)	(11.5)	(183.2)	74.8	(256.2)
Change in impairments	(95.9)	(15.6)	(31.7)		0.6	(142.6)
Change in provisions	(3.9)	(12.0)		(0.7)		(16.6)
- *Impairment claims on ABN AMRO*				*(1,962.5)*		*(1,962.5)*
- *Release provision MCS conversion and Dutch State issues*				*2,362.5*		*2,362.5*
Total impact settlement ABN AMRO				400.0		400.0
Fee and commission expenses	(526.7)	(790.1)	(0.3)	(0.6)	50.8	(1,266.9)
Staff expenses	(365.4)	(303.1)	(108.6)	(16.9)		(794.0)
Other expenses	(505.0)	(348.3)	(132.6)	(51.5)	36.9	(1,000.5)
Total expenses	**(10,026.5)**	**(4,371.7)**	**(284.7)**	**147.0**	**163.7**	**(14,372.2)**
Result before taxation	**778.9**	**367.5**	**(25.9)**	**147.3**	**(0.1)**	**1,267.7**
Tax income (expenses)	(217.1)	(90.8)	(2.4)	(28.6)		(338.9)
Net result for the period	**561.8**	**276.7**	**(28.3)**	**118.7**	**(0.1)**	**928.8**
Attributable to non-controlling interests	131.7	54.1				185.8
Net result attributable to shareholders	**430.1**	**222.6**	**(28.3)**	**118.7**	**(0.1)**	**743.0**
Total income from external customers	10,772.0	4,735.1	201.8	(69.0)		15,639.9
Total income internal	33.4	4.1	57.0	69.3	(163.8)	
Total income	**10,805.4**	**4,739.2**	**258.8**	**0.3**	**(163.8)**	**15,639.9**
Non-cash expenses (excl. depreciation & amortisation)	(236.8)	(25.7)				(262.5)

1) *Gross inflow (sum of gross written premiums and premium inflow of investment contracts without Discretionary Participation Features) can be calculated as follows.*

2012	Life	Non-life	Other Insurance	General Account	Eliminations	Total
Gross premium income	5,585.9	4,361.7			(0.5)	9,947.1
Inflow deposit accounting	1,106.7					1,106.7
Gross inflow	**6,692.6**	**4,361.7**			**(0.5)**	**11,053.8**

2011	Life	Non-life	Other Insurance	General Account	Eliminations	Total
Income						
- *Gross premium income* [1]	*5,315.3*	*4,107.4*		*(1.0)*	*(0.5)*	*9,421.2*
- *Change in unearned premiums*		*(398.7)*				*(398.7)*
- *Ceded earned premiums*	*(82.1)*	*(201.7)*				*(283.8)*
Net earned premiums	5,233.2	3,507.0		(1.0)	(0.5)	8,738.7
Interest, dividend and other investment income	2,653.1	265.2	(15.4)	263.3	(72.9)	3,093.3
Unrealised gain (loss) on call option BNP Paribas shares				(214.0)		(214.0)
Unrealised gain (loss) on RPN(I)				275.0		275.0
Result on sales and revaluations	287.4	24.2		(176.0)		135.6
Income related to investments for unit-linked contracts	(581.5)					(581.5)
Share of result of associates	36.8	12.9		(197.0)	0.8	(146.5)
Fee and commission income	287.1	24.0	166.6		(50.6)	427.1
Other income	111.8	77.9	102.3	12.3	(27.2)	277.1
Total income	**8,027.9**	**3,911.2**	**253.5**	**(37.4)**	**(150.4)**	**12,004.8**
Expenses						
- *Insurance claims and benefits, gross*	*(6,206.0)*	*(2,559.2)*		*(5.1)*	*0.5*	*(8,769.8)*
- *Insurance claims and benefits, ceded*	*44.7*	*103.6*		*6.9*		*155.2*
Insurance claims and benefits, net	(6,161.3)	(2,455.6)		1.8	0.5	(8,614.6)
Charges related to unit-linked contracts	642.8					642.8
Financing costs	(115.7)	(16.0)	(14.4)	(236.6)	72.7	(310.0)
Change in impairments	(1,558.0)	(57.5)		(0.4)		(1,615.9)
Change in provisions	(13.1)	(1.1)		(9.0)		(23.2)
- *Impairment claims on ABN AMRO*						
- *Release provision MCS conversion and Dutch State issues*						
Total impact settlement ABN AMRO						
Fee and commission expenses	(530.4)	(683.0)		(0.6)	50.6	(1,163.4)
Staff expenses	(360.9)	(261.5)	(97.5)	(18.2)	(1.4)	(739.5)
Other expenses	(522.0)	(288.6)	(102.1)	(52.1)	27.0	(937.8)
Total expenses	**(8,618.6)**	**(3,763.3)**	**(214.0)**	**(315.1)**	**149.4**	**(12,761.6)**
Result before taxation	**(590.7)**	**147.9**	**39.5**	**(352.5)**	**(1.0)**	**(756.8)**
Tax income (expenses)	56.0	(50.0)	(9.6)	86.9		83.3
Net result for the period	**(534.7)**	**97.9**	**29.9**	**(265.6)**	**(1.0)**	**(673.5)**
Attributable to non-controlling interests	(109.6)	15.7		(1.4)		(95.3)
Net result attributable to shareholders	**(425.1)**	**82.2**	**29.9**	**(264.2)**	**(1.0)**	**(578.2)**
Total income from external customers	7,995.6	3,908.7	100.5	-		12,004.8
Total income internal	32.3	2.5	153.0	(37.4)	(150.4)	
Total income	**8,027.9**	**3,911.2**	**253.5**	**(37.4)**	**(150.4)**	**12,004.8**
Non-cash expenses (excl. depreciation & amortisation)	(1,670.1)	(51.4)		(20.0)		(1,741.5)

1) *Gross inflow (sum of gross written premiums and premium inflow of investment contracts without Discretionary Participation Features) can be calculated as follows.*

2011	Life	Non-life	Other Insurance	General Account	Eliminations	Total
Gross premium income	5,315.3	4,107.4		(1.0)	(0.5)	9,421.2
Inflow deposit accounting	1,815.9					1,815.9
Gross inflow	**7,131.2**	**4,107.4**		**(1.0)**	**(0.5)**	**11,237.1**

14.11 Operating result insurance

To analyse the insurance results, Ageas uses the concept of operating result.

Operating result includes premiums, fees and allocated financial income minus claims and benefits and operating expenses. Realised gains and losses on investments backing certain insurance liabilities, including separated funds, are part of the allocated financial income and are thus included. Financial income, net of the related investment costs, is allocated to the various Life and Non-life branches based on the investment portfolios backing the insurance liabilities of these branches.

Realised and unrealised gains and losses on investments recognised in the income statement, which back the insurance liabilities of the various branches are included in the operating margin.

The reconciliation of the operating margin and profit before taxation, includes all income and costs, not allocated to the insurance or investment contracts and thus not reported in the operating margin.

Within its insurance operating segments, Ageas manages its Life and Non-life businesses separately. Life business includes insurance contracts covering risks related to the life and death of individuals. Life business also includes investment contracts with and without discretionary participation features (DPF). Non-life comprises four lines of business: Accident & Health, Motor, Fire and other damage to property (covering the risk of property losses or claims liabilities) and Other.

The operating margin for the different segments and lines of business and the reconciliation with profit before taxation are shown below.

2012	Belgium	UK	Continental Europe	Asia	General Account	Eliminations	Total Ageas
Gross inflow Life	5,126.6	85.6	1,033.8	446.6		(0.5)	6,692.1
Gross inflow Non-life	1,759.1	2,143.4	459.2				4,361.7
Operating costs	(471.0)	(214.7)	(153.7)	(47.3)			(886.7)
Life operating result	456.3	(7.2)	106.4	34.3			589.8
- *Accident & Health*	*55.5*	*(1.8)*	*25.7*				*79.4*
- *Motor*	*33.0*	*108.8*	*8.2*				*150.0*
- *Fire and other damage to property*	*34.7*	*15.2*	*7.6*				*57.5*
- *Other*	*(1.4)*	*(8.7)*	*1.3*				*(8.8)*
Non-life operating result	121.8	113.5	42.8				278.1
Operating result	**578.1**	**106.3**	**149.2**	**34.3**			**867.9**
Share of result of associates non allocated			16.0	116.7	98.4		231.1
Other result, including brokerage	82.9	40.2	15.8	(19.0)	48.9	(0.1)	168.7
Result before taxation	**661.0**	**146.5**	**181.0**	**132.0**	**147.3**	**(0.1)**	**1,267.7**
Key performance indicators							
Expense ratio	36.8%	26.4%	29.8%				31.0%
Claims ratio	62.7%	73.3%	63.6%				68.1%
Combined ratio	99.5%	99.8%	93.4%				99.1%
Life cost ratio in % of average Life technical liabilities	0.36%		0.54%	2.72%			0.51%
Technical Insurance liabilities	56,108.2	3,529.2	14,833.1	1,850.5		(2.7)	76,318.3

2011	Belgium	UK	Continental Europe	Asia	General Account	Eliminations	Total Ageas
Gross inflow Life	4,507.8	51.3	2,219.0	353.0		(0.4)	7,130.7
Gross inflow Non-life	1,670.9	1,983.4	453.1		(1.0)		4,106.4
Operating costs	(457.1)	(167.0)	(186.3)	(38.9)			(849.3)
Life operating result	(308.5)	(7.8)	(32.9)	18.5			(330.7)
- *Accident & Health*	*23.1*	*(5.8)*	*24.5*				*41.8*
- *Motor*	*53.1*	*66.6*	*4.2*				*123.9*
- *Fire and other damage to property*	*(35.5)*	*21.5*	*6.1*				*(7.9)*
- *Other*	*2.2*	*(8.2)*	*(8.1)*				*(14.1)*
Non-life operating result	42.9	74.1	26.7				143.7
Operating result	**(265.6)**	**66.3**	**(6.2)**	**18.5**			**(187.0)**
Share of result of associates non allocated			10.2	31.9	(197.0)	0.8	(154.1)
Other result, including brokerage	(204.6)	54.6	3.4	(111.9)	(155.5)	(1.7)	(415.7)
Result before taxation	**(470.2)**	**120.9**	**7.4**	**(61.5)**	**(352.5)**	**(0.9)**	**(756.8)**
Key performance indicators							
Expense ratio	36.8%	25.3%	30.3%				31.1%
Claims ratio	64.3%	74.6%	66.4%				69.0%
Combined ratio	101.1%	99.9%	96.7%				100.1%
Life cost ratio in % of average Life technical liabilities	0.37%		0.58%	2.76%			0.51%
Technical Insurance liabilities	52,288.9	2,347.6	14,382.6	1,583.4		(2.9)	70,599.6

Claims ratio : the cost of claims, net of reinsurance, as a percentage of net earned premiums, excluding the internal costs of handling claims.

Expense ratio : expenses as a percentage of net earned premiums, net of reinsurance. Expenses include internal costs of handling claims, plus net commissions charged to the year, less internal investment costs.

Combined ratio : the sum of the claims ratio and the expense ratio.

Ageas reviewed the calculation methodology of the combined ratios and decided to bring the calculation more in line with market practice for Non-life products with discounted insurance liabilities in Disability and Workmen's Compensation. As of this year, the unwind of the discount has been excluded from the claims ratio. The comparable data have been restated accordingly.

NOTES TO THE CONSOLIDATED STATEMENT OF *FINANCIAL POSITION*

15

CASH AND CASH EQUIVALENTS

Cash includes cash on hand, current accounts and other financial instruments with a term of less than three months from the date on which they were acquired.

The composition of cash and cash equivalents as at 31 December is as follows:

	31 December 2012	31 December 2011
Cash on hand	2.1	2.1
Due from banks	1,706.5	2,426.9
Other	741.3	272.5
Total cash and cash equivalents	**2,449.9**	**2,701.5**

The decrease in Due from banks is driven by the reinvestment activities of the insurance entities.

The line Other mainly relates to investments in monetary funds. The increase is due to proceeds from the sale of investments temporarily reinvested in money market paper.

16 FINANCIAL INVESTMENTS

The composition of Financial investments is as follows:

	31 December 2012	31 December 2011
Financial investments		
- Held to maturity	5,054.1	5,032.4
- Available for sale	57,409.9	51,399.3
- Held at fair value through profit or loss	262.5	194.1
- Derivatives held for trading	35.8	42.4
Total, gross	**62,762.3**	**56,668.2**
Impairments:		
- of investments available for sale	(190.5)	(1,436.8)
Total impairments	**(190.5)**	**(1,436.8)**
Total	**62,571.8**	**55,231.4**

16.1 Investments held to maturity

	Government bonds	Corporate debt securities	Total
Historical cost at recognition	4,729.4	163.9	4,893.3
Acquisition	125.7		125.7
Historical / amortised costs	**4,855.1**	**163.9**	**5,019.0**
Amortisation	12.0	1.4	13.4
Investments held to maturity at 31 December 2011	**4,867.1**	**165.3**	**5,032.4**
Amortisation	17.3	4.4	21.7
Investments held to maturity at 31 December 2012	**4,884.4**	**169.7**	**5,054.1**
Fair value at 31 December 2012	**6,117.3**	**172.9**	**6,290.2**

In 2011, Ageas reclassified in accordance with IFRS, investments amounting to EUR 4.9 billion from Available for sale to Held to maturity. The reclassification took place against the fair value of the investments at the time of the reclassification. The difference between the fair value and the amortised cost, which amounted to EUR 210 million, remains included in Unrealised gains and losses in Shareholders' equity and will be amortised over the remaining maturity of the investments. The amortisation is offset in the income statement against the amortisation of the difference between the book value and the nominal value of the bonds leading to a very limited impact in the income statement.

In the following table the bonds that are classified as Held to maturity are detailed by country of origin as at 31 December.

31 December 2012	Historical/ amortised cost	Fair value
Belgian national government	4,367.8	5,510.6
Portuguese national government	516.6	606.7
Total	**4,884.4**	**6,117.3**

31 December 2011	Historical/ amortised cost	Fair value
Belgian national government	4,373.5	4,553.4
Portuguese national government	493.6	403.6
Total	**4,867.1**	**4,957.0**

16.2 Investments available for sale

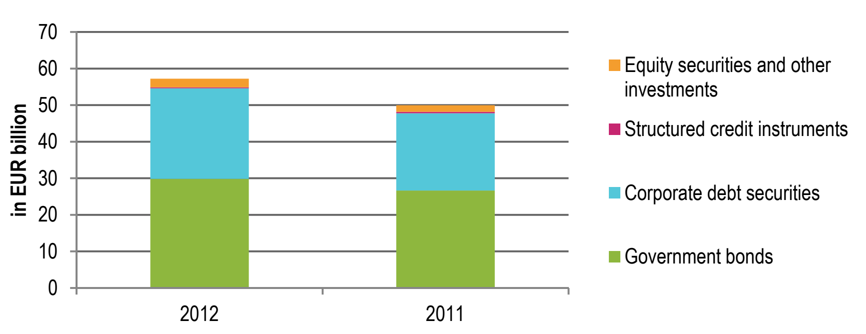
The fair value and amortised cost of Investments available for sale including gross unrealised gains, gross unrealised losses, and impairments are as follows:

31 December 2012	Historical/ amortised cost	Gross unrealised gains	Gross unrealised losses	Total gross	Impairments	Fair value
Government bonds	26,530.9	3,412.0	(99.0)	29,843.9		29,843.9
Corporate debt securities	22,911.6	1,911.8	(72.1)	24,751.3		24,751.3
Structured credit instruments	259.0	15.7	(6.4)	268.3	(2.3)	266.0
Available for sale investments in debt securities	49,701.5	5,339.5	(177.5)	54,863.5	(2.3)	54,861.2
Private equities and venture capital	34.3	0.6		34.9		34.9
Equity securities	2,301.4	229.6	(23.6)	2,507.4	(188.2)	2,319.2
Other investments	4.1			4.1		4.1
Available for sale investments in equity securities and other investments	2,339.8	230.2	(23.6)	2,546.4	(188.2)	2,358.2
Total investments available for sale	**52,041.3**	**5,569.7**	**(201.1)**	**57,409.9**	**(190.5)**	**57,219.4**

31 December 2011	Historical/ amortised cost	Gross unrealised gains	Gross unrealised losses	Total gross	Impairments	Fair value
Government bonds	27,693.5	1,027.0	(868.3)	27,852.2	(1,209.1)	26,643.1
Corporate debt securities	20,705.7	917.1	(485.0)	21,137.8	(6.4)	21,131.4
Structured credit instruments	384.3	13.4	(13.1)	384.6	(0.1)	384.5
Available for sale investments in debt securities	48,783.5	1,957.5	(1,366.4)	49,374.6	(1,215.6)	48,159.0
Private equities and venture capital	14.6		(0.4)	14.2		14.2
Equity securities	2,010.9	97.6	(100.2)	2,008.3	(221.2)	1,787.1
Other investments	2.2			2.2		2.2
Available for sale investments in equity securities and other investments	2,027.7	97.6	(100.6)	2,024.7	(221.2)	1,803.5
Total investments available for sale	**50,811.2**	**2,055.1**	**(1,467.0)**	**51,399.3**	**(1,436.8)**	**49,962.5**

An amount of EUR 965.5 million of the Investments available for sale has been pledged as collateral (2011: EUR 1,075.5 million).

The portfolio of the Investments available for sale can graphically be shown as follows at year-end.



The valuation of Investments available for sale is based on:

- Level 1: quoted prices in active markets;
- Level 2: observable market data in active markets;
- Level 3: unobservable market data (counterparty quotes).

The valuation at year-end is as follows:

2012	Level 1	Level 2	Level 3	Total
Government bonds	29,836.8	7.1		29,843.9
Corporate debt securities	23,994.9	756.4		24,751.3
Structured credit instruments	152.3	45.9	67.8	266.0
Equity securities, private equities and other investments	1,853.6	463.9	40.7	2,358.2
Total Investments AFS	**55,837.6**	**1,273.3**	**108.5**	**57,219.4**

2011	Level 1	Level 2	Level 3	Total
Government bonds	26,617.8	25.3		26,643.1
Corporate debt securities	20,523.8	607.6		21,131.4
Structured credit instruments	267.1	43.8	73.6	384.5
Equity securities, private equities and other investments	1,551.2	231.8	20.5	1,803.5
Total Investments AFS	**48,959.9**	**908.5**	**94.1**	**49,962.5**

The changes in level 3 valuation are as follows:

	2012	2011
Balance as at 1 January	**94.1**	**54.3**
Maturity/redemption or repayment		(0.1)
Acquired	23.2	10.2
Proceeds from sales	(5.2)	(20.5)
Realised gains (losses)		2.1
Unrealised gains (losses)	(3.0)	(0.3)
Transfers between valuation categories		48.4
Foreign exchange differences and other adjustments	(0.6)	
Balance as at 31 December	**108.5**	**94.1**

The level 3 positions are mainly sensitive to a change in the level of credit spreads. If the general level of credit spreads increases by 1 basis point, it is estimated that the market value of these positions drops by 7 basis points. This would translate into a loss of value by approximately EUR 126,000 for every basis point widening of the level of credit spreads. The changes in value of the level 3 instruments are accounted for within shareholders' equity within unrealised gains and losses.

Government bonds detailed by country of origin

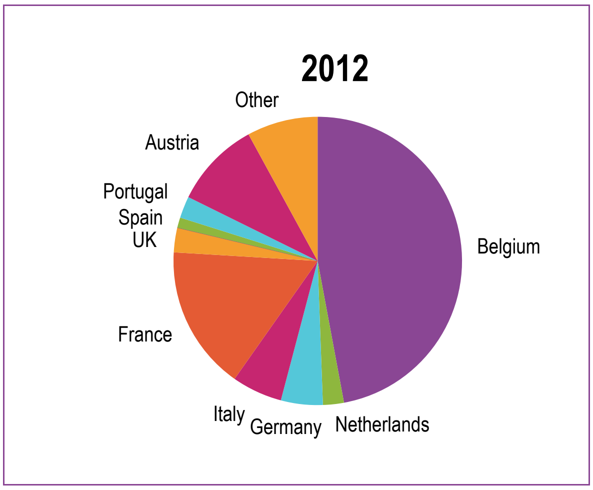
Government bonds detailed by country of origin as at 31 December are as follows:

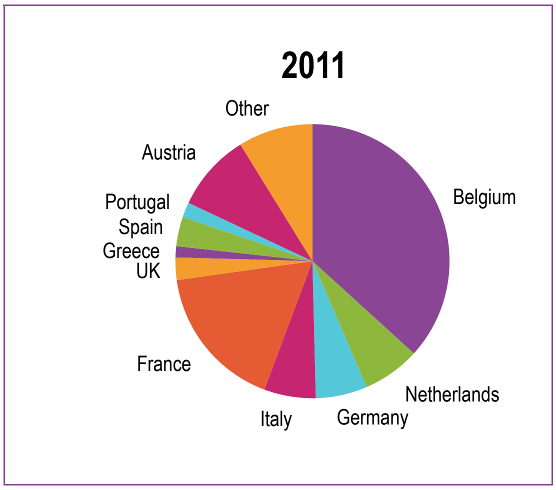
31 December 2012	Historical/ amortised cost	Gross unrealised gains (losses)	Impairments	Fair value
Belgian national government	12,274.3	1,773.4		14,047.7
Dutch national government	642.8	60.0		702.8
German national government	1,133.7	264.6		1,398.3
Italian national government	1,686.5	2.0		1,688.5
French national government	4,228.5	600.6		4,829.1
British national government	794.7	28.3		823.0
Greek national government				
Spanish national government	366.6	(22.9)		343.7
Portuguese national government	753.0	(28.1)		724.9
Austrian national government	2,541.6	366.7		2,908.3
Finnish national government	224.9	33.4		258.3
Irish national government	408.8	22.4		431.2
Slovenian national government	69.8			69.8
Czech Republic national government	243.8	34.5		278.3
Slovakian national government	231.0	32.9		263.9
US national government	297.1	83.0		380.1
Other national governments	633.8	62.2		696.0
Total	**26,530.9**	**3,313.0**		**29,843.9**

31 December 2011	Historical/ amortised cost	Gross unrealised gains (losses)	Impairments	Fair value
Belgian national government	9,680.4	111.4		9,791.8
Dutch national government	1,692.1	116.5		1,808.6
German national government	1,402.8	216.3		1,619.1
Italian national government	1,989.9	(369.8)		1,620.1
French national government	4,365.7	186.6		4,552.3
British national government	660.9	43.6		704.5
Greek national government	1,562.9		(1,209.1)	353.8
Spanish national government	1,015.7	(90.2)		925.5
Portuguese national government	681.0	(208.3)		472.7
Austrian national government	2,308.1	136.7		2,444.8
Finnish national government	282.9	24.7		307.6
Irish national government	443.1	(62.0)		381.1
Slovenian national government	229.4	(18.7)		210.7
Czech Republic national government	244.2	5.0		249.2
Slovakian national government	223.0	(2.5)		220.5
US national government	302.7	85.0		387.7
Other national governments	608.7	(15.6)		593.1
Total	**27,693.5**	**158.7**	**(1,209.1)**	**26,643.1**

Ageas impaired it's exposure on Greek Government bonds in 2011 as a result of the economic crisis in Greece. In the course of the first three months of 2012 Ageas converted its Greek bond portfolio into new Greek bonds with a face value of 31.5% in accordance with the offer of the Greek government. After this conversion, the entire Greek bond position was sold.

The share per country in the investment portfolio of government bonds based on fair value can graphically be shown as follows at year-end:





The table below provides the Net unrealised gains and losses on Investments available for sale included in equity (which includes debt securities, equity securities and other investments). Equity securities and other investments also includes private equities and venture capital.

	31 December 2012	31 December 2011
Available for sale investments in debt securities:		
Carrying amount	54,861.2	48,159.0
Gross unrealised gains and losses	5,162.0	591.1
- Related tax	(1,635.5)	(209.0)
Shadow accounting	(1,594.0)	(49.7)
- Related tax	510.9	46.1
Net unrealised gains and losses	**2,443.4**	**378.5**

	31 December 2012	31 December 2011
Available for sale investments in equity securities and other investments:		
Carrying amount	2,358.2	1,803.5
Gross unrealised gains and losses	206.6	(3.0)
- Related tax	(67.8)	(5.6)
Shadow accounting	(62.1)	(8.0)
- Related tax	20.2	4.2
Net unrealised gains and losses	**96.9**	**(12.4)**

The tax related to Gross unrealised gains and losses on Investments available for sale is impacted by the fact that the tax on unrealised gains of Ageas's subsidiary in France can be offset with tax losses in the past. This impact is significantly visible in tax related to shadow accounting as at 31 December 2011.

Impairments of Investments available for sale

The following table shows the breakdown of impairments of Investments available for sale.

	31 December 2012	31 December 2011
Impairments of investments available for sale:		
- debt securities	(2.3)	(1,215.6)
- equity securities and other investments	(188.2)	(221.2)
Total impairments of investments available for sale	**(190.5)**	**(1,436.8)**

The changes in impairments of Investments available for sale are as follows:

	2012	2011
Balance as at 1 January	**1,436.8**	**167.6**
Acquisitions/divestments of subsidiaries		(17.5)
Increase in impairments	97.6	1,527.1
Reversal on sale/disposal	(1,343.6)	(221.5)
Foreign exchange differences and other adjustments	(0.3)	(18.9)
Balance as at 31 December	**190.5**	**1,436.8**

The reversal on sale/disposal in 2012 mainly relates to the conversion of the Greek bond portfolio (EUR 1,278.9 million).

16.3 Investments held at fair value through profit or loss

The following table provides information as at 31 December about the Investments held at fair value, for which unrealised gains or losses are recorded through profit or loss.

	31 December 2012	31 December 2011
Corporate debt securities	191.7	95.3
Structured credit instruments	49.0	85.7
Debt securities	240.7	181.0
Equity securities	21.8	13.1
Equity securities and other investments	21.8	13.1
Total investments held at fair value through profit or loss	**262.5**	**194.1**

Investments held at fair value through profit or loss include primarily investments related to insurance liabilities where cash flows are linked to the performance of these assets, either contractually or on the basis of discretionary participation and whose measurement incorporates current information. This measurement significantly reduces an accounting mismatch that would otherwise arise from measuring assets and liabilities and the related gains and losses on different bases.

The amortised cost of the debt securities held at fair value through profit or loss as at 31 December 2012 is EUR 301.9 million (2011: EUR 239.8 million).

The valuation of Investments held at fair value through profit or loss is based on:

- Level 1: quoted prices in active markets;
- Level 2: observable market data in active markets;
- Level 3: unobservable market data (counterparty quotes).

The valuation at year-end can be shown as follows.

2012	Level 1	Level 2	Level 3	Total
Corporate debt securities	21.0	170.7		191.7
Structured credit instruments			49.0	49.0
Equity securities		21.8		21.8
Total Investments held at fair value through profit or loss	**21.0**	**192.5**	**49.0**	**262.5**

2011	Level 1	Level 2	Level 3	Total
Corporate debt securities	6.1	89.2		95.3
Structured credit instruments			85.7	85.7
Equity securities		13.1		13.1
Total Investments held at fair value through profit or loss	**6.1**	**102.3**	**85.7**	**194.1**

The changes in level 3 valuation are as follows:

	2012	2011
Balance as at 1 January	**85.7**	**96.3**
Maturity/redemption or repayment of the period	(50.0)	(5.0)
Proceeds from sales		(18.3)
Realised gains (losses)	0.6	
Unrealised gains (losses)	12.7	12.7
Balance as at 31 December	**49.0**	**85.7**

The level 3 positions are mainly sensitive to a change in the general level of credit spreads. If the general level of credit spreads increases by 1 basis point, it is estimated that the market value of these positions drops by 7 basis points. This would translate into a loss of value by approximately EUR 33,000 for every basis point widening of the general level of credit spreads.

16.4 Derivatives held for trading (assets)

The following table provides a specification of the derivatives held for trading (assets).

	31 December 2012	31 December 2011
Over the counter (OTC)	35.8	42.4
Total derivatives held for trading (assets)	**35.8**	**42.4**

The Derivatives held for trading mainly relate to interest rate and equity options and interest rate swaps. Derivatives held for trading are in 2012 and 2011 based on a level 2 valuation (observable market data in active markets) (see also Note 34 Derivatives for further details).

17

INVESTMENT PROPERTY

Investment property mainly comprises residential, commercial and mixed-use real estate.

	31 December 2012	31 December 2011
Investment property	2,451.6	2,083.6
Impairments of investment property	(36.1)	(37.9)
Total investment property	**2,415.5**	**2,045.7**

The following table shows the changes in Investment property for the year ended 31 December.

	2012	2011
Acquisition cost as at 1 January	**2,631.2**	**2,471.3**
Acquisitions/divestments of subsidiaries	48.3	16.2
Additions/purchases	269.5	215.2
Disposals	(79.1)	(68.0)
Other	178.4	(3.5)
Acquisition cost as at 31 December	**3,048.3**	**2,631.2**
Accumulated depreciation as at 1 January	**(547.6)**	**(521.2)**
Depreciation expense	(73.1)	(60.9)
Reversal of depreciation due to disposals	20.8	34.5
Other	3.2	
Accumulated depreciation as at 31 December	**(596.7)**	**(547.6)**
Impairments as at 1 January	**(37.9)**	**(49.8)**
Increase in impairments charged to income statement	(0.5)	(2.1)
Reversal of impairments credited to income statement	1.1	14.0
Reversal of impairments due to disposals	1.2	
Impairments as at 31 December	**(36.1)**	**(37.9)**
Net investment property as at 31 December	**2,415.5**	**2,045.7**
Cost of investment property under construction	106.9	88.7

An amount of EUR 178.4 million in 2012 reported in the line Other under acquisition cost relates to the reclass of Buildings held for resale to Investment property.

An amount of EUR 290.6 million of the Investment property has been pledged as collateral as at 31 December 2012 (31 December 2011: EUR 296.8 million).

The fair value of Investment property is set out below.

	31 December 2012	31 December 2011
Fair values supported by market evidence	2,634.4	2,419.1
Fair value subject to an independent valuation	672.8	380.0
Total fair value of investment property	**3,307.2**	**2,799.1**
Total carrying amount	2,415.5	2,045.7
Gross unrealised gain/loss	891.7	753.4
Taxation	(293.2)	(248.7)
Net unrealised gain/loss (not recognised in equity)	**598.5**	**504.7**

The depreciation of buildings is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. Real estate is split into the following components: structure, closing, techniques and equipment, heavy finishing and light finishing.

The maximum useful life of the components is as follows:

- Structure — 50 years for offices and retail; 70 years for residential;
- Closing — 30 years for offices and retail; 40 years for residential;
- Techniques and equipment — 20 years for offices; 25 years for retail and 40 years for residential;
- Heavy finishing — 20 years for offices; 25 years for retail and 40 years for residential;
- Light finishing — 10 years for offices, retail and residential.

Land has an unlimited useful life and is therefore not depreciated. IT, office and equipment are depreciated over their respective useful lives, which are determined individually. As a general rule, residual values are considered to be zero.

Property rented out under operating lease

Ageas rents certain assets – mainly property held for investment purposes – to external parties based on operating lease agreements. As at 31 December the minimum payments to be received from irrevocable lease agreements amounted to:

	2012	2011
Less than 3 months	52.5	45.8
3 months to 1 year	148.7	141.1
1 year to 5 years	644.2	598.6
More than 5 years	952.0	906.3
Total	**1,797.4**	**1,691.8**

18

LOANS

The composition of Loans is as follows:

	31 December 2012	31 December 2011
Loans to banks	2,637.5	2,934.5
Loans to customers	3,667.5	2,762.9
Total	**6,305.0**	**5,697.4**
Less impairments:		
- specific credit risk	(15.6)	(13.3)
- incurred but not reported (IBNR)	(1.0)	(0.7)
Total loans	**6,288.4**	**5,683.4**

18.1 Loans to banks

Loans to banks consists of the following:

	31 December 2012	31 December 2011
Interest-bearing deposits	1,513.0	974.3
Subordinated loans	949.3	1,753.9
Reverse repurchase agreements		66.6
Other	175.2	139.7
Total	**2,637.5**	**2,934.5**
Less impairments:		
- specific credit risk	(1.1)	(1.2)
Loans to banks	**2,636.4**	**2,933.3**

The subordinated loans can be split in:

	2012	2011
Nitsh I (USD 750 million)	575.9	588.8
Nitsh II	373.4	371.0
Fortis Bank Tier 1		794.1
Total subordinated loans	**949.3**	**1,753.9**

Nitsh I and II

Nitsh I and II are subordinated loans (see also Note 27 Subordinated Liabilities) that are (in part) on-lent to BNP Paribas Fortis SA/NV.

Settlement subordinated loan BNP Paribas Fortis SA/NV (Tier 1 instrument)

The BNP Paribas Fortis SA/NV Tier 1 loan consists of bonds issued in 2001, which Ageas was obliged to exchange in the third quarter of 2011 due to a support agreement entered into by the former Fortis parent companies, now ageas SA/NV.

On 26 September 2011, Ageas was obliged to exchange EUR 952.9 million redeemable perpetual cumulative coupon debt securities of BNP Paribas Fortis at par, after a non-call of these securities by BNP Paribas Fortis SA/NV and consent granted by the NBB for this exchange.

Ageas decided to determine the fair value of the securities by using valuation techniques based on a net present value calculation. With EUR 952.9 million par value of securities exchanged, the fair value of these securities was set at EUR 762.3 million.

The difference between the acquisition price and the amount of first recognition was recorded as a loss in the income statement in the line 'Result on sales and revaluations' (see Note 39 Result on sales and revaluations) in 2011. This difference is reversed until the settlement (see below) in the income statement over the applicable quarters, via the effective interest method. In 2012 an amount of EUR 30.4 million has been reversed according to this method (2011: EUR 31.8 million).

Settlement with BNP Paribas Fortis SA/NV and BNP Paribas

On 7 February 2012, Ageas and BNP Paribas reached an agreement on a partial settlement of the RPN/RPN(I) (see Note 30 RPN(I)) and the full call of the Tier 1 instrument, issued by BNP Paribas Fortis SA/NV and for 95% held by Ageas. BNP Paribas Fortis SA/NV called the Tier 1 for an amount of EUR 952.9 million in the first three months of 2012. The call resulted in a capital gain of EUR 128.5 million (see Note 39 Result on sales and revaluations).

18.2 Loans to customers

The composition of Loans to customers is as follows:

	31 December 2012	31 December 2011
Government and official institutions	0.3	0.3
Residential mortgage	1,528.6	1,588.1
Consumer loans	7.7	7.9
Commercial loans		
Real Estate	76.7	
Infrastructure	63.9	
Other	129.5	97.3
Policyholder loans	189.3	173.5
Other loans	1,671.5	895.8
Total	**3,667.5**	**2,762.9**
Less impairments:		
- specific credit risk	(14.5)	(12.1)
- incurred but not reported (IBNR)	(1.0)	(0.7)
Loans to customers	**3,652.0**	**2,750.1**

Other loans consist mainly of:

- loans to Governmental and regional authorities;
- in the course of 2012, corporate loans (quasi government) loans were granted for an amount of EUR 710 million to regional Governments in Belgium.

Ageas has granted credit lines for a total amount of EUR 273 million (31 December 2011: EUR 151 million).

During the third quarter 2012, Ageas announced a program to increase the diversification of its investment portfolio by investing in commercial loans, allocating up to 5% of its total invested assets into this category. Ageas believes commercial loans offer an interesting alternative investment opportunity in the current low-interest environment with the benefit of greater portfolio diversification and attractive risk-return profile.

The main part of this investment is to be realised through a partnership on Infrastructure loans with Natixis. The objective is to benefit from:

- an attractive risk adjusted return: infrastructure loans provide yield enhancement and diversification benefits compared to sovereign debt (an important part of Ageas' investment portfolio);
- a collateral based on pledges linked to underlying projects (e.g. buildings, motorways);
- an improved duration match: infrastructure loans have, by the nature of the projects they finance, long maturities, creating opportunities for the funding of long term liabilities traditionally associated with the insurers.

The agreement with Natixis has the following main characteristics:

- Natixis will be in charge of originating the loans and will retain a pre-agreed substantial percentage of each deal. Ageas will assume the remaining part;
- only new or very recently closed deals in selected sectors and countries will be eligible within the partnership;
- the scope of the partnership excludes Benelux where Ageas has direct access to infrastructure projects;
- the target amount of this loan portfolio is EUR 2 billion for Ageas;
- a period of 2 to 3 years is foreseen to reach the targeted investment amount;
- Natixis will ensure the administration of all loans in this portfolio.

18.3 Collateral on Loans to banks and Loans to customers

The following table provides details on collateral and guarantees received as security for Loans to banks and Loans to customers.

2012	Carrying amount	Collateral received: Financial instruments	Collateral received: Property, plant & equipment	Collateral received: Other collateral and guarantees	Collateral amounts in excess of credit exposure 1)	Unsecured exposure
Loans to banks	2,636.4	160.1				2,476.3
Loans to customers	3,652.0	269.9	2,382.8	34.4	856.0	1,820.9
Total credit exposure loans	**6,288.4**	**430.0**	**2,382.8**	**34.4**	**856.0**	**4,297.2**

2011	Carrying amount	Collateral received: Financial instruments	Collateral received: Property, plant & equipment	Collateral received: Other collateral and guarantees	Collateral amounts in excess of credit exposure 1)	Unsecured exposure
Loans to banks	2,933.3	196.5				2,736.8
Loans to customers	2,750.1	194.9	2,364.2	23.7	779.3	946.6
Total credit exposure loans	**5,683.4**	**391.4**	**2,364.2**	**23.7**	**779.3**	**3,683.4**

1) *Collateral amounts in excess of credit exposure' related to loans for which the collateral is higher than the underlying individual loan. As this additional collateral cannot be off set with loans for which the collateral is lower than the underlying individual loan, an excess position is shown.*

18.4 Impairments on Loans to banks and Loans to customers

Changes in the impairments of Loans to banks are as follows:

Specific credit risk	2012	2011
Balance as at 1 January	**1.2**	**1.2**
Release of impairments	(0.1)	
Balance as at 31 December	**1.1**	**1.2**

Changes in impairments on Loans to customers are as follows:

	2012 Specific credit risk	2012 IBNR	2011 Specific credit risk	2011 IBNR
Balance as at 1 January	**12.1**	**0.7**	**7.8**	**0.9**
Increase in impairments	6.1	0.3	3.6	
Release of impairments	(1.1)		(1.7)	(0.2)
Write-offs of uncollectible loans	(2.6)		0.7	
Foreign exchange differences and other adjustments			1.7	
Balance as at 31 December	**14.5**	**1.0**	**12.1**	**0.7**

The following table provides details on collateral and guarantees received as security for impaired Loans to banks and impaired Loans to customers.

2012	Impaired outstanding	Collateral Received: Financial instruments	Collateral Received: Property, plant & equipment	Collateral and guarantees in excess of impaired credit exposure [1]	Unsecured exposure
Loans to banks	1.1				1.1
Loans to customers	133.9	1.5	157.0	33.8	9.2
Total impaired credit exposure on loans	**135.0**	**1.5**	**157.0**	**33.8**	**10.3**

2011	Impaired outstanding	Collateral Received: Financial instruments	Collateral Received: Property, plant & equipment	Collateral and guarantees in excess of impaired credit exposure [1]	Unsecured exposure
Loans to banks	1.4				1.4
Loans to customers	127.8	4.0	157.7	40.4	6.5
Total impaired credit exposure on loans	**129.2**	**4.0**	**157.7**	**40.4**	**7.9**

1) *Collateral amounts in excess of credit exposure related to loans for which the collateral is higher than the underlying individual loan. As this additional collateral cannot be off set with loans for which the collateral is lower than the underlying individual loan, an excess position is shown.*

19

INVESTMENTS IN ASSOCIATES

The following table provides an overview of the most significant Investments in associates as at 31 December. The percentage of interest may include more than one percentage if interests held in more than one entity of the associate group and these percentages are not the same.

		% interest	2012 Carrying amount	2011 Carrying amount
Associates				
Mayban Ageas Holding Berhad	Malaysia	30.95%	307.5	319.7
Muang Thai Group Holding	Thailand	15% - 31%	244.2	205.5
Taiping Holdings	China	20% - 24.9%	260.5	211.0
Royal Park Investments	Belgium	44.71%	872.0	779.2
IDBI Federal Life Insurance	India	26.00%	12.8	16.4
Aksigorta	Turkey	36.00%	175.5	160.1
Cardif Lux Vie	Luxembourg	33.33%	91.6	76.0
Association Westland Shopping center	Belgium	45.85%	2.9	34.5
BITM	Belgium	50.00%	27.4	32.2
Aviabel	Belgium	24.70%	25.3	22.7
Credimo	Belgium	34.20%	18.9	16.1
Other			85.0	86.1
Total			**2,123.6**	**1,959.5**

Ageas closed in July 2011 a deal with Hacı Ömer Sabancı Holding A.Ş. ('Sabanci'), Turkey's leading industrial and financial conglomerate, to acquire a 31% stake in Aksigorta A.Ş. ('Aksigorta'), a Non-life company, through the sale by Sabanci of half of its stake in the company. The transaction was closed on 27 July 2011 and consequently Aksigorta was included as an equity associate in the consolidated scope as of that date. On 21 November 2011, Ageas and Sabanci agreed to jointly increase their shares in Aksigorta, to a maximum of 36%, to further strengthen the partnership between the two groups. At year-end 2012, both entities have increased their share to 36% in Aksigorta (see also Note 3 Acquisitions and disposals).

Ageas Insurance International (Ageas) and BGL BNP Paribas (BGL BNPP), which hold 50% each of the shares in Fortis Luxembourg Vie, signed an agreement with BNP Paribas Cardif, parent company of Cardif Lux International to merge their activities, Ageas holds 33.33%, BGL BNP Paribas 33.33% and BNP Paribas Cardif 33.34% of the shares of the new entity. The merger was completed at 30 December 2011. Due to the merger the new entity is treated as an associate instead of as a subsidiary.

The change in carrying amount of Association Westland Shopping center Belgium is due to the sale of the underlying asset and the subsequent payment to certificate holders.

The details of the associates are as follows:

2012	Total assets	Total liabilities	Total income	Total expenses
Mayban Ageas Holding Berhad	6,612.1	5,618.5	1,560.1	(1,443.7)
Muang Thai Group Holding	4,165.1	3,429.8	1,475.6	(1,371.8)
Taiping Holdings	20,341.4	19,307.3	5,103.9	(4,896.9)
Royal Park Investments	6,670.9	4,720.4	1,556.8	(1,323.5)
IDBI Federal Life Insurance	395.7	346.3	145.1	(157.5)
Aksigorta	567.1	383.8	643.2	(619.8)
Cardif Lux Vie	14,717.5	14,442.8	6,119.2	(6,096.2)
Association Westland Shopping center	6.9	0.7	3.9	(6.2)
BITM	111.0	33.1	16.8	(26.8)
Aviabel	213.8	111.2	10.9	
Credimo	977.9	922.4	127.0	(126.0)

2011	Total assets	Total liabilities	Total income	Total expenses
Mayban Ageas Holding Berhad	6,163.8	5,131.1	1,242.1	(1,143.6)
Muang Thai Group Holding	3,243.2	2,628.6	1,097.0	(1,042.0)
Taiping Holdings	16,221.6	15,383.6	3,940.5	(3,994.5)
Royal Park Investments	7,738.2	5,995.3	224.4	(665.6)
IDBI Federal Life Insurance	355.6	292.4	99.0	(112.0)
Aksigorta	495.1	304.8	451.7	(438.3)
Cardif Lux Vie	15,406.3	15,178.4	17.9	
Association Westland Shopping center	77.0	1.5	7.4	(5.2)
BITM	124.3	59.9	17.2	(15.9)
Aviabel	197.3	105.5	62.1	(51.7)
Credimo	933.8	887.1	120.5	(119.2)

Equity associates are subject to dividend restrictions arising from minimum capital and solvency requirements imposed by regulators in the countries in which those equity associates operate. Dividend payments of associates are sometimes subject to shareholder agreements with the partners in the company. In certain situations consensus is required before dividend is declared.

In addition, shareholder agreements (related to parties having an interest in a company in which Ageas has a non-controlling interest) may include:

- specific articles on voting rights or dividend distribution;
- lock-up periods during which all parties having shares are not allowed to sell shares before a certain period or without preliminary approval of the other parties involved;
- options to sell or resell shares to the other party (ies) involved in the shareholders agreement including the underlying calculation methodology to value the shares;
- earn out mechanisms which allow the party originally selling the shares to additional revenues when certain objectives are realized;
- exclusivity clauses or non-compete clauses related to the sales of insurance products.

Royal Park Investments

As a result of the transactions closed on 12 May 2009, Ageas acquired, for the total sum of EUR 760 million, a 44.7% stake in Royal Park Investments (RPI), a special purpose vehicle that acquired part of the structured credit portfolio of Fortis Bank. This stake has been accounted for using the equity method.

RPI acquired from Fortis Bank on the closing date a portfolio of structured credits for an agreed purchase price of EUR 11.7 billion. The corresponding face value of the portfolio amounted to EUR 20.5 billion at 12 May 2009. This purchase was funded by EUR 1.7 billion equity, EUR 5 billion super senior debt and EUR 5 billion senior debt; the senior debt includes a loss absorption mechanism. The senior debt was provided by BNP Paribas and by Fortis Bank. The funding provided by Fortis Bank is guaranteed by the Belgian government. Any cash generated by RPI will first be used to repay the super senior debt.

The initial recognition of the investment under the equity accounting method is at cost, followed by an impairment test of the carrying amount. Ageas requested RPI to draw up financial information based on Ageas IFRS accounting policies. RPI recorded the acquisition of the portfolio, related funding and people and processes as a business combination under IFRS. At acquisition the asset portfolio was recorded at market value (EUR 8.2 billion) and the difference between the purchase price (EUR 11.7 billion) and the market value amounting to EUR 3.5 billion was recorded in the IFRS statement of financial position of RPI as a deferred tax asset (EUR 1.2 billion: 33.9% of 3.5 billion) and goodwill of EUR 2.3 billion.

RPI manages the portfolio to maximise the value for its shareholders as defined in the management guidelines drawn up by the RPI Board. In the current circumstances, this implies a run off scenario. In such case IFRS requires amortised cost as subsequent measurement of the asset portfolio. IFRS requires for variable rate instruments, an instrument by instrument re-computation of the amortised cost based on actualised cash flow information per asset. However, RPI does not have such information available and to produce this information would require undue cost and efforts. In the absence of such information and taking into consideration that management is also using fair value information in the context of periodically monitoring the asset portfolio, Ageas decided to use for subsequent measurement of the asset portfolio the fair value through profit or loss.

To determine the cash flows of the portfolio and related funding several assumptions were made such as loss given default, probability of default, pre-payment speed, housing price evolutions, additional sector and geographical data when needed. Given the fact that the uncertainties were taken into consideration when determining the cash flows, and the fact that the funding of RPI is guaranteed, the expected cash flows have been discounted at 7.8% (31 December 2011: 7.8%) being the risk free interest rate for Belgium plus the normal equity premium.

Since RPI is in fact a portfolio in run-off, the profits included in the portfolio and related funding will be realised over time and will not be replaced by profits from new transactions, the goodwill will need to be impaired in the period the portfolio runs off. The goodwill recognised by RPI represents for a significant part the future profits of this business.

The full year result of RPI at 100%, before an impairment test of the goodwill and before tax, amounted to EUR 1,509 million net profit (2011: EUR 183 million). Higher market to market revaluations of the investment portfolio compared to 2011, mainly drive the difference. At the end of each quarter RPI performs an impairment test on the goodwill recognised under IFRS. Since all proceeds received are used to redeem the funding, and no new business is generated, the goodwill needs to be impaired over the expected maturity of the portfolio. Based on the review of the expected business developments, a value in use of the total business was calculated resulting in impairment on Goodwill of EUR 782 million. As a result, the entire amount of goodwill originally recognized (EUR 2.3 billion) is now fully impaired.

RPI's net profit under IFRS, including impairment of goodwill, at 100%, as a result amounted to EUR 233 million positive or Ageas's share of EUR 104 million positive (2011: EUR 441 million loss, Ageas share: EUR 197.3 million loss).

In addition, RPI concluded a number of interest rate swaps, exchanging variable interest streams into fixed interest streams. Ageas decided to apply cash flow hedge accounting on these swaps. In 2011 and 2012 most of the swaps were sold and a gain was realised. All unrealised fair value movements on the remaining swaps flow through equity. Since hedge accounting is applied this gain is not recorded in the income statement but in Shareholder's equity and will be amortised over the coming years in the income statement. As at 31 December 2012, the hedge reserve including the realised gains amounted to EUR 176 million after tax (2011: EUR 190 million). As a result of both elements, Ageas's equity investment in RPI increased from EUR 779 million end 2011 to EUR 872 million.

As at 31 December, the fair value of the investment portfolio under IFRS amounts to EUR 6.2 billion (31 December 2011: EUR 6.0 billion), the goodwill to EUR 0 million (31 December 2011: EUR 0.8 billion) and the deferred tax asset to EUR 0.3 billion (31 December 2011: EUR 0.7 billion). The funding measured at amortised cost, amounted to EUR 4.7 billion (31 December 2011: EUR 6.0 billion) and the equity amounted to EUR 2.0 billion (31 December 2011: EUR 1.7 billion).

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REINSURANCE AND OTHER RECEIVABLES

The table below shows the components of reinsurance and other receivables as at 31 December.

	31 December 2012	31 December 2011
Reinsurers' share of liabilities arising from insurance and investment contracts	668.0	468.4
Receivables from policyholders	477.2	428.0
Fees and commissions receivable	63.7	47.8
Receivables from intermediaries	358.7	270.3
Reinsurance receivables	48.9	35.1
Claims on ABN AMRO		2,362.5
Factoring receivables	139.0	146.0
Other	233.5	374.1
Total gross	**1,989.0**	**4,132.2**
Impairments	(21.0)	(21.1)
Net total	**1,968.0**	**4,111.1**

Included under Reinsurance and other receivables were at year end 2011 the claims on Fortis Capital Company Limited, ABN AMRO and the Dutch State related to the FCC transaction and the MCS conversion. The first claim is for full compensation for the payment (EUR 362.5 million) made by Ageas to Fortis Capital Company Limited (a subsidiary of ABN AMRO N.V.) to allow it to pay the above amount to the holders of preference shares. In 2009, this claim was impaired based on the fact that ABN AMRO contested the claim. Based on the negotiations with the Dutch State, Ageas decided in 2010 to reverse the impairment and include this claim in the assessment of the provision for disputes with the Dutch State (see also Note 32 Provisions and Note 46 Change in impairments).

The second claim relates to the MCS conversion. On December 7 2010, Ageas issued 106.7 million shares in relation to the conversion of the MCS (see also Note 4 Shareholders' equity). Since ABN AMRO was the beneficiary of the proceeds of the MCS issue and the existence of the four party agreement granted Ageas a claim on ABN AMRO at the moment of conversion, Ageas recorded a receivable for an amount of EUR 2 billion with ABN AMRO as debtor at the moment of conversion. The Dutch State has made a statement that based on the terms and conditions on the sale of Fortis Bank Nederland, Fortis Verzekeringen Nederland and Fortis Corporate Insurance, they are entitled to this claim. Ageas has taken this into account in 2010 for the set up of a provision for disputes with the Dutch State (see also Note 32 Provisions).

The line Other includes receivables related to VAT and other indirect taxes.

Settlement

On 28 June 2012, ageas SA/NV and ageas N.V. ('Ageas'), ABN AMRO Group N.V. and ABN AMRO Bank N.V. ('ABN AMRO') settled the legal proceedings concerning ABN AMRO Capital Finance Ltd. (former Fortis Capital Company Ltd. 'FCC') and the Mandatory Convertible Securities ('MCS').

This settlement also brings to a close all outstanding disputes between the Dutch State and Ageas in relation to the equity transactions which resulted in the take-over of the Dutch activities of the former Fortis group by the Dutch State on 3 October 2008. NL Financial Investments, the majority shareholder of ABN AMRO, co-signed this agreement on behalf of the Dutch State. The settlement resulted in a one-off cash payment by ABN AMRO to Ageas of EUR 400 million on 29 June 2012. This amount is shown on a separate line in the income statement.

The amount of original claims of EUR 2,362 million has, after deducting the settlement amount of EUR 400 million been booked in the Consolidated Income Statement on a separate line in the income statement. This impairment is offset by the release of the provisions related to disputes with the Dutch state of EUR 2,362 million (see Note 32 Provisions), resulting in a EUR 400 million profit.

Changes in impairments of Reinsurance and other receivables

The following table shows the changes in the impairments of Reinsurance and other receivables.

	2012	2011
Balance as at 1 January	**21.1**	**23.3**
Increase in impairments	3.0	1.5
Release of impairments	(0.7)	(2.1)
Write-offs of uncollectible amounts	(2.1)	(0.4)
Foreign exchange differences and other adjustments	(0.3)	(1.2)
Balance as at 31 December	**21.0**	**21.1**

Changes in the reinsurer's share of Liabilities arising from insurance and investment contracts

Changes in the reinsurer's share of Liabilities arising from insurance and investment contracts are shown below.

	2012	2011
Balance as at 1 January	**468.4**	**359.8**
Acquisitions/divestments of subsidiaries [1]	70.1	85.4
Change in liabilities current year	86.5	3.9
Change in liabilities prior years	(49.2)	(40.4)
Claims paid current year	9.7	26.8
Claims paid prior years	(2.0)	13.2
Other net additions through income statement	82.6	13.0
Foreign exchange differences and other adjustments	1.9	6.7
Balance as at 31 December	**668.0**	**468.4**

1) *The amount in 2011 relates to the sale of internal reinsurance treaties to a third party.*

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CALL OPTION BNP PARIBAS SHARES

Under the agreement signed on 12 May 2009, Ageas was granted a cash-settled call option by the Federal Holding and Investment Corporation (Société Fédérale de Participations et d'Investissement/Federale Participatie- en Investeringsmaatschappij – SFPI/FPIM) that allows Ageas to benefit from any appreciation in the value of 121,218,054 BNP Paribas shares held by the SFPI/FPIM. These shares were acquired by the SFPI/FPIM in return for selling 75% + 1 share of Fortis Bank. This option entitles Ageas to the difference between the strike price of EUR 66.672 and the market price of the BNP Paribas shares at the time of exercise, or the selling price of the underlying BNP Paribas shares, at the discretion of SFPI/FPIM. These rights have replaced the 'coupon 42'.

The granted rights include some non-standard features that differ from standard ISDA based option protocols, such as restrictions on transferability, limitations on freedom of exercise, forced exercise under specific circumstances and specific adjustment mechanics such as dilution and claim issues.

Ageas can exercise the options up to 10 October 2016. Ageas decided to move to a gradual exercise strategy in accordance with a disciplined methodology, once the options are in the money, but continuously also monitors the ability to monetise the options.

The options are recorded at fair value, with subsequent revaluations recorded in the income statement under unrealised gain (loss) on Call option BNP Paribas shares.

Value calculation

The theoretical value of an individual option can be calculated based on Black-Scholes option valuation techniques. Besides market observable data on the reporting date, such as interest yield, actual and strike price of the share and the remaining duration of the option, the calculation needs to include assumptions regarding future dividend and volatility. Non-standard features should also be taken into account.

The following data were used for the valuation:

	31 December 2012	31 December 2011
BNP Paribas share price	EUR 42.54	EUR 30.35
Strike price	EUR 66.672	EUR 66.672
Volatility	30%	49%
Dividend yield	4.69%	5.98%
Price per option up to 10 October 2016	EUR 2.760	EUR 4.660
Theoretical value of 121.2 million options	EUR 335 million	EUR 565 million
Estimated value, after adjustment for non standard features (30%)	**EUR 234 million**	**EUR 395 million**

Volatility

Given the very large number of options on BNP Paribas shares carried by Ageas, representing 10.12% of the BNP Paribas outstanding shares, the monetisation of the options is expected to have an effect on the value of traded options and hence the implied volatility. Ageas therefore decided to move to a gradual exercise strategy in accordance with a disciplined methodology to minimise the impact of the implied volatility of the shares on the value of the call option. Following the move towards a gradual exercise strategy, Ageas decided to base the used volatility on extrapolated implied volatility observed in the market. The value of the call option at the end of 2012 amounted to EUR 234 million, after adjustment for non-standard features (30%).

Sensitivity valuation for assumption changes

Both the applied volatility and the dividend yield assumption have a significant influence on the value of the options: a decrease of the volatility by 10% on 31 December 2012 results in a 73.91% decrease in the theoretical value of the option; an increase of the volatility by 10%, all other input variables equal, results in a 98.55% increase of the theoretical value. A decrease of the volatility by 5% on 31 December 2012 results in a 41.30% decrease in the theoretical value of the option; an increase of the volatility by 5%, all other input variables equal, results in a 47.46% increase of the theoretical value. A 1% decrease of the dividend yield, keeping other input variables equal, results in a 3.99% increase of the theoretical value, while a 1% increase of the dividend yield, all other input variables kept equal, results in a 2.54% decrease of the theoretical value of the options.

Adjustment for non standard features

Given the unusual features of the option, professional market parties will apply a significant discount to the theoretical valuation. Ageas has decided to lower the theoretical value by 30% for these non-standard features, based on indications from professional market parties ranging from 10% to 50%.

Pay out of proceeds

Ageas has undertaken to propose to the general meetings of shareholders to pay out as dividend the benefits of exercises, monetisation or any other contemplated structure, to the extent permitted by law and taking into account practical constraints.

The Belgian Ruling Commission has confirmed that the grant of the BNP Paribas option is not itself a taxable event for ageas SA/NV. Ageas tax carry forward losses will avoid payment of corporate income tax when the gains on the option are realised. Ageas is thus able, to the extent permitted by law, to propose to dividend out the gross proceeds.

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ACCRUED INTEREST AND OTHER ASSETS

The table below shows the components of Accrued interest and other assets as at 31 December.

	31 December 2012	31 December 2011
Deferred acquisition cost	872.4	703.3
Deferred other charges	129.5	114.1
Accrued income	1,367.1	1,332.3
Derivatives held for hedging purposes	1.6	1.3
Property intended for sale	107.5	146.0
Defined benefit assets	27.2	23.0
Other	78.3	66.2
Total gross	**2,583.6**	**2,386.2**
Impairments		
Accrued interest and other assets	**2,583.6**	**2,386.2**

Accrued income consists mainly of accrued interest income on Government bonds (2012: EUR 674 million; 2011: EUR 651 million) and other bonds (2012: EUR 289 million; 2011: EUR 312 million), debt securities from credit and non-credit financial institutions (2012: EUR 211 million; 2011: EUR 210 million) and other debt securities (2012: EUR 145 million; 2011: EUR 122 million).

For details of defined benefit pension plans and related pension assets see Note 9 Post-employment benefits, other long-term benefits and termination benefits.

Deferred acquisition costs

Changes in deferred acquisition costs related to insurance and investment contracts are shown below.

	2012	2011
Balance as at 1 January	**703.3**	**574.6**
Acquisitions/divestments of subsidiaries	63.4	(3.5)
Capitalised deferred acquisition costs	544.9	495.5
Depreciation expense	(446.1)	(379.4)
Other adjustments including exchange rate differences	6.9	16.1
Balance as at 31 December	**872.4**	**703.3**

23 PROPERTY, PLANT AND EQUIPMENT

The table below shows the carrying amount for each category of Property, plant and equipment as at 31 December.

	31 December 2012	31 December 2011
Land and buildings held for own use	1,010.0	1,000.7
Leasehold improvements	22.4	20.3
Equipment	82.6	77.3
Total	**1,115.0**	**1,098.3**

Changes in Property, plant and equipment

Changes in Property, plant and equipment are shown below.

2011	Land and buildings held for own use	Leasehold improve-ments	Equipment	Total
Acquisition cost as at 1 January	**1,418.9**	**45.9**	**220.1**	**1,684.9**
Acquisitions/divestments of subsidiaries	29.4	0.6	(3.3)	26.7
Additions	35.2	5.0	34.0	74.2
Reversal of cost due to disposals	(8.7)	(1.3)	(10.9)	(20.9)
Foreign exchange differences	1.0	0.5	2.3	3.8
Other	(2.2)	0.8	(3.3)	(4.7)
Acquisition cost as at 31 December	**1,473.6**	**51.5**	**238.9**	**1,764.0**
Accumulated depreciation as at 1 January	**(436.4)**	**(26.6)**	**(148.0)**	**(611.0)**
Acquisitions/divestments of subsidiaries			3.5	3.5
Additions		0.1		0.1
Depreciation expense	(31.8)	(4.3)	(30.3)	(66.4)
Reversal of depreciation due to disposals		1.2	10.4	11.6
Foreign exchange differences	(0.1)	(0.4)	(1.5)	(2.0)
Other	1.4	(0.7)	4.3	5.0
Accumulated depreciation as at 31 December	**(466.9)**	**(30.7)**	**(161.6)**	**(659.2)**
Impairments as at 1 January	**(8.1)**	**(0.8)**		**(8.9)**
Reversal of impairments credited to the income statement	2.1	0.3		2.4
Impairments as at 31 December	**(6.0)**	**(0.5)**		**(6.5)**
Property, plant and equipment as at 31 December	**1,000.7**	**20.3**	**77.3**	**1,098.3**

2012	Land and buildings held for own use	Leasehold improve-ments	Equipment	Total
Acquisition cost as at 1 January	**1,473.6**	**51.5**	**238.9**	**1,764.0**
Acquisitions/divestments of subsidiaries			5.8	5.8
Additions	48.2	6.1	30.1	84.4
Reversal of cost due to disposals	(0.1)		(7.2)	(7.3)
Foreign exchange differences	0.6	(0.1)	1.3	1.8
Other		0.1	(0.3)	(0.2)
Acquisition cost as at 31 December	**1,522.3**	**57.6**	**268.6**	**1,848.5**
Accumulated depreciation as at 1 January	**(466.9)**	**(30.7)**	**(161.6)**	**(659.2)**
Depreciation expense	(34.1)	(4.4)	(32.2)	(70.7)
Reversal of depreciation due to disposals	0.1		6.8	6.9
Foreign exchange differences			(0.8)	(0.8)
Other	0.1			
Accumulated depreciation as at 31 December	**(500.8)**	**(35.1)**	**(186.0)**	**(721.9)**
Impairments as at 1 January	**(6.0)**	**(0.5)**		**(6.5)**
Increase in impairments charged to the income statement	(5.9)			(5.9)
Reversal of impairments credited to the income statement	0.4	0.4		0.8
Impairments as at 31 December	**(11.5)**	**(0.1)**		**(11.6)**
Property, plant and equipment as at 31 December	**1,010.0**	**22.4**	**82.6**	**1,115.0**

An amount of EUR 220.5 million of Property, plant and equipment has been pledged as collateral (31 December 2011: EUR 259.5 million).

Fair value of land and buildings held for own use

The fair value of owner-occupied property is set out below.

	31 December 2012	31 December 2011
Total fair value of Land and buildings held for own use	**1,431.4**	**1,472.4**
Total carrying amount	1,010.0	1,000.7
Gross unrealised gain/loss	**421.4**	**471.7**
Taxation	(135.2)	(153.7)
Net unrealised gain/loss (not recognised in equity)	**286.2**	**318.0**

The depreciation methods for Property, plant and equipment are the same as set out in Note 17 Investment property.

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GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets as at 31 December are as follows:

	31 December 2012	31 December 2011
Goodwill	744.5	787.9
VOBA	382.6	424.4
Purchased software	12.5	10.5
Internally developed software	11.3	19.0
Other intangible assets	347.2	352.5
Total	**1,498.1**	**1,594.3**

Value of business acquired (VOBA) is the difference between the fair value at acquisition date and the subsequent book value of a portfolio of contracts acquired separately or in a business combination. VOBA is recognised as an intangible asset and amortised over the income recognition period of the portfolio of contracts. The main contributors to VOBA are Ageas Insurance Company Asia and Millenniumbcp Ageas.

Other intangible assets include intangible assets with a finite useful life, such as concessions, patents, licences, trademarks and other similar rights, this mainly relates to AG Real Estate. In general, software is amortised over a maximum of five years and other intangible assets have an expected useful life of 10 years at most. Other intangible assets are amortised in accordance with their expected lives.

With the exception of goodwill, Ageas does not have any intangible assets with indefinite useful lives.

Changes in Goodwill and other intangible assets

Changes in Goodwill and other intangible assets for the years 2011 and 2012 are shown below.

2011	Goodwill	VOBA	Purchased software	Internally developed software	Other intangible assets	Total
Acquisition cost as at 1 January	**820.9**	**800.3**	**35.7**	**57.4**	**519.2**	**2,233.5**
Acquisitions/divestments of subsidiaries	50.0	(2.3)	(11.8)		12.8	48.7
Additions			5.6	3.2	7.9	16.7
Adjustments arising from subsequent changes in value of assets and liabilities	7.1					7.1
Reversal of cost due to disposals				(0.1)	(0.3)	(0.4)
Foreign exchange differences	19.2	9.0	0.4	0.4	1.4	30.4
Other	(2.6)				4.4	1.8
Acquisition cost as at 31 December	**894.6**	**807.0**	**29.9**	**60.9**	**545.4**	**2,337.8**
Accumulated amortisation as at 1 January		**(340.6)**	**(25.0)**	**(32.0)**	**(147.3)**	**(544.9)**
Acquisitions/divestments of subsidiaries		2.0	10.3			12.3
Amortisation expense		(41.3)	(4.4)	(9.6)	(34.6)	(89.9)
Foreign exchange differences		(2.7)	(0.3)	(0.3)	(0.6)	(3.9)
Other					(5.3)	(5.3)
Accumulated amortisation as at 31 December		**(382.6)**	**(19.4)**	**(41.9)**	**(187.8)**	**(631.7)**
Impairments as at 1 January	**(1.0)**				**(1.6)**	**(2.6)**
Increase in impairments charged to the income statement	(98.5)				(3.5)	(102.0)
Foreign exchange differences	(7.7)					(7.7)
Other	0.5					0.5
Impairments as at 31 December	**(106.7)**				**(5.1)**	**(111.8)**
Goodwill and other intangible assets as at 31 December	**787.9**	**424.4**	**10.5**	**19.0**	**352.5**	**1,594.3**

2012	Goodwill	VOBA	Purchased software	Internally developed software	Other intangible assets	Total
Acquisition cost as at 1 January	**894.6**	**807.0**	**29.9**	**60.9**	**545.4**	**2,337.8**
Acquisitions/divestments of subsidiaries					1.5	1.5
Additions			6.6	1.7	31.2	39.5
Adjustments arising from subsequent changes in value of assets and liabilities	(15.1)					(15.1)
Reversal of cost due to disposals			(0.3)	(0.1)	(0.3)	(0.7)
Foreign exchange differences	1.3	(4.9)	(0.2)	0.3	1.0	(2.5)
Other			0.1		0.1	0.2
Acquisition cost as at 31 December	**880.8**	**802.1**	**36.1**	**62.8**	**578.9**	**2,360.7**
Accumulated amortisation as at 1 January		**(382.6)**	**(19.4)**	**(41.9)**	**(187.8)**	**(631.7)**
Amortisation expense		(38.4)	(4.6)	(9.4)	(37.4)	(89.8)
Reversal of amortisation due to disposals			0.3		0.3	0.6
Foreign exchange differences		1.5	0.1	(0.2)	(0.3)	1.1
Other					3.1	3.1
Accumulated amortisation as at 31 December		**(419.5)**	**(23.6)**	**(51.5)**	**(222.1)**	**(716.7)**
Impairments as at 1 January	**(106.7)**				**(5.1)**	**(111.8)**
Increase in impairments charged to the income statement	(31.7)				(1.3)	(33.0)
Foreign exchange differences	2.1					2.1
Other					(3.2)	(3.2)
Impairments as at 31 December	**(136.3)**				**(9.6)**	**(145.9)**
Goodwill and other intangible assets as at 31 December	**744.5**	**382.6**	**12.5**	**11.3**	**347.2**	**1,498.1**

Impairment of goodwill

Impairment testing of goodwill is performed annually at the end of the year by comparing the recoverable amount of cash-generating units (CGU) with their carrying amount. The recoverable amount is determined by the higher of the value in use and fair value less costs to sell. The type of acquired entity determines the definition of the CGU. Currently all CGUs, except for the UK, have been defined at (legal) entity level. The UK entities operating in the brokerage business in the sub segment 'Other Insurance' are, based on the level of operational integration and common management, considered as one CGU.

The recoverable amount of a CGU is assessed by means of a discounted cash-flow model of the anticipated future cash flows of the CGU. The key assumptions used in the cash-flow model depend on input reflecting various financial and economic variables, including the risk-free rate in a given country and a premium to reflect the inherent risk of the entity being evaluated.

These variables are determined on the basis of management's judgement. If the entity is listed on a stock market, the market price will also be considered an element in the evaluation. The breakdown of goodwill and impairments for the main cash-generating units as at 31 December 2012 is as follows:

	Goodwill amount	Impairments	Net amount	Segment	Method used for recoverable amount
Cash-generating unit (CGU)					
Ageas (UK)	289.2	31.5	257.7	United Kingdom (UK)	Value in use
Millenniumbcp Ageas	168.4		168.4	Continental Europe (CEU)	Value in use
Ageas Insurance Company Asia	303.6	104.8	198.8	Asia	Value in use
UBI Assicurazioni	95.9		95.9	Continental Europe (CEU)	Value in use
Other	23.7		23.7	CEU / Belgium	Value in use
Total	**880.8**	**136.3**	**744.5**		

Ageas Insurance Company Asia

The goodwill for Ageas Insurance Company Asia amounts to EUR 303.6 million (2011: EUR 308.9 million). The net goodwill, after impairment amounts to EUR 198.8 million (2011: EUR 202.3 million). The change in amount between 2012 and 2011 is caused by exchange rate differences between the Euro and Hong Kong dollar. The value in use calculation uses expected dividends, based on business plans approved by local and Ageas's management over a period of five years. The main driver for the business plan are the expected growth rates which are supported by independent market studies. Estimates after this period have been extrapolated using a growth rate of 3 percent which is also based on those studies. The discount rate used of 8.1 percent is based on the risk free interest rate, country risk, market risk premium and the beta coefficient of 1.0, provided by professional market data providers. The outcome of the impairment test was that the recoverable amount exceeded the carrying value of the CGU including goodwill. Consequently, the goodwill of this CGU is not impaired. The outcome of the impairment test is dependent on the dividend paying capacity of Ageas Insurance Company Asia. Due to the solvency regulations in Hong Kong this capacity is very sensitive for interest rate movements. Further decline in the long-term interest rate could trigger an additional significant impairment of goodwill. However the positive outcome of the impairment test is supported by market evidence due to the recent sale of a comparable Insurance company.

Based on the sensitivity analysis with regard to the assumptions, the goodwill for Ageas Insurance Company Asia will still not be impaired if the growth rate would drop by 0.5 percent points or the discount rate would increase by 0.5 percent points.

Millenniumbcp Ageas

The reported goodwill for Millenniumbcp Ageas amounts to EUR 168.4 million (2011: EUR 168.4 million). The value in use calculation uses expected dividends, based on business plans approved by local and Ageas's management over a period of five years. The business plans take into consideration the difficult economic situation in Portugal, which resulted in less emphasis on Life products and more emphasis on Non-life products. Cash flow projections are further impacted by the release of reserves in the budget period covered in relation to the foreseen decrease in Life business and expected release of related solvency margin to the level of 175 percent.

Estimates after this period have been extrapolated using a growth rate of 2.0 percent points which represents an approach of expected inflation in Portugal. The discount rate used is based on the risk free interest rate, country risk, market risk premium and the beta coefficient of 1.05 and amounts to 11.6 percent points. The outcome of the impairment test was that the recoverable amount exceeded the carrying value of the CGU including goodwill. Consequently, the goodwill for Millenniumbcp Ageas is not impaired.

Based on the sensitivity analysis with regard to the assumptions, the goodwill for Millenniumbcp Ageas will still not be impaired if the growth rate would drop by 2.6 percent points or the discount rate would increase by 2.0 percent points. The outcome of the test is also sensitive to the target solvency margin. If the target solvency margin is set at 125% which is in line with the Portuguese market the discount rate could increase to 14.5% before the goodwill is impaired.

UBI Assicurazioni

The reported goodwill for UBI Assicurazioni amounts to EUR 95.9 million (2011: EUR 111.0 million). The change in amount between 2012 and 2011 is caused by an adjustment in the expected outcome of the earn out agreed in the acquisition. The value in use calculation uses expected dividends based on business plans approved by local and Ageas's management over a period of five years. Because the business plans are based on the improved penetration in the distribution channel of UBI Banca and new products, the five year planning horizon is considered appropriate.

Estimates after this period have been extrapolated using a growth rate of 2.5 percent points which represents an approach of expected inflation and local market developments for the banking channel. The discount rate used is based on the risk free interest rate, country risk, market risk premium and the beta coefficient of 1.1 and amounts to 10.1 percent points. The outcome of the impairment test was that the recoverable amount exceeded the carrying value of the CGU including goodwill. Consequently, the goodwill for UBI Assicurazioni is not impaired.

Based on the sensitivity analysis with regard to the assumptions, the goodwill for UBI Assicurazioni would not be impaired if the long term growth rate would drop by 1.2 percent point and the discount rate would increase by 0.9 percent point.

UK brokerage business

The goodwill amount for UK brokerage business (including Kwik-Fit Insurance Services and Castle Cover Limited) amounts to EUR 289.2 million (2011: EUR 282.5 million). The change in amount between 2012 and 2011 is caused by exchange rate differences between the Euro and Pound Sterling. The value in use calculation uses expected dividends based on business plans approved by local and Ageas's management over a period of five years. Changes in the market, a highly competitive environment and tough economic conditions puts pressure on the expected results of this CGU. The discount rate used, including a beta coefficient of 1.0, amounts to 9.3 percent points. Due to the unfavourable developments in the retail business, no growth is expected after the modelled period. The outcome of the impairment test was that the recoverable amount did not match the carrying value of the CGU including goodwill. Because of the negative outcome of the impairment test for UK brokerage business, the goodwill is impaired for an amount of EUR 30.9 million on an average exchange rate base. At year end 2012, against closing rate the impairment amounted to EUR 31.5 million.

Amortisation of VOBA

The expected amortisation expenses for VOBA from 2013 onwards are as follows:

	Estimated amortisation of VOBA
2013	36.2
2014	35.0
2015	32.8
2016	31.8
2017	30.8
Later	216.0

25

INSURANCE LIABILITIES

Insurance liabilities can be split in:

- Liabilities arising from Life insurance contracts (see 25.1)
- Liabilities arising from Life investment contracts (see 25.2)
- Liabilities related to Unit-linked contracts (see 25.3)
- Liabilities arising from Non-life insurance contracts (see 25.4).

The details of these insurance liabilities are detailed hereafter.

25.1 Liabilities arising from Life insurance contracts

The following table provides an overview of the liabilities arising from Life insurance contracts as at 31 December.

	31 December 2012	31 December 2011
Liability for future policyholder benefits	24,866.7	24,055.4
Reserve for policyholder profit sharing	312.0	298.4
Shadow accounting	738.3	19.5
Before eliminations	**25,917.0**	**24,373.3**
Eliminations	(2.7)	(2.9)
Gross	**25,914.3**	**24,370.4**
Reinsurance	(145.4)	(39.6)
Net	**25,768.9**	**24,330.8**

Changes in the liabilities arising from Life insurance contracts (gross of reinsurance and before eliminations) are shown below.

	2012	2011
Balance as at 1 January	**24,373.3**	**23,941.0**
Acquisitions/divestments of subsidiaries		(346.4)
Gross inflow	2,587.3	2,475.9
Time value	957.5	787.1
Payments due to surrenders, maturities and other	(2,023.6)	(1,968.7)
Transfer of liabilities	68.9	28.6
Foreign exchange differences	(25.0)	42.6
Shadow accounting adjustment	718.8	(41.6)
Net changes in group contracts	(35.9)	166.1
Other changes, including risk coverage	(704.3)	(711.3)
Balance as at 31 December	**25,917.0**	**24,373.3**

The increase in liabilities from Life Insurance contracts is mainly driven by increased gross inflow, and time value (thanks to overall better investments results), partially offset by the divestments of the Luxembourg and German Life activities towards the end of 2011 and lapsation. The shadow accounting adjustment is a reflection of the unrealized gains and losses on the investment portfolio, related to decreased yields and spreads. The transfer of liabilities mainly reflects internal movements from unit-linked contracts. Foreign exchange differences is mainly related to a lower Hong Kong Dollar. The line Net changes in group contracts offsets the same line of unit-linked contracts (see section 25.3). Other changes, including risk coverage mainly relate to insurance and actuarial risks consumption, for guarantees included in the contracts, and therefore varies together with the inflow volumes.

The adequacy of insurance liabilities ('Liability Adequacy Test') is tested by each company at each reporting date. The tests are performed on legal fungible level (asset pool level) for Life.

Ageas considers current best estimates of all contractual cash flows, including related cash flows such as (re)investment returns and expenses. The assumptions are internally consistent with those used for projecting their best estimate liability cashflows. For Life Insurance contracts, the tests include cash flows resulting from deterministic projections. The present value of these cash flows has been determined by using a risk-free discount rate. Any shortfall is recognised immediately in the income statement. The tests carried out at 2012 year-end confirmed that the reported liabilities are adequate.

The effect of changes in assumptions used to measure the liabilities related to life insurance contracts was not material in 2012 and 2011.

25.2 Liabilities arising from Life investment contracts

The following table provides an overview of the liabilities arising from Life investment contracts as at 31 December.

	31 December 2012	31 December 2011
Liability for future policyholder benefits	28,106.7	27,049.2
Reserve for policyholder profit sharing	176.9	114.1
Shadow accounting	817.1	38.2
Gross	**29,100.7**	**27,201.5**
Reinsurance		
Net	**29,100.7**	**27,201.5**

Changes in the liabilities arising from Life investment contracts are shown below.

	2012	2011
Balance as at 1 January	**27,201.5**	**26,913.8**
Acquisitions/divestments of subsidiaries		(244.7)
Gross inflow	2,840.2	2,655.6
Time value	653.5	662.7
Payments due to surrenders, maturities and other	(2,367.2)	(2,698.2)
Transfer of liabilities	102.7	(11.9)
Foreign exchange differences	(0.5)	0.8
Shadow accounting adjustment	778.9	4.0
Net changes in group contracts	(1.5)	1.4
Other changes, including risk coverage	(106.9)	(82.0)
Balance as at 31 December	**29,100.7**	**27,201.5**

The increase in liabilities from Life Investment contracts is mainly driven by increased gross inflow (mainly in Belgium) and time value (thanks to better investments results), partly offset by the divestment of the Luxembourg Life activities at year end 2011. The shadow accounting adjustment is a reflection of the unrealized gains and losses on the investment portfolio, related to decreased yields and spreads. The transfer of liabilities mainly reflects internal movements from unit-linked contracts. The lines Net changes in group contracts offsets the same line of unit-linked contracts (see section 25.3). Other changes, including risk coverage mainly relate to insurance and actuarial risks consumption, for guarantees included in the contracts, and therefore varies together with the inflow volumes.

The adequacy of insurance liabilities ('Liability Adequacy Test') is tested by each company at each reporting date. The tests are performed on legal fungible level (asset pool level) for Life.

Ageas considers current best estimates of all contractual cash flows, including related cash flows such as (re)investment returns and expenses. The assumptions are internally consistent with those used for projecting their best estimate liability cashflows. For Life Investment contracts, the tests include cash flows resulting from deterministic projections. The present value of these cash flows has been determined by using a risk-free discount rate. Any shortfall is recognised immediately in the income statement. The tests carried out at 2012 year-end confirmed that the reported liabilities are adequate.

The effect of changes in assumptions used to measure the liabilities related to Life investment contracts was not material in 2012 and 2011.

25.3 Liabilities related to Unit-linked contracts

The liabilities related to unit-linked contracts are broken down into insurance and investment contracts as follows:

	31 December 2012	31 December 2011
Insurance contracts	1,625.7	1,486.1
Investment contracts	12,141.3	11,337.7
Total	**13,767.0**	**12,823.8**

The following table shows the changes in liabilities related to unit-linked insurance contracts.

	2012	2011
Balance as at 1 January	**1,486.1**	**1,711.6**
Acquisitions/divestments of subsidiaries		(30.8)
Gross inflow	161.8	186.7
Changes in fair value / time value	55.0	(65.0)
Payments due to surrenders, maturities and other	(88.2)	(124.7)
Transfer of liabilities	(15.9)	(29.6)
Foreign exchange differences	(0.7)	0.8
Net changes in group contracts	35.9	(166.1)
Other changes, including risk coverage	(8.3)	3.2
Balance as at 31 December	**1,625.7**	**1,486.1**

The following table shows the changes in liabilities related to unit-linked investment contracts.

	2012	2011
Balance as at 1 January	**11,337.7**	**20,119.3**
Acquisitions/divestments of subsidiaries		(7,304.2)
Gross inflow	1,103.4	1,813.0
Time value	1,688.3	(568.6)
Payments due to surrenders, maturities and other	(1,861.3)	(2,706.7)
Transfer of liabilities	(108.7)	2.4
Foreign exchange differences	(10.8)	11.2
Net changes in group contracts	1.5	(1.4)
Other changes, including risk coverage	(8.8)	(27.3)
Balance as at 31 December	**12,141.3**	**11,337.7**

The change in liabilities, for both type of contracts, reflects the divestment of Ageas Luxembourg (which was particularly active in Unit-linked) at the end of 2011, and a lower risk appetite for Unit-linked contracts. The increased time value is mainly driven by a higher value per unit, due to the improved economic circumstances. The transfer of liabilities mainly reflects internal movements away from unit-linked contracts. Foreign exchange differences relate to a lower Hong Kong Dollar. The lines Net changes in group contracts offsets the same line of not unit-linked contracts (see sections 25.1 and 25.2). Other changes, including risk coverage mainly relate to insurance and actuarial risks consumption, for complementary guarantees included in the contracts.

25.4 Liabilities arising from Non-life insurance contracts

The following table provides an overview of the liabilities arising from Non-life insurance contracts as at 31 December.

	31 December 2012	31 December 2011
Claims reserves	5,595.5	4,606.9
Unearned premiums	1,832.1	1,587.3
Reserve for policyholder profit sharing	7.9	9.7
Shadow accounting	100.8	
Gross	**7,536.3**	**6,203.9**
Reinsurance	(522.6)	(428.8)
Net	**7,013.7**	**5,775.1**

Some accident and health contracts (in particular Workers' Compensation) have a long-term nature and their liabilities are calculated with similar-to-life techniques. Due to the decreased interest rates an amount related to shadow accounting is reported in 2012.

Changes in the liabilities arising from insurance contracts for Non-life insurance contracts (gross of reinsurance and before eliminations) are shown below.

		2012		2011
Balance as at 1 January		**6,203.9**		**5,448.6**
Acquisitions/divestments of subsidiaries		797.2		(90.4)
Addition to liabilities current year	3,085.1		2,644.7	
Claims paid current year	(1,500.2)		(1,280.6)	
Change in liabilities current year	1,584.9		1,364.1	
Addition to liabilities prior years	(95.7)		(85.5)	
Claims paid prior years	(1,044.4)		(924.9)	
Change in liabilities prior years	(1,140.1)		(1,010.4)	
		444.8		353.7
Change in unearned premiums		(47.9)		398.7
Transfer of liabilities		2.7		28.5
Foreign exchange differences		38.6		74.3
Shadow accounting		100.8		
Other changes		(3.8)		(9.5)
Balance as at 31 December		**7,536.3**		**6,203.9**

The change in liabilities is impacted by the acquisition of Groupama Insurance Company Ltd. in 2012 and the sale of the Non-life insurance contracts liabilities of Intreinco N.V. in 2011. The change in unearned premiums reflects the growing maturity of the business activity of Tesco Insurance Ltd. Increased volumes, improved combined ratio and the shadow accounting explain also the change in liabilities.

The adequacy of insurance liabilities ('Liability Adequacy Test') is tested by each company at each reporting date. The tests are performed on a level of homogeneous product groups for Non-life. Any shortfall is recognised immediately in the income statement. The tests carried out at 2012 year-end confirmed that the reported liabilities are adequate.

The effect of changes in assumptions used to measure the liabilities related to Non-life insurance contracts was not material in 2012 and 2011.

25.5 Insurance Liabilities Adequacy Testing

Each insurance company establishes liabilities for future claims on policies and sets aside assets to support these liabilities. This involves making estimates and assumptions that can affect the reported amounts of assets, liabilities, shareholders' equity and the result within the next year. These estimates are evaluated at each reporting date using statistical analysis based on internal and external historical data.

The adequacy of insurance liabilities is reviewed at each reporting date and requires increases in liabilities or impairments on DAC or VOBA to be immediately recorded and recognised in the income statement. Ageas's Liability Adequacy Testing (LAT) Policy and process fulfil IFRS requirements.

The risk that the actual outcome will exceed liabilities arising from insurance and investment contracts cannot be eliminated completely, given the uncertainties inherent in the techniques, assumptions and data used in the statistical analysis. To ensure that the risk of being unable to meet policyholder and other obligations is reduced to extremely low levels, Ageas holds additional solvency capital.

The relative variability of the expected outcomes is lower for larger and more diversified portfolios. Factors that would increase insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location, type of industry as well as negative changes in the public domain (such as legislative changes, etc.) and extreme events such as hurricanes.

Insurance risk can be reduced by risk mitigating factors, such as reinsurance. This includes, but is not limited to, European weather events.

Overview of Insurance Liabilities

Life liabilities

Life liabilities are established when a policy is sold in order to ensure that sufficient funds are set aside to meet the future claims relating to that policy.

Non-life Liabilities

Non-life claims liabilities are recognised for claims that have occurred but have not yet been settled (i.e. expired risk). In general, Ageas insurance companies define claims liabilities by product category, cover and year and take into account undiscounted prudent forecasts of pay outs on reported claims and estimates of unreported claims. Allowances for claims expenses and inflation are also included.

Unexpired risks – contracts for which premiums have been received but for which the risk has not yet expired – are covered by unearned premiums within Liabilities arising from insurance and investment contracts.

The table below provides an overview of the liabilities by operating segment.

		Non-life gross liability split			Life gross liability split	
31 December 2012	Total Non-life	Unearned premium	Claims outstanding	Total Life	Unit-linked	Traditional Life
Belgium	3,405.7	355.4	2,949.5	52,702.5	6,035.2	46,667.3
UK	3,435.5	1,233.6	2,202.0	93.7		93.7
Continental Europe	695.1	243.1	451.9	14,138.0	7,165.1	6,972.9
Asia				1,850.5	566.7	1,283.8
Eliminations				(2.7)		(2.7)
Insurance total	**7,536.3**	**1,832.1**	**5,603.4**	**68,782.0**	**13,767.0**	**55,015.0**

		Non-life gross liability split			Life gross liability split	
31 December 2011	Total Non-life	Unearned premium	Claims outstanding	Total Life	Unit-linked	Traditional Life
Belgium	3,195.9	347.9	2,848.0	49,093.0	5,894.3	43,198.7
UK	2,347.6	1,016.9	1,330.7			
Continental Europe	660.4	222.5	437.9	13,722.2	6,528.5	7,193.7
Asia				1,583.4	401.0	1,182.4
Eliminations				(2.9)		(2.9)
Insurance total	**6,203.9**	**1,587.3**	**4,616.6**	**64,395.7**	**12,823.8**	**51,571.9**

26 DEBT CERTIFICATES

The following table shows the types of debt certificates (EMTN) issued by Ageas and the amounts outstanding as at 31 December.

	31 December 2012	31 December 2011
Held at amortised cost	97.3	152.5
Held at fair value through profit or loss	89.5	104.2
Total debt certificates	**186.8**	**256.7**

Due to the changes in the composition of the former Fortis group in October 2008 there is no curable breach of a debt covenant and as a result, all debt securities are in default and directly callable by the security holder at nominal value (there are no other breaches of debt covenants). Therefore the debt securities held at fair value through profit or loss are valued at minimal of the nominal value. The nominal value of debt securities held at fair value through profit or loss was EUR 89.5 million as at 31 December 2012 (2011: EUR 104.2 million). The valuation of debt securities held at fair value through profit or loss is based on level 2. Ageas has not pledged any assets against outstanding debt certificates.

The maturity of the balance of debt certificates outstanding as at 31 December is shown below.

	2012	2011
2012		256.7
2013	186.8	
Total debt certificates	**186.8**	**256.7**

The decrease in debt certificates during 2012 is solely due to redemption.

27 SUBORDINATED LIABILITIES

The following table provides a specification of the subordinated liabilities as at 31 December.

	31 December 2012	31 December 2011
FRESH	1,250.0	1,250.0
- Hybrone	412.5	444.2
- Nitsh I	575.9	588.8
- Nitsh II	623.1	619.4
Ageas Hybrid Financing	1,611.5	1,652.4
Other subordinated liabilities	54.0	71.2
Total subordinated liabilities	**2,915.5**	**2,973.6**

27.1 FRESH

On 7 May 2002, Ageasfinlux SA issued undated Floating Rate Equity-linked Subordinated Hybrid capital securities (FRESH) for a total principal amount of EUR 1,250 million and with a denomination of EUR 250,000 each. Coupons on the securities are payable quarterly in arrears, at a variable rate of 3 month Euribor + 135 basis points.

The FRESH was issued by Ageasfinlux SA, with ageas SA/NV acting as co-obligor. The principal amount of the securities will not be repaid in cash. The sole recourse of the holders of the FRESH against the co-obligor with respect to the principal amount are the 3.97 million Ageas shares that Ageasfinlux SA pledged in favour of such holders. Pending the exchange of the FRESH against Ageas shares, these Ageas shares do not have any dividend rights or voting rights (the reported number of outstanding Ageas shares as at 31 December 2012 already includes the 3.97 million Ageas shares issued for the purpose of such exchange).

In the event that dividends are not paid on the Ageas shares, or that the dividends to be declared are below a threshold with respect to any financial year (dividend yield less than 0.5%) and in certain other exceptional circumstances, payment of coupons will be made in accordance with the so-called Alternative Coupon Settlement Method (ACSM). The ACSM implies that new Ageas shares will be issued and delivered to the holders of the FRESH. To date all coupons have been paid in cash. If the ACSM is triggered and there is insufficient available authorised capital to enable ageas SA/NV to meet the ACSM obligation, the coupon settlement will be postponed until such time as the ability to issue shares is restored. Because of these characteristics the FRESH is treated as part of Ageas's regulatory qualifying capital.

The FRESH has no maturity date, but may be exchanged for Ageas shares at a price of EUR 315 per share at the discretion of the holder. The FRESH will automatically be converted into Ageas shares if the price of the Ageas share is equal to or higher than EUR 472.50 on twenty consecutive stock exchange business days.

27.2 Ageas Hybrid Financing SA

In 2006, Ageas incorporated a special purpose company named Ageas Hybrid Financing SA, which issued perpetual deeply subordinated and pari passu ranking securities, and invested the proceeds thereof in instruments issued by (former) Ageas operating companies which qualified as solvency for those entities. The securities issued by Ageas Hybrid Financing SA have the benefit of a support agreement and a subordinated guarantee entered into by ageas SA/NV.

Ageas Hybrid Financing SA issued EUR 500 million of securities called 'Hybrone' in 2006, at an interest rate of 5.125% until 20 June 2016 and 3 month Euribor + 200 basis points thereafter. In 2008 it issued USD 750 million of securities called 'Nitsh I' at an interest rate of 8.25% and EUR 625 million of securities called 'Nitsh II' at an interest rate of 8.0%. The first call date of the Nitsh I is 27 August 2013 and for Nitsh II 2 June 2013. The Hybrone is callable as of 2016.

The proceeds of these securities were on-lent to AG Insurance for EUR 750 million and to BNP Paribas Fortis SA/NV for EUR 375 million and USD 750 million. Under the support agreement ageas SA/NV is obliged to contribute to Ageas Hybrid Financing SA such funds as necessary to allow it to pay the coupon in any year that Ageas declares a dividend or, alternatively, to pay the coupon through the ACSM if the entities which received the proceeds fail to pay the coupons on their on-loans in cash due to a breach of the applicable regulatory minimum solvency levels.

In the event that Ageas fails to achieve the regulatory minimum solvency level or if consolidated assets are less than the sum of liabilities, excluding liabilities not considered senior debt, or if Ageas Hybrid Financing SA so elects, the cash coupon will be replaced by settlement through the ACSM.

27.3 Other subordinated liabilities

The EUR 54 million reported under other Subordinated liabilities at 31 December 2012 (31 December 2011: EUR 71.2 million) includes a perpetual subordinated loan in the amount of EUR 51 million issued by Tesco Underwriting and underwritten by Tesco Bank.

28 BORROWINGS

The table below shows the components of Borrowings as at 31 December.

	31 December 2012	31 December 2011
Due to banks	1,691.1	2,043.5
Due to customers	103.8	97.2
Other borrowings	173.1	136.3
Total borrowings	**1,968.0**	**2,277.0**

28.1 Due to banks

The table below shows the components of Due to banks.

	31 December 2012	31 December 2011
Deposits from banks:		
Demand deposits	2.2	2.3
Other deposits	42.2	32.6
Total deposits	**44.4**	**34.9**
Repurchase agreements	908.2	1,279.6
Other	738.5	729.0
Total due to banks	**1,691.1**	**2,043.5**

The decrease in Repurchase agreements is mainly due to the expiration of agreements.

Ageas has pledged certain assets (i.e. investments, property, plant and equipment and deposits with banks) with a carrying amount of EUR 1,397.6 million (2011: EUR 1,631.8 million) against Due to bank amounts.

Contractual terms of deposits held by banks

Deposits held by banks by year of contractual maturity as at 31 December are as follows:

	2012	2011
2012		34.9
2013	44.4	
Total deposits	**44.4**	**34.9**

28.2 Due to customers

The components of Due to customers are as follows:

	31 December 2012	31 December 2011
Deposits	0.6	0.5
Other borrowings	7.1	5.4
Funds held under reinsurance agreements	96.1	91.3
Total due to customers	**103.8**	**97.2**

28.3 Other borrowings

The table below shows the components of Other borrowings as at 31 December.

	31 December 2012	31 December 2011
Finance lease obligations	27.6	32.5
Other	145.5	103.8
Total other borrowings	**173.1**	**136.3**

The Other item relates mainly to the financing of real estate investments.

Finance lease obligations

Ageas's obligations under finance lease agreements are detailed in the table below.

		2012		2011
	Minimum lease payments	Present value of the minimum lease payments receivable	Minimum lease payments	Present value of the minimum lease payments receivable
Less than 3 months	1.3	0.9	1.6	1.0
3 months to 1 year	4.4	2.8	4.7	3.1
1 year to 5 years	9.3	5.6	11.6	9.5
More than 5 years	60.0	18.3	62.3	18.9
Total	**75.0**	**27.6**	**80.2**	**32.5**
Future finance charges	47.4		47.7	

Other

Other borrowings, excluding financial lease obligations, are classified by remaining maturity in the table below.

	2012	2011
Less than 3 months	0.9	5.3
3 months to 1 year	14.3	
1 year to 5 years	89.9	90.1
More than 5 years	40.4	8.4
Total	**145.5**	**103.8**

29

CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

The components of deferred tax assets and deferred tax liabilities as at 31 December are shown below.

	Statement of financial position		Income statement	
	2012	2011	2012	2011
Deferred tax assets related to:				
Financial investments (available for sale)	85.9	130.2	3.0	43.7
Investment property	11.6	19.5	(7.8)	7.1
Property, plant and equipment	47.1	44.6	3.0	0.3
Intangible assets (excluding goodwill)	6.2	6.6	(0.4)	(23.4)
Insurance policy and claim reserves	784.8	299.6	4.4	(6.5)
Provisions for pensions and post-retirement benefits	42.6	43.4	(0.8)	(0.6)
Other provisions	8.4	7.1	1.2	0.2
Accrued expenses and deferred income	1.5	2.6	(1.1)	(1.7)
Unused tax losses	140.2	296.1	(122.5)	54.0
RPN(I)	56.1	56.1		(81.1)
Other	71.2	115.9	(47.5)	13.1
Gross deferred tax assets	**1,255.6**	**1,021.7**	**(168.5)**	**5.1**
Unrecognised deferred tax assets	(91.1)	(94.7)	0.9	23.1
Net deferred tax assets	**1,164.5**	**927.0**	**(167.6)**	**28.2**
Deferred tax liabilities related to:				
Derivatives held for trading (assets)	0.5	1.9	1.4	(0.7)
Financial investments (available for sale)	1,726.3	409.1	(2.7)	(111.4)
Unit-linked investments	3.4	2.7	(0.7)	(2.7)
Investment property	122.2	113.1	1.3	5.5
Loans to customers	1.4	3.0	1.6	
Property, plant and equipment	178.9	190.0	10.4	28.1
Intangible assets (excluding goodwill)	130.4	142.4	12.1	11.0
Other provisions	2.8	1.5	(1.3)	1.8
Deferred policy acquisition costs	61.6	58.1	(3.4)	(10.7)
Deferred expense and accrued income	1.5	1.5	0.1	0.1
Tax exempt realised reserves	39.9	42.4	2.5	3.0
Call option BNP Paribas shares	79.5	116.5	37.0	73.0
Other	102.8	100.6	(2.7)	79.9
Total deferred tax liabilities	**2,451.2**	**1,182.8**	**55.6**	**76.9**
Deferred tax income (expense)			**(112.0)**	**105.1**
Net deferred tax	**(1,286.7)**	**(255.8)**		

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority and are intended to materialize at the same time. The amounts in the statement of financial position are offset as follows:

	2012	2011
Deferred tax asset	171.7	358.8
Deferred tax liability	1,458.4	614.6
Net deferred tax	**(1,286.7)**	**(255.8)**

As at 31 December 2012, EUR 1,075.5 million was charged to equity related to deferred tax and EUR 95.0 million was charged to equity related to current tax (2011: EUR 138.5 million and EUR 24.9 million respectively, both charged to equity).

Deferred tax assets are recognised to the extent that it is probable that there will be sufficient future taxable profit against which the deferred tax asset can be utilised. No deferred tax assets have been recognised on unused (claimed) tax losses and unused tax credits at an estimated tax value of EUR 4,723 million (2011: EUR 7,362 million). The difference with 2011 mainly relates to an amended lower amount of tax losses eventually reported at the level of ageas N.V. for 2010 as a result of the discussions and agreements with the Dutch tax authorities in relation to the legal merger between ageas SA/NV and ageas N.V. in 2012. From this amount EUR 3,895 million can be carried forward indefinitely; an estimated amount of EUR 360 million will expire in seven years. Most of the (claimed) tax loss carry forward position originates from the liquidation of Brussels Liquidation Holding (the former Fortis Brussels, the company that held the banking operations). Tax wise, the loss on the sale of the Fortis Bank only materialised at the moment of liquidation.

Deferred tax assets depending on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences amount to EUR 50.1 million (2011: EUR 129.6 million) and have been recognised based on the expectation that sufficient taxable income will be generated in future years to utilise these deferred tax assets.

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RPN(I)

The RPN(I) is a financial instrument that results in quarterly payments being made to, or received from, BNP Paribas Fortis SA/NV.

Mechanism

Each quarterly payment is determined as the average over the quarter of the interest payments at an annual rate of 3-month EURIBOR plus 20 basis points to be made on a reference amount as calculated on each trading day.

The reference amount is defined as:

- the difference between EUR 3,000 million and the market value of the CASHES as quoted by the Luxembourg stock exchange, less
- the difference between EUR 2,350 million and the market value of 12,53 million Ageas shares.

If the reference amount is positive, BNP Paribas Fortis SA/NV pays interest on the reference amount to Ageas. If it is negative, Ageas pays interest on the reference amount to BNP Paribas Fortis SA/NV.

State guarantee

The Belgian state has issued a state guarantee on the RPN(I) interest paid by Ageas, to the benefit of BNP Paribas Fortis SA/NV. The annual guarantee fee amounts to 70 basis points to be paid on the reference amount. To secure the payment of the fee and recourse of the Belgian State in case of default, Ageas granted the Belgium State a pledge on a maximum of 14% of the shares of AG Insurance.

Valuation method

For the calculation of the fair value of the RPN(I), Ageas adopted a level 3 valuation model, based on valuation techniques for financial derivative instruments, introduced at the end of 2009. This valuation model contains a floor since Ageas and BNP Paribas reached an agreement on a partial settlement of the RPN(I) on 6 February 2012. BNP Paribas successfully cash tendered the CASHES financial instrument and subsequently converted the tendered CASHES into the underlying Ageas shares; for this conversion Ageas indemnified BNP Paribas via this partial settlement. The indemnity for a 100% conversion was set at EUR 456 million. As BNP Paribas converted 7,553 of the tendered securities out of 12,000 CASHES securities outstanding (62.94%), Ageas indemnified BNP Paribas for an amount of EUR 287 million. A full call of a Tier 1 instrument for a notional amount of EUR 1 billion issued by Fortis Bank SA/NV and for 95% held by Ageas was also part of the agreement.

Ageas has pledged 88,380 shares of AG Insurance (14%) to the Belgian State as security for the complete and timely performance of the Relative Performance Note secured obligations (RPN(I)).

Fair value of RPN(I)

At 31 December 2012, the total liability for RPN(I), based on the adopted level 3 valuation and using valuation techniques for financial derivatives, exceeded the above indicated floor. The total liability according to the model for the remaining part of the RPN(I) amounted to EUR 165 million (out of which EUR 134 million related to the RPN(I) liability itself and EUR 31 million related to the State guarantee.

Reference values

Ageas has used the following assumptions and reference values to determine the fair market value of the RPN(I):

	31 December 2012	31 December 2011
Ageas share price (2011 value adjusted for reversed stock split)	EUR 22.22	EUR 12.00
CASHES value	53.07%	35.42%
Reference amount based on 100% CASHES outstanding		EUR 262 million
Reference amount based on 37% CASHES outstanding	EUR 246 million	
Market consensus on dividend	3.6%	6.7%
Share price volatility	26%	57%
3-month Euribor rate	0.19%	1.36%
Ageas perpetual senior credit spread	430 bps	757 bps
BNP Paribas long term credit spread	85 bps	190 bps
Fair value RPN(I) (stochastic modeling, 37.06% respectively 100%)	EUR 165 million	EUR 190 million
RPN(I) Floor	EUR 143 million	

Assumptions

Ageas made the following key assumptions to determine the fair market value of the RPN(I) and of guarantee payments as per 31 December 2012:

- Ageas's share prices have been projected using the standard geometric Brownian motion model, assuming an initial share price of EUR 22.22, the closing price of 31 December 2012, an average dividend yield of 3.60 % over the expected term of the instrument and consistent with a dividend yield derived from the dividend paid in 2012 based on the closing share price of 31 December 2012. The share price volatility used amounted to 26% and is based on the implied volatility of 3-months options observed at the end of December 2012;
- the price of CASHES has been projected based on forward spread curves applicable to CASHES with an additional stochastic perturbation, with a risk free interest rate model calibrated on the market, and with initial spread curves calibrated on the value of the CASHES of 53.07 % at 31 December 2012. For modelling purposes, the CASHES have been assumed to have a constant maturity of 50 years at any point in the future, beyond which the contribution of discounted free cash flows becomes negligible;
- the current and future risk-free rates have been calibrated on market data as at 31 December 2012 and projected through a standard arbitrage-free interest rate model;
- the valuation model also accounts for the conversion option embedded in the CASHES at prices of EUR 239.4 (optional) and EUR 359.1 (automatic). The payment of extraordinary dividends corresponding to the value of the BNP Paribas option has a negligible impact on value and has been ignored;
- projected future interest payments and the projected cost of the guarantee paid by Ageas have been discounted along yield curves reflecting the risk associated with Ageas's liabilities such as RPN(I), based on a constant spread of 430 bps, calibrated to reflect a rate that is relevant for perpetual senior Ageas liabilities. Projected future interest payments by BNP Paribas have been discounted based on the same approach and a constant spread of 85 bps, reflecting a rate that is relevant for long-dated senior BNP Paribas liabilities.

Sensitivities

The sensitivity of the fair value of the RPN(I) to changes in the parameters can be summarised as follows, assuming that other parameters remain unchanged:

- an increase in the Ageas share price, increase in the risk free rate and discount rate, combined with a decrease of the market value of CASHES lead to a lower RPN(I) liability. However, the RPN(I) liability will not decrease below the floor. This floor amounts to EUR 143 million at 31 December 2012 and varies only in function of the Ageas share price evolution: a one percent increase in share price leads to EUR 1 million decrease in the floor and vice versa.
- a decrease in the initial price of the Ageas share to EUR 15.50 increases the fair value by EUR 11 million to EUR 176 million;
- an increase of the market value of the CASHES to 63.07 % increases the fair value by EUR 43 million to EUR 208 million;
- an increase of the risk-free interest rates by 50 basis points along the yield curve increases the fair value by EUR 15 million to EUR 180 million;
- a decrease in the discount rate of 100 basis points increases the fair value by EUR 30 million to EUR 195 million.

Assuming less favourable conditions for the four key parameters in the model (Ageas share price of EUR 15.50, CASHES at 63.07 %, risk-free yield curve shifted upward by 50 basis points and discount rate 100 basis points lower), the fair value of the RPN(I) would increase to EUR 278 million.

The fair value of the RPN(I) shows no material sensitivity to the assumed share price volatility and dividend yield of the Ageas share.

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ACCRUED INTEREST AND OTHER LIABILITIES

The composition of Accrued interest and other liabilities as at 31 December is as follows:

	31 December 2012	31 December 2011
Deferred revenues	57.3	56.9
Accrued finance costs	93.7	105.5
Accrued other expenses	151.9	117.6
Derivatives held for hedging purposes	31.6	21.7
Defined benefit pension liabilities	321.4	304.4
Defined benefit liabilities other than pension	55.7	53.6
Termination benefits	14.7	20.3
Other long-term employee benefit liabilities	13.1	12.3
Short-term employee benefit liabilities	90.6	89.0
Accounts payable	186.2	194.4
Due to agents, policyholders and intermediaries	505.0	460.2
VAT and other taxes payable	140.3	127.7
Dividends payable	27.1	33.6
Due to reinsurers	27.4	43.3
Derivatives held for trading	0.3	15.6
Other liabilities	403.3	438.0
Total	**2,119.6**	**2,094.1**

Details of employee benefit liabilities can be found in Note 9 Post-employment benefits, other long-term employee benefits and termination benefits.

Derivatives held for trading are valued based on level 2 (observable market data in active markets). All purchases and sales of financial assets requiring delivery within the time frame established by regulation or market convention are recognised on the trade date, i.e. the date when Ageas becomes a party to the contractual provisions of the instrument.

The line Other liabilities includes payables related to the clearing of securities transactions, cash received awaiting allocation to investments and small expenses to be paid.

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PROVISIONS

The provisions are based on best estimates available at year-end based on management judgement and in most cases the opinion of legal and tax advisors. The timing of the outflow of cash related to these provisions is by nature uncertain given the unpredictability of the outcome and the time involved in concluding litigation/disputes.

Changes in provisions during the year are as follows:

	2012	2011
Balance as at 1 January	**2,403.4**	**2,407.6**
Acquisition and divestment of subsidiaries	5.0	(15.8)
Increase in provisions	26.7	26.4
Reversal of unused provisions	(2,362.5)	(3.2)
Utilised during the year	(3.5)	(11.6)
Balance as at 31 December	**69.1**	**2,403.4**

In 2010, Ageas set up a provision, amounting to EUR 2,362 million (see also Note 46 Change in impairments), for the disputes with the Dutch State. These disputes arose from the differences in interpretation of the terms and conditions of the sale of Fortis Bank Nederland, Fortis Verzekeringen Nederland and Fortis Corporate Insurance from Ageas to the Dutch State in October 2008. The Dutch State is of the opinion that, based on the term sheets underlying the sale, they were:

- the owner of the EUR 2 billion claim on ABN AMRO related to the conversion of the MCS (see also Note 20 Reinsurance and other receivables);
- the owner of the EUR 362 million claim on FCC/ABN AMRO related to FCC transaction (see also Note 20 Reinsurance and other receivables);
- entitled to some EUR 885 million related to a capital guarantee included in the sales documentation (see Note 51 Contingent liabilities).

On 28 June 2012, ageas SA/NV and ageas N.V. ('Ageas'), ABN AMRO Group N.V. and ABN AMRO Bank N.V. ('ABN AMRO') settled the legal proceedings concerning ABN AMRO Capital Finance Ltd. (former Fortis Capital Company Ltd. 'FCC') and the Mandatory Convertible Securities ('MCS').

This settlement also brings to a close all outstanding disputes between the Dutch State and Ageas in relation to the equity transactions which resulted in the take-over of the Dutch activities of the former Fortis group by the Dutch State on 3 October 2008. NL Financial Investments, the majority shareholder of ABN AMRO, co-signed this agreement on behalf of the Dutch State. The settlement resulted in a one-off cash payment by ABN AMRO to Ageas of EUR 400 million on 29 June 2012.

The amount of original claims of EUR 2,362 million has, after deducting the settlement amount of EUR 400 million been booked in the Consolidated Income Statement on a separate line. This amount is offset by the release of the provisions related to disputes with the Dutch state of EUR 2,362 million (see Note 20 Reinsurance and other receivables), resulting in a EUR 400 million profit.

33 LIABILITY RELATED TO WRITTEN PUT OPTION ON AG INSURANCE SHARES HELD BY BNP PARIBAS FORTIS SA/NV

In the Consolidated Financial Statements of 2008, Ageas disclosed that on 12 March 2009 an agreement was concluded on the sale of 25% + 1 share of AG Insurance to Fortis Bank (now named BNP Paribas Fortis SA/NV) for an amount of EUR 1,375 million. This agreement was approved by the Shareholder's meetings of Ageas of May 2009. As part of this transaction Ageas granted to Fortis Bank a put option to resell the acquired stake in AG Insurance in the six-month period starting 1 January, 2018 to Ageas.

As a consequence, Ageas concluded that the exercise of the put option is unconditional. In accordance with IAS 32 Ageas is therefore obliged to recognise a financial liability against the present value of the estimated exercise price of the put option in 2018. This financial liability is shown in a separate line ('Liability related to written put option') in the statement of financial position. In addition, the liability is included in the General Account as the liability relates to Ageas Insurance International N.V. (the parent company of AG Insurance).

In more detail the IFRS guidance requires Ageas to recognise a liability even though:

- the put option has not been exercised;
- there is no indication that Fortis Bank plans to exercise the option based on the current strategic cooperation;
- the exercise price at fair value is below the net asset value.

The counterpart of this liability is a write down of the value of the Non-controlling interest underlying the option. The difference between the value of the Non-controlling interest and the fair value of the liability is added to the Other reserves which are included in Shareholders' equity.

Subsequent changes in the fair value of the liability related to the put option are recorded in the Other Reserves.

If the option is exercised in 2018, the liability will be settled by a cash payment of Ageas to Fortis Bank resulting in Ageas reacquiring 25% + 1 share of AG Insurance. However, if the option matures without exercising then the liability is written off against Non-controlling interest and Other Reserves.

While the option has not been exercised, the results in the Consolidated income statement linked to Non-controlling interest (the 25% + 1 share part of BNP) are recorded as Non-controlling interest.

Valuation

Ageas valued the liability at the discounted amount of the consideration expected to be paid on settlement until the first half-year of 2012. The discounted amount was based on a level 3 valuation method based on:

- current market multiples for insurance companies;
- a growth in value of 5.5% based on an expected rate of return of 11% and a 50% dividend pay-out;
- a discount rate of 10%.

However, in the third quarter of 2012 Ageas revisited the valuation method for the liability in consultation with an investment bank because it was considered that the movements in market multiples did not develop in line with the movements in book value.

Ageas concluded that it is more appropriate going forward to use the embedded value of the life business of AG Insurance and a discounted cash flow model for Non-life. The applied valuation method is based on the long term embedded value taking into account:

- current embedded value multiples for life insurance companies;
- a growth in value of 3.4% based on an expected rate of return of 11% and a 75% dividend pay-out;
- a discount rate of 10%.

Based on these assumptions the net present value of the liability is EUR 997 million as at 31 December 2012 (31 December 2011: EUR 655.8 million). The following sensitivities have been calculated:

Discount rate	+1% point	- 1% point
Value liability	953	1,044
Relative impact	(4.4%)	4.7%

Price to Embedded Value	+10%	-10%
Value liability	1,074	927
Relative impact	7.7%	(7.0%)

Growth rate	+1% point	-1% point
Value liability	1,035	961
Relative impact	3.8%	(3.6%)

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DERIVATIVES

Derivatives used by individual subsidiaries comply with the relevant supervisory regulations and Ageas's internal guidelines. Derivatives are used to manage market and investment risks. The subsidiaries manage the risk exposures in their investment portfolios based on general thresholds and targets. The most important purpose of these instruments is hedging against adverse market movements for selected securities or for parts of a portfolio. Ageas selectively uses derivative financial instruments such as swaps, options and forwards to hedge changes in currency rates or interest rates in their investment portfolio. Interest rate contracts form the largest part, with 68%, of the total derivatives portfolio as at 31 December 2012 (2011: 89%).

Important hedging instruments are equity forward contracts, equity options, total returns swaps, interest rate swaps, interest rate forwards, currency swaps and currency forwards. Hedging instruments may be implemented for individual transactions (micro hedge) of for a portfolio of similar assets or liabilities (portfolio hedge). Ageas is obliged to assess whether the criteria for hedge accounting are met, in particular whether the hedge relationships are highly effective in offsetting changes in fair values or cash flows between the hedging instrument and the hedged item. Furthermore, the required hedge documentation has to be prepared. At inception, all hedge relationships must be approved to ensure that all hedge requirements are fulfilled and the hedge documentation is complete. If the formal hedge relation can not be established or is too cumbersome then the derivatives are booked as held for trading.

Foreign exchange contracts

Futures are contracts that require settlement at a specified price and on a specified future date and can be traded in similar markets. Forwards are customized contracts between two entities where settlement takes place on a specific date in the future at today's pre-agreed price. On a consolidated level, currency futures and forwards contracts accounted at year end 2012 for 76% of the currency derivative instruments (based on notional amounts at 31 December 2012) compared to 81% at the end of 2011. The currency futures and forwards contracts are mainly held to hedge the currency risk on foreign currency denominated assets and increased from EUR 523 million in 2011 to EUR 1,055 million in 2012 due to the increased position in commercial loans denominated in USD.

Ageas entered into currency swaps amounting EUR 325 million to hedge its foreign currency risk in respect of cash flows from USD denominated bonds.

Interest rate contracts

The notional amounts of interest rate contracts decreased from EUR 6,004 million in 2011 to EUR 3,045 million in 2012 with a market value of respectively EUR 11 million (net asset) and EUR 17 million (net liability).

The option portfolio forms the major part of the interest rate contracts amounting EUR 2,096 million (market value EUR 2 million) in 2012 and in 2011 EUR 3,138 million, respectively 69% and 52%. The decrease in value is due to the maturity of part of the option portfolio in 2012.

Swap contracts are agreements between two parties to exchange one set of cash flows for another set of cash flows. Payments are made on the basis of the swap's notional value. Ageas is primarily using interest rate swap contracts to manage cash flows arising from interest received or paid and cross currency swap contracts to manage foreign currency denominated cash flows (see above: 'Foreign exchange contracts').

As at 31 December 2012, the interest rate swaps consist of 31% of the total interest rate contracts with a notional amount of EUR 949 million compared with EUR 2,866 million in 2011 (48%). The decrease in notional amounts is mainly due to maturity of EUR 1.000 million interest rate swap that hedged the movements in interest rates of the FRESH within Ageas Group.

Equity index contracts

The equity derivative portfolio mainly consists of puts and calls. Equity puts and calls are options agreements that give the seller (puts) or the buyer (calls) the right to exercise an option and to sell or buy shares or indices at the strike price. This represents a total notional value of EUR 44 million in 2011 (market value: EUR 3 million) and decreased to EUR 10 million as at 31 December 2012 (market value EUR 4 million).

Trading derivatives

	31 December 2012			31 December 2011		
	Fair values			Fair values		
	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
Foreign exchange contracts						
Forwards and futures	19.3	0.4	1,055.6		13.5	523.0
Total	**19.3**	**0.4**	**1,055.6**		**13.5**	**523.0**
Interest rate contracts						
Swaps	8.9		624.1	17.6	2.1	2,564.6
Options	1.3		2,014.0	11.9		3,056.0
Total	**10.2**		**2,638.1**	**29.5**	**2.1**	**5,620.6**
Equity/Index contracts						
Options and warrants	3.2		10.6	4.4		44.4
Total	**3.2**		**10.6**	**4.4**		**44.4**
Other	**3.1**		**68.5**	**8.5**		**13.5**
Balance as at 31 December 2012	**35.8**	**0.4**	**3,772.8**	**42.4**	**15.6**	**6,201.5**
Fair values supported by observable market data	6.3			11.3		
Fair values obtained using a valuation model	29.5	0.4		31.1	15.6	
Total	**35.8**	**0.4**		**42.4**	**15.6**	
Over the counter (OTC)	35.8	0.4	3,772.8	42.4	15.6	6,201.5
Total	**35.8**	**0.4**	**3,772.8**	**42.4**	**15.6**	**6,201.5**

Hedging derivatives

	31 December 2012			31 December 2011		
	Assets	Liabilities		Assets	Liabilities	
	Fair values	Fair values	Notional amount	Fair values	Fair values	Notional amount
Foreign exchange contracts						
Interest and currency swaps	0.9	3.4	325.0		3.9	124.9
Total	**0.9**	**3.4**	**325.0**		**3.9**	**124.9**
Interest rate contracts						
Swaps		28.1	324.7		17.8	301.1
Options	0.7		82.2	1.3		82.2
Total	**0.7**	**28.1**	**406.9**	**1.3**	**17.8**	**383.3**
Balance as at 31 December 2012	1.6	31.5	**731.9**	1.3	21.7	**508.2**
Fair values supported by observable market data	1.6	31.5		1.3	21.7	
Total	**1.6**	**31.5**		**1.3**	**21.7**	
Over the counter (OTC)	1.6	31.5	731.9	1.3	21.7	508.2
Total	**1.6**	**31.5**	**731.9**	**1.3**	**21.7**	**508.2**

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Commitments

The Commitments Received and Given can be shown at 31 December as follows:

Commitments	2012		2011	
Commitment Received				
Credit lines	271.5		270.0	
Other credit related	1.7			
Collateral & guarantees received	3,990.8		3,621.8	
Other off balance-sheet rights			75.1	
Insurance related rights and commitment	14.5		20.0	
Total received	**4,278.5**		**3,986.9**	
Commitment Given				
Guarantees, Financial and Performance Letters of Credit	45.8		13.7	
- Credit lines		375.7		173.6
- Used		(102.3)		(22.5)
Available	273.4		151.1	
Collateral & guarantees given	1,397.6		1,585.1	
Entrusted assets and receivables	651.8		756.7	
Capital rights & commitments	244.4		48.5	
Other off balance-sheet commitments	472.2		355.7	
Total given	**3,085.**		**2,910.8**	

The increase in Commitments Received is mainly due to the increased Capital rights and commitments in connection with real estate loans, cautions and margin calls on derivatives.

The major part of the Commitments received consist of collateral and guarantees received, and relates mainly to collateral received from customers on residential mortgages and to a lesser extend to policyholder loans and commercial loans.

Commitments Given largely comprises collateral and guarantees given (EUR 1,398 million) mainly in connection with REPO agreements, entrusted assets and receivables (EUR 652 million) and extended credit lines. The increase in credit lines is mainly due to additional credit facilities extended to DTH partners. For further details on this transaction see Note 13 Related parties.

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FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table shows the carrying amounts and fair value of those classes of financial assets and financial liabilities not reported at fair value on the Ageas Consolidated statement of financial position (liabilities are, except for some debt certificates (see Note 26 Debt certificates) held at amortised cost).

A description of the methods used to determine the fair value of financial instruments is given below.

	2012 Carrying value	2012 Fair value	2011 Carrying value	2011 Fair value
Assets				
Cash and cash equivalents	2,449.9	2,441.1	2,701.5	2,697.9
Loans to banks	2,636.4	2,606.0	2,933.3	2,614.0
Loans to customers	3,652.0	3,940.0	2,750.1	2,879.0
Reinsurance and other receivables	1,968.0	1,861.4	4,111.1	4,109.5
Total financial assets	**10,706.3**	**10,848.5**	**12,496.0**	**12,300.4**
Liabilities				
Debt certificates	186.8	186.8	256.7	255.1
Subordinated liabilities	2,915.5	2,102.5	2,973.6	2,304.3
Loans from banks	1,691.1	1,694.4	2,043.5	2,040.3
Loans from customers	103.8	90.3	97.2	97.2
Other borrowings	173.1	172.6	136.3	135.9
Total financial liabilities	**5,070.3**	**4,246.6**	**5,507.3**	**4,832.8**

Fair value is the amount for which an asset could be exchanged, a liability settled or a granted equity instrument exchanged between knowledgeable, willing parties in an arm's length transaction.

Ageas uses the following methods, in the order listed, when determining the fair value of financial instruments:

- quoted price in an active market;
- valuation techniques;
- cost.

When a financial instrument is traded in an active and liquid market, its quoted market price or value provides the best evidence of fair value. No adjustment is made to 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 held or a liability to be issued is the current bid price, and for an asset to be acquired or a liability held, the ask price. Mid-market prices are used as a basis for establishing the fair value of assets and liabilities with offsetting market risks.

If no active market price is available, fair values are estimated using present value or other valuation techniques based on market conditions existing at the reporting date. If there is a valuation technique commonly used by market participants to price an instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, Ageas applies that technique.

Valuation techniques that are well established in financial markets include recent market transactions, discounted cash flows and option pricing models. 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.

The basic principles for estimating fair value are:

- maximise market inputs and minimise internal estimates and assumptions;
- change estimating techniques only if an improvement can be demonstrated or if a change is necessary because of the availability of information.

The fair value presented is the 'clean' fair value, which is the total fair value or 'dirty' fair value less interest accruals. Interest accruals are reported separately.

Methods and assumptions used in determining fair value are largely dependent on whether the instrument is traded on financial markets and the information that is available to be incorporated into the valuation models. A summary of different financial instrument types along with the fair value treatment is included below.

Quoted market prices are used for financial instruments traded on a financial market with price quotations.

Non-exchange-traded financial instruments are often traded in over-the-counter (OTC) markets by dealers or other intermediaries from whom market prices are obtainable.

Quotations are available from various sources for many financial instruments traded regularly in the OTC market. Those sources include the financial press, various publications and financial reporting services, and also individual market makers.

Quoted market prices provide the most reliable fair value for derivatives traded on a recognised exchange. Fair value of derivatives not traded on a recognised exchange is considered to be the value that could be realised through termination or assignment of the derivative.

Common valuation methodologies for an interest rate swap incorporate a comparison of the yield of the swap with the current swap yield curve. The swap yield curve is derived from quoted swap rates. Dealer bid and offer quotes are generally available for basic interest rate swaps involving counterparties whose securities are investment grade.

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.

The fair value (FV) calculation of financial instruments not actively traded on financial markets can be summarised as follows:

Instrument Type	Ageas Products	FV Calculation
Instruments with no stated maturity	Current accounts, saving accounts, etc.	Nominal value.
Instruments without optional features	Straight loans, deposits, etc.	Discounted cash flow methodology; discounting yield curve is the swap curve plus spread (assets) or the swap curve minus spread (liabilities); spread is based on commercial margin computed based on the average of new production during last 3 months.
Instruments with optional features	Mortgage loans and other instruments with option features	Product is split and linear (non-optional) component is valued using a discounted cash flow methodology and option component valued based on option pricing model.
Subordinated liabilities and related receivables	Subordinated liabilities	Valuation is based on broker quotes in an in-active market (level 3).
Private equity	Private equity and non-quoted participations investments	In general based on the European Venture Capital Association's valuation guidelines, using enterprise value/EBITDA, price/cash flow and price/earnings, etc.
Preference shares (non-quoted)	Preference shares	If the share is characterised as a debt instrument, a discounted cash flow model is used.

Ageas pursues a policy aimed at quantifying and monitoring pricing uncertainties related to the calculation of fair values using valuation techniques and internal models. Related uncertainties are a feature of the ‘model risk’ concept.

Model risk arises when the product pricing requires valuation techniques which are not yet standardised or for which input data cannot be directly observed in the market, leading to assumptions about the input data themselves.

The introduction of new, sophisticated products in the market has resulted in the development of mathematical models to price them. These models in turn depend on assumptions regarding the stochastic behaviour of underlying variables, numerical algorithms and other possible approximations needed to replicate the complexity of the financial instruments.

Furthermore, the underlying hypotheses of a model depend on the general market conditions (e.g. specific interest rates, volatilities) prevailing at the time the model is developed. There is no guarantee that the model will continue to yield adequate results should market conditions change drastically.

Any related model uncertainty is quantified as accurately as possible and is the basis for adjusting the fair value calculated by the valuation techniques and internal models.

NOTES TO THE CONSOLATED INCOME STATEMENT

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INSURANCE PREMIUMS

The following table provides an overview of the composition of gross inflow and net earned premiums for the year ended 31 December:

	2012	2011
Gross inflow Life	6,692.6	7,131.2
Gross inflow Non-life	4,361.7	4,107.4
General and eliminations	(0.5)	(1.5)
Total gross inflow	**11,053.8**	**11,237.1**

Total gross inflow Life is impacted by the sale of Luxembourg Life activities, particularly active in unit-linked business at year end 2011.

	2012	2011
Net premiums Life	5,499.3	5,233.2
Net earned premiums Non-life	4,177.8	3,507.0
General and eliminations	(0.5)	(1.5)
Total net earned premiums	**9,676.6**	**8,738.7**

Life

The table below shows the details of Life premiums for the year ended 31 December:

	2012	2011
Unit-linked insurance contracts		
Single written premiums	7.7	11.3
Periodic written premiums	87.8	86.0
Group business total	*95.5*	*97.3*
Single written premiums	41.6	57.0
Periodic written premiums	24.7	32.4
Individual business total	*66.3*	*89.4*
Total unit-linked insurance contracts	**161.8**	**186.7**
Non unit-linked insurance contracts		
Single written premiums	335.6	321.4
Periodic written premiums	754.8	709.9
Group business total	*1,090.4*	*1,031.3*
Single written premiums	683.4	657.2
Periodic written premiums	813.5	787.4
Individual business total	*1,496.9*	*1,444.6*
Total non unit-linked insurance contracts	**2,587.3**	**2,475.9**
Investment contracts with DPF		
Single written premiums	2,397.0	2,208.8
Periodic written premiums	439.8	443.9
Total investment contracts with DPF	**2,836.8**	**2,652.7**
Gross premium income Life insurance	**5,585.9**	**5,315.3**
Single written premiums	950.7	1,669.2
Periodic written premiums	156.0	146.7
Premium inflow deposit accounting	**1,106.7**	**1,815.9**
Total gross inflow Life	**6,692.6**	**7,131.2**

Total premium inflow Life insurance is gross premiums received by insurance companies for issued insurance and investment contracts. Premium inflow of insurance contracts and investment contracts with DPF is recognised in the income statement. Premium inflow of investment contracts without DPF, mainly unit-linked contracts, is – after deduction of fees – directly recognised as liabilities (deposit accounting). Fees are recognised as fee income in the income statement.

	2012	2011
Gross premium income Life	5,585.9	5,315.3
Ceded reinsurance premiums	(86.6)	(82.1)
Net premiums Life	**5,499.3**	**5,233.2**

Non-life

The table below shows the details of Non-life insurance premiums for the year ended 31 December. Premiums for motor, fire and other damage to property and other are grouped in Property & Casualty:

2012	Accident & Health	Property & casualty	Total
Gross written premiums	789.8	3,571.9	4,361.7
Change in unearned premiums, gross	(4.5)	52.4	47.9
Gross earned premiums	**785.3**	**3,624.3**	**4,409.6**
Ceded reinsurance premiums	(21.7)	(215.8)	(237.5)
Reinsurers' share of unearned premiums	(0.5)	6.2	5.7
Net earned premiums Non-life insurance	**763.1**	**3,414.7**	**4,177.8**

2011	Accident & Health	Property & casualty	Total
Gross written premiums	782.3	3,325.1	4,107.4
Change in unearned premiums, gross	(13.6)	(385.1)	(398.7)
Gross earned premiums	**768.7**	**2,940.0**	**3,708.7**
Ceded reinsurance premiums	(31.4)	(178.3)	(209.7)
Reinsurers' share of unearned premiums	(1.5)	9.5	8.0
Net earned premiums Non-life insurance	**735.8**	**2,771.2**	**3,507.0**

Below is a breakdown of the net earned premiums by Insurance operating segment.

2012	Accident & Health	Property & casualty	Total
Belgium	480.0	1,218.2	1,698.2
UK	56.7	2,025.7	2,082.4
Continental Europe	226.4	170.8	397.2
Net earned premiums Non-life insurance	**763.1**	**3,414.7**	**4,177.8**

2011	Accident & Health	Property & casualty	Total
Belgium	451.0	1,150.1	1,601.1
UK	65.3	1,458.8	1,524.1
Continental Europe	219.5	162.3	381.8
Net earned premiums Non-life insurance	**735.8**	**2,771.2**	**3,507.0**

Premiums Non-life are impacted by growth in Belgium and in UK, including newly acquired Groupama Insurance Company Limited.

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INTEREST, DIVIDEND AND OTHER INVESTMENT INCOME

The table below provides details of Interest, dividend and other investment income for the year ended 31 December.

	2012	2011
Interest income		
Interest income on cash equivalents	11.1	33.1
Interest income on loans to banks	134.0	147.7
Interest income on investments	2,111.9	2,144.3
Interest income on loans to customers	140.2	127.1
Interest income on derivatives held for trading	10.3	37.8
Other interest income	22.9	11.8
Total interest income	**2,430.4**	**2,501.8**
Dividend income from equity securities	76.0	83.2
Rental income from investment property	193.4	170.8
Revenues parking garage	277.1	268.4
Other investment income	78.8	69.1
Total interest, dividend and other investment income	**3,055.7**	**3,093.3**

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RESULT ON SALES AND REVALUATIONS

Result on sales and revaluations for the year ended 31 December is broken down as follows:

	2012	2011
Debt securities classified as available for sale	173.9	305.2
Equity securities classified as available for sale	40.5	(39.4)
Derivatives held for trading	(24.3)	(19.3)
Investment property	66.5	49.9
Capital gain (losses) on sale of shares of subsidiaries	14.9	12.7
Investments in associates		6.6
Property, plant and equipment	0.3	0.2
Assets and liabilities held at fair value through profit or loss	30.8	8.2
Hedging results		0.5
Other	131.7	(189.0)
Total Result on sales and revaluations	**434.3**	**135.6**

In the context of ongoing uncertainties in the financial markets Ageas reduced the concentration on Southern European government bonds in its investment portfolio during the year, as well as rebalanced the portfolio in other asset classes. The rebalancing of the portfolio resulted in capital gains and losses within the debt securities classified as available for sale, equity securities classified as available for sale, as well as in derivatives held for trading.

Derivatives held for trading are initially recognised at acquisition cost, including any transaction costs to acquire the financial instrument. Subsequent measurement is at fair value with changes in fair value recorded in the income statement.

All changes in fair value of the assets and liabilities held at fair value through profit or loss are reported above. This includes unrealised gains and losses from revaluations and realised gains and losses upon derecognition of the assets or liabilities.

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.

The line Other relates mainly to BNP Paribas Fortis SA/NV Tier 1 loan. In 2011, Ageas was required to redeem the bond holders at par value while the fair value was lower (loss EUR 189 million). In 2012 BNP Paribas Fortis SA/NV has called the loan at par and a gain of EUR 128.5 million was realized.

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INVESTMENT INCOME RELATED TO UNIT-LINKED CONTRACTS

The income related to unit-linked contracts is composed of:

	2012	2011
(Un)realised gains (losses) - insurance contracts	175.8	(122.1)
(Un)realised gains (losses) - investment contracts	1,360.4	(966.3)
(Un)realised gains (losses)	1,536.2	(1,088.4)
Investment income - insurance contracts	4.5	4.1
Investment income - investment contracts	413.7	502.8
Realised investment income	418.2	506.9
Total investment income related to unit-linked contracts	**1,954.4**	**(581.5)**

Investment income related to unit-linked contracts reflects more favourable economic circumstances.

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SHARE OF RESULT OF ASSOCIATES

Share of result of associates for the year ended 31 December is specified in the table below for the main associates.

2012	Total income (100% interest)	Total expenses (100% interest)	Net income (100% interest)	% Ageas interest	Share of result of associates (Ageas share)
Mayban Ageas Holding Berhad	1,560.1	(1,443.7)	116.4	30.95%	36.0
Muang Thai Group Holding	1,475.6	(1,371.8)	103.8	15% - 31%	33.1
Taiping Holdings	5,104.0	(4,900.3)	203.7	20% - 24.9%	50.7
Royal Park Investments	1,556.8	(1,323.5)	233.3	44.71%	104.3
IDBI Federal Life Insurance	145.1	(157.5)	(12.4)	26.00%	(3.2)
Aksigorta	643.2	(619.8)	23.4	36.00%	8.4
Cardif Lux Vie	6,119.2	(6,096.2)	23.0	33.33%	7.7
Association Westland Shopping center	3.9	(6.2)	(2.3)	45.85%	(1.1)
BITM	16.8	(26.8)	(10.0)	50.00%	(5.0)
Aviabel	10.9		10.9	24.70%	2.7
Credimo	127.0	(126.7)	0.3	34.20%	0.1
Other					(3.1)
Total share of result of associates					**230.6**

2011	Total income (100% interest)	Total expenses (100% interest)	Net income (100% interest)	% Ageas interest	Share of result of associates (Ageas share)
Mayban Ageas Holding Berhad	1,242.1	(1,143.6)	98.5	30.95%	30.5
Muang Thai Group Holding	1,097.0	(1,042.0)	55.0	15% - 31%	19.0
Taiping Holdings	3,940.5	(3,994.5)	(54.0)	20% - 24.9%	(14.2)
Royal Park Investments	224.4	(665.6)	(441.2)	44.71%	(197.3)
IDBI federal Life Insurance	99.0	(112.0)	(13.0)	26.00%	(3.4)
Aksigorta	451.7	(438.3)	13.4	33.11%	4.0
Cardif Lux Vie	17.9		17.9	33.33%	6.0
Association Westland Shopping center	7.4	(5.2)	2.2	45.85%	1.0
BITM	17.2	(15.9)	1.3	50.00%	0.6
Aviabel	62.1	(51.7)	10.4	24.70%	2.6
Credimo	120.5	(119.2)	1.3	34.10%	0.4
Other					4.3
Total share of result of associates					**(146.5)**

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FEE AND COMMISSION INCOME

Fee and commission income for the year ended 31 December is specified in the table below:

	2012	2011
Fee and commission income		
Reinsurance commissions	48.8	51.4
Insurance and investment fees	146.1	186.7
Asset management	34.2	36.2
Guarantees and commitment fees	1.5	1.5
Other service fees	167.9	151.3
Total fee and commission income	**398.5**	**427.1**

The line Other service fees mainly relates to fees received from brokerage companies for the sale of insurance policies of third parties.

43 OTHER INCOME

Other income includes the following elements for the year ended 31 December:

	2012	2011
Other income		
Proceeds of sale of property intended for sale		11.6
Negative goodwill	62.8	
Recovery of staff and other expenses from third parties	68.8	135.2
Other	192.3	130.3
Total other income	**323.9**	**277.1**

The negative goodwill of EUR 62.8 Million relates to the acquisition of Groupama Insurance Company Limited. For further information see Note 3 Acquisitions and disposals.

The line Other includes in 2012 mainly recovery reinvoicing of service costs related to rental activities (EUR 76 million) and instalment income (EUR 73 million).

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INSURANCE CLAIMS AND BENEFITS

The details of insurance claims and benefits for the year ended 31 December are shown in the table below.

	2012	2011
Life insurance	6,466.7	6,161.3
Non-life insurance	2,882.4	2,455.6
General account and eliminations	(0.5)	(2.3)
Total insurance claims and benefits, net	**9,348.6**	**8,614.6**

Details of Life insurance claims and benefits, net of reinsurance, are shown below.

	2012	2011
Benefits and surrenders, gross	4,771.9	4,982.0
Change in liabilities arising from insurance and investment contracts, gross	1,844.9	1,224.0
Total Life insurance claims and benefits, gross	**6,616.8**	**6,206.0**
Reinsurers' share of claims and benefits	(150.1)	(44.7)
Total Life insurance claims and benefits, net	**6,466.7**	**6,161.3**

Life Insurance claims and benefits in 2012 reflect the increase in Life Liabilities (see Notes 25, sections 25.1, 25.2 and 25.3) and UK Life liabilities not being netted as in prior years.

Details of Non-life insurance claims and benefits, net of reinsurance, are shown in the following table.

	2012	2011
Claims paid, gross	2,544.6	2,205.5
Change in liabilities arising from insurance contracts, gross	444.8	353.7
Total Non-life insurance claims and benefits, gross	**2,989.4**	**2,559.2**
Reinsurers' share of change in liabilities	(24.5)	(26.6)
Reinsurers' share of claims paid	(82.6)	(77.0)
Total Non-life insurance claims and benefits, net	**2,882.4**	**2,455.6**

Non-life insurance claims and benefits in 2012 reflect increase in volumes and a lower claims ratio (see Note 14.11).

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FINANCING COSTS

The following table shows the breakdown of Financing costs by product for the year ended 31 December.

	2012	2011
Financing costs		
Debt certificates	9.6	19.6
Subordinated liabilities	157.2	161.8
Borrowings - due to banks	33.8	55.5
Borrowings - due to customers		4.6
Other borrowings	10.3	8.3
Derivatives	7.4	19.2
Other liabilities	37.9	41.0
Total financing costs	**256.2**	**310.0**

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CHANGE IN IMPAIRMENTS

The Change in impairments for the year ended 31 December is as follows:

	2012	2011
Change in impairments of:		
Investments in debt securities	2.3	1,314.9
Investments in equity securities and other	95.3	212.2
Investment property	(0.6)	(11.9)
Loans to banks	(0.1)	
Loans to customers	5.3	1.7
Reinsurance and other receivables	2.3	(0.6)
Property, plant and equipment	5.1	(2.4)
Goodwill and other intangible assets	33.0	102.0
Total change in impairments	**142.6**	**1,615.9**

In 2011, the change in impairments of Investments in Debt securities relates primarily to the impairment on all maturities of the Greek bonds. The change in impairments of Goodwill and other intangible assets relates in 2012 mainly to the Goodwill on the UK brokerage business (2011: mainly to the goodwill on AICA).

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FEE AND COMMISSION EXPENSES

The components of fee and commission expenses for the year ended 31 December are as follows:

	2012	2011
Fee and commission expenses		
Securities	1.1	2.0
Intermediaries	1,203.3	1,092.9
Asset management fees	15.8	20.0
Payment services		0.1
Custodian fees	6.3	7.8
Other fee and commission expenses	40.4	40.6
Total fee and commission expenses	**1,266.9**	**1,163.4**

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STAFF EXPENSES

Staff expenses for the year ended 31 December are as follows:

	2012	2011
Staff expenses		
Salaries and wages	586.2	537.9
Social security charges	121.2	115.5
Pension expenses relating to defined benefit plans	27.8	27.5
Defined contribution plan expenses	18.8	17.3
Share-based compensation	1.0	2.5
Other	39.0	38.8
Total staff expenses	**794.0**	**739.5**

Other includes the cost of termination benefits and restructuring costs and non-monetary benefits for staff such as leased cars, restaurant and insurance premiums.

Note 9 Post-employment benefits, other long-term employees benefits and termination benefits contains further details of post-employment benefits and other long-term employee benefits, including pension costs related to defined benefit plans and defined contribution plans.

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OTHER EXPENSES

Other expenses for the year ended 31 December are as follows:

	2012	2011
Depreciation on tangible assets		
Buildings held for own use	34.1	31.8
Leasehold improvements	4.4	4.3
Investment property	73.1	60.9
Equipment	32.2	30.3
Amortisation of intangible assets		
Purchased software	4.6	4.4
Internally developed software	9.4	9.6
Value of business acquired (VOBA)	38.4	41.3
Other intangible assets	37.4	34.6
Other		
Operating lease rental expenses and related expenses	39.6	37.3
Operating and other direct expenses relating to investment property	76.9	70.3
Operating and other direct expenses relating to property for own use	178.5	159.3
Professional fees	111.9	103.2
Capitalised deferred acquisition costs	(544.8)	(495.5)
Depreciation deferred acquisition costs	446.1	379.4
Marketing and public relations costs	83.4	79.1
Information technology costs	117.9	110.1
Maintenance and repair expenses	14.1	13.4
Cost of sale of property intended for sale		9.0
Other	243.3	255.0
Total other expenses	**1,000.5**	**937.8**

The line Operating and other direct expenses relating to investment property/property for own use is partly recovered by income accounts as reported in Note 43 Other Income. The remaining net increase is mainly due to higher retrocessions following acquisitions of new car parkings.

Other includes in 2012 and 2011 expenses for travel, post, telephone, temporary staff and training included.

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INCOME TAX EXPENSES

The components of income tax expenses for the year ended 31 December are:

	2012	2011
Current tax expenses for the current period	226.2	75.0
Adjustments recognised in the period for current tax of prior periods	0.7	(53.3)
Total current tax expenses	**226.9**	**21.7**
Deferred tax arising from the current period	128.5	(81.0)
Impact of changes in tax rates on deferred taxes	(3.0)	2.4
Deferred tax arising from the write-down or reversal of a write-down of a deferred tax asset	(0.9)	(23.1)
Previously unrecognised tax losses, tax credits and temporary differences reducing deferred tax expense	(12.6)	(3.3)
Total deferred tax expenses (income)	**112.0**	**(105.0)**
Total income tax expenses (income)	**338.9**	**(83.3)**

Below is a reconciliation of expected and actual income tax expense. For 2011 the expected income tax expense was determined by multiplying the profit before taxation to the weighted average statutory income tax rates in Belgium and the Netherlands. As a result of the merger between ageas SA/NV and ageas N.V. the statutory income tax rate in Belgium was used for 2012.

	2012	2011
Result before taxation	1,267.7	(756.8)
Applicable tax rate	33.99%	29.5%
Expected income tax expense	430.9	(223.2)
Increase (decrease) in taxes resulting from:		
Tax exempt income including capital losses	2.3	39.9
Impairment of goodwill	10.4	29.2
Share in result of associates	(80.5)	44.7
Disallowed expenses	22.8	20.2
Negative goodwill	(20.5)	(0.4)
Previously unrecognised tax losses and temporary differences	(93.7)	(7.3)
Write-down and reversal of write-down of deferred tax assets, including non-compensable tax-losses of the year	105.8	73.2
Impact of changes in tax rates on temporary differences	(3.0)	2.2
Foreign tax rate differential	(31.6)	(3.7)
Adjustments for tax payable in respect of previous years	0.9	(53.3)
Deferred tax on investments in subsidiaries, associates and joint ventures	17.6	(4.1)
Notional interest deduction	(23.4)	(8.7)
Local income taxes (state/city/cantonal/communal taxes, ...)	4.8	0.9
Other	(3.9)	7.1
Actual income tax expenses (income)	**338.9**	**(83.3)**

NOTES TO THE *ITEMS NOT RECORDED* ON THE **CONSOLIDATED STATEMENT** OF *FINANCIAL* POSITION

51 CONTINGENT LIABILITIES

51.1 Contingent liabilities related to legal proceedings

Like any other financial institution, Ageas is involved as a defendant in various claims, disputes and legal proceedings arising in the ordinary course of its business.

In addition, as a result of the events and developments occurred in respect of the former Fortis group between May 2007 and October 2008 (a.o. acquisition of parts of ABN AMRO and capital increase in October 2007, announcement of the accelerated solvency plan in June 2008, divestment of banking activities and Dutch insurance activities in September/October 2008), Ageas is or may still become involved in a series of legal proceedings and administrative and criminal investigations in Belgium and the Netherlands.

In all of these proceedings and investigations, Ageas denies and will continue to challenge all allegations of wrongdoing. However, if these actions against Ageas were to be successful, they could eventually result in substantial monetary consequences for Ageas. Today though it is not possible to assess the outcome of these actions, or to quantify future Ageas' liabilities should they be successful.

Administrative proceedings initiated by market regulators in the Netherlands and Belgium

In the Netherlands:
On 5 February 2010, the AFM ('Autoriteit Financiële Markten') levied a fine on each of ageas SA/NV and ageas N.V. of EUR 288,000 for breaches of the Dutch Securities Act ('Wet op het financieel toezicht'). The AFM alleges that on 5 June 2008 certain statements would have been incorrect or misleading in respect of the solvency situation of Fortis and that on 14 June 2008 Fortis should have made public that the required EC remedies would imply that the financial objectives for 2008 and later could not be achieved without additional measures. This might imply that, for the period of 5 to 25 June 2008, investors may allege to have traded on not fully correct information. Ageas challenges any allegations of wrongdoing. After rejection of the administrative appeal, Ageas has appealed the decision of the AFM before the District Court in Rotterdam. On 4 May 2011 the District Court of Rotterdam confirmed the decision of the AFM. Ageas has filed an appeal against this decision with the competent court in the Netherlands.

On 19 August 2010, the AFM levied an additional fine on each of ageas SA/NV and ageas N.V. of EUR 144,000 for breach of the Dutch Securities Act. The AFM alleges that Fortis did not timely inform investors on its subprime position and should have published information on its subprime position and exposure (both overall and in the US, as well as a break down) in the trading update published on 21 September 2007 in the context of the rights issue effectuated on 9 October 2007. This might imply that, for the period as of 21 September 2007, investors may allege to have traded on incomplete information. Ageas challenges any allegations of wrongdoing. After rejection of the administrative appeal, Ageas has appealed this decision of the AFM before the District Court in Rotterdam. On 9 February 2012, the District Court of Rotterdam confirmed the decision of the AFM. Ageas has filed an appeal against this decision with the competent court in the Netherlands.

In Belgium:

The Belgian Financial Services and Markets Authority ('FSMA') initiated an investigation on Fortis' external communications concerning the implementation of its solvency plan and its solvency outlook during the second quarter of 2008. On 12 April 2012, the FSMA Management Board forwarded the auditor's investigation report to its Sanctions Committee. The Committee will eventually decide on whether a fine must be imposed on Ageas.

Criminal procedure in Belgium

In Belgium, a criminal procedure is ongoing on the events mentioned above in the introduction to this chapter. In November 2012 certain individuals were indicted by the investigating magistrate. In February 2013 the public prosecutor requested the *Chambre du conseil/Raadkamer* that certain individuals be referred for trial before the criminal court.

Any negative findings of these administrative proceedings and/or the criminal procedure may affect pending legal proceedings and/or could lead to new legal proceedings against Ageas, including claims for compensatory damages.

Legal proceedings initiated by shareholders or associations of shareholders

These proceedings, both in Belgium and in the Netherlands, (i) are (in)directly related to the transactions in September/October 2008, or (ii) aim at the payment of compensatory damages based on alleged miscommunication and/or market abuse committed, by Fortis during the period between May 2007 and October 2008.

In the Netherlands:

On 16 August 2010, VEB (Vereniging van Effectenbezitters - Association of Shareholders) and certain other parties filed a request with the Ondernemingskamer (Enterprise Division of the Court of Appeal) in Amsterdam (i) to start legal proceedings aiming at establishing that certain facts mentioned in the Ondernemingskamer's investigation report[2]) should be deemed 'mismanagement' ('wanbeleid') by Fortis, and (ii) to annul the release granted to Fortis N.V. directors on 29 April 2008.

On 5 April 2012 the Ondernemingskamer partly rejected, but at the same time partly upheld, the VEB requests thereby stating that there was mismanagement in certain matters. As a result, the Ondernemingskamer nullified the decision of the general shareholders' meeting of Fortis N.V. to release the Board of Directors for its management during 2007, to the extent that the release related to the communication on the subprime portfolio in the prospectus and in the trading update. Ageas filed an appeal against this decision with the Dutch Supreme Court.

On 19 January 2011, the VEB initiated proceedings before the Amsterdam District Court seeking a ruling that various Fortis communications between September 2007 and 3 October 2008 constituted a breach of law by Fortis and by certain of its former directors and executives. VEB characterises each of these breaches as an unlawful act by all or certain defendants and states that these defendants were therefore liable for the loss incurred by any (former) shareholder who bought shares during the relevant period. Inter alia, VEB alleges (against Fortis, certain of its former directors and executives and against financial institutions which acted as global coordinators and lead managers during the capital increase) that the information provided in the 24 September 2007 prospectus for the 9 October 2007 capital increase on Fortis' position in and exposure to the subprime situation, was incorrect and incomplete.

Stichting FortisEffect and a series of individuals represented by Mr De Gier appealed with the Amsterdam Appeal Court against the judgment of the Amsterdam District Court of 18 May 2011 that dismissed their claim to invalidate the decisions taken by the Fortis Board in October 2008 and unwind the relevant transactions, or alternatively, to pay damages.

A series of individuals represented by Mr Bos demand damages on grounds of alleged Fortis miscommunication during 2008. On 15 February 2012, the Court of Utrecht decided that Fortis and two co-defendants (the former CEO and the former financial executive) disclosed misleading information during the period from 22 May through 26 June 2008. The Court further ruled that separate proceedings were necessary to decide whether the plaintiffs had suffered damages, and if so, the amount of such damages. In the same proceedings, certain former Fortis directors and top executives requested the Court to acknowledge the alleged Ageas obligation to hold them harmless for the damages resulting from or relating to the legal proceedings initiated against them and resulting from their mandates within the Fortis group. An appeal against the judgement by the Court of Utrecht was filed with the Appeal Court of Arnhem.

On 7 July 2011, 'Stichting Investor Claims Against Fortis' ('SICAF'), a 'Stichting' (Foundation) under Dutch law, brought a collective action before the Utrecht Court based on alleged Fortis miscommunication on various occasions during 2007 and 2008. SICAF alleges, i.a. (against Fortis and against two financial institutions) that the information provided in the 24 September 2007 prospectus for the 9 October 2007 rights issue on Fortis' position in and exposure to the subprime situation was incorrect and incomplete.

On 3 August 2012 the same SICAF, on behalf of and together with a number of identified (former) shareholders, brought a second action before the Utrecht Court against the same defendants and certain former Fortis directors and executives, claiming damages. The allegations in this second action are materially similar to the first action. In addition, the plaintiffs claim that Fortis failed in its solvency policy in the period 2007 and 2008. At present it is unclear whether both actions will be joined.

In Belgium:

On 28 January 2009, a series of individuals represented by Mr Modrikamen brought an action before the Commercial Court of Brussels initially demanding for the annulment of the sale of ASR to the Dutch State and the sale of Fortis Bank to SFPI (and

2) Investigation report commissioned by the Enterprise Division and published on 16 June 2010. It can be consulted on Ageas' website: http://www.ageas.com/Documents/NL_final_report_dutch_investigation_20100616.pdf.

subsequently to BNP Paribas), or alternatively damages. On 8 December 2009, the Court inter alia decided that it was not competent to judge on actions against the Dutch defendants. On 17 January 2013 the Brussels Court of Appeal confirmed this judgment in this respect. The proceedings on the merits before the commercial court continue regarding the sale of Fortis Bank..

On 13 January 2010, a series of individuals associated with Deminor International brought an action before the Commercial Court of Brussels, seeking damages based on alleged lack of or misleading information by Fortis during the period from May 2007 to October 2008.

On 12 September 2012 a (former) Fortis shareholder and its parent company brought an action before the Commercial Court of Brussels, seeking damages based on alleged lack of or misleading information in the context of the 2007 rights issue.

Legal proceedings initiated by Mandatory Convertible Securities (MCS) holders

The Mandatory Convertible Securities (MCS) issued in 2007 by Fortis Bank Nederland (Holding) N.V. (now ABN AMRO Bank N.V.), together with BNP Paribas Fortis SA/NV, ageas SA/NV and ageas N.V., were mandatorily converted on 7 December 2010 into 106,723,569 Ageas shares. Prior to 7 December 2010, certain MCS holders unilaterally decided at a general MCS holders' meeting to postpone the maturity date of the MCS until 7 December 2030. However, at the request of Ageas, the President of the Commercial Court of Brussels suspended the effects of this decision. Following 7 December 2010, the same MCS holders contested the validity of the conversion of the MCS and requested its annulment or, alternatively, damages for an amount of EUR 1.75 billion. On 23 March 2012, the Brussels Commercial Court ruled in favour of Ageas, dismissing all claims of the former MCS holders. Hence, the conversion of the MCS into shares issued by Ageas on 7 December 2010 remains legally valid and no compensation is due. Certain former MCS holders appealed against this judgment, claiming damages for a provisional amount of EUR 350 million and the appointment of an expert.

Hold harmless undertakings

In 2008, the Fortis parent companies granted certain former executives and directors, at the time of their departure, a contractual hold harmless protection covering legal expenses and, in certain cases, also the financial consequences of any judicial decisions, in the event that legal proceedings were brought against them on the basis of their mandates exercised within the Fortis group. Ageas contests the validity of the contractual hold harmless commitments to the extent they relate to the financial consequences of any judicial decisions.

Furthermore, and as standard market practice in this kind of operations, Ageas entered into agreements with certain financial institutions facilitating the placing of Fortis shares in the context of the capital increases of 2007 and 2008. These agreements contain indemnification clauses that imply hold harmless obligations for Ageas subject to certain terms and conditions. Note that some of these financial institutions are involved in certain legal proceedings mentioned in this chapter.

General observations

Taking into account that none of the experts appointed by the Courts have raised arguments that could substantiate or justify an annulment of (part of) the decisions taken by the Fortis Board of Directors in September/October 2008 and of the resulting agreements and transactions, and that the Amsterdam District Court in two judgments of 18 May 2011 dismissed the claims of VEB/Deminor and Stichting FortisEffect respectively with regard to these transactions, the Ageas management considers it unlikely that any of the proceedings described in this chapter would result in the annulment of these transactions.

Nevertheless, without prejudice to any specific comment made above in this chapter, given the various stages, the continuously evolving nature and the inherent uncertainties and complexity of the current proceedings described herein, Ageas' management is not in a position to assess the merits or the outcome of the claims or actions brought against Ageas, nor can it determine whether they can be successfully contested or whether they might or might not result in significant losses in the Ageas Consolidated Financial Statements. For this reason, no provisions have been set aside yet. But Ageas will make provisions if and when, in the opinion of management, consulting with its legal advisors, it considers that, for these matters it is likely that payments will need to be made by Ageas and that the relevant amounts can be reasonably estimated.

However, if any of these proceedings were to lead to negative consequences for Ageas or were to result in awarding monetary damages to plaintiffs claiming losses incurred as a result of Fortis miscommunication or mismanagement, this could have substantial consequences on Ageas' financial position. Such consequences remain unquantifiable at this stage.

Taking into account the conclusions reached by certain judicial decisions referred to above in this chapter, the underwriters of the Directors & Officers and of the Public Offering of Securities Insurance policies, that insure the potential risks of Ageas and its directors and executives at stake under the liability claims subject of the various pending proceedings, have expressed their view that these conclusions could lead to a loss of coverage under the relevant policies. Ageas disagrees with this view that is now under discussion with the insurers.

51.2 Contingent liabilities for hybrid instruments of former subsidiaries

Ageas's former operating entities issued a number of hybrid instruments that have created a contingent liability for ageas SA/NV, because this former parent company acted as guarantor, co-obligor or provided support agreements. The following chapters describe the contingent liabilities linked to these instruments.

1. CASHES

CASHES (Convertible And Subordinated Hybrid Equity-linked Securities) represent 4,447 securities for a total nominal amount of EUR 1,112 million, issued by BNP Paribas Fortis SA/NV, with ageas SA/NV acting as co-obligor.

The securities have no maturity date and cannot be repaid in cash: they can only be exchanged into Ageas shares. A mandatory exchange takes place if the price of the Ageas share is equal to or higher than EUR 359.10 on twenty consecutive stock exchange business days (the closing share price at year end 2012 amounted to EUR 22.22). The securities can also be exchanged at the discretion of the security holders at a price of EUR 239.40 per share. BNP Paribas Fortis SA/NV owns 4,643,904 Ageas shares for the purpose of the potential exchange.

The sole recourse of the holders of the CASHES against any of the co-obligors with respect to the principal amount are the Ageas shares that BNP Paribas Fortis SA/NV holds; these shares are pledged in favour of such holders.

BNP Paribas Fortis SA/NV pays the coupon on the CASHES, in quarterly arrears, at a variable rate of 3 month Euribor + 2.0%, up to the exchange of the securities for Ageas shares. In the event that Ageas declares no dividend on its shares, or that the dividends to be declared are below a threshold with respect to any financial year (dividend yield less than 0.5%), and in certain other circumstances, coupons will mandatorily need to be settled by ageas SA/NV in accordance with the so called Alternative Coupon Settlement Method (ACSM), while BNP Paribas Fortis SA/NV would need to issue instruments that qualify as hybrid Tier 1 instruments to Ageas as compensation for the coupons paid by ageas SA/NV. If the ACSM is triggered and there is insufficient available authorised capital to enable ageas SA/NV to meet the ACSM obligation, the coupon settlement will be postponed until such time as the ability to issue shares is restored.

2. Indemnity related to CASHES

Originally 12,000 CASHES securities were issued. In January 2012, BNP Paribas launched a tender offer on the CASHES securities at a price of 47.5% and subsequently exchanged 7,553 tendered CASHES securities for their underlying Ageas shares. The tender and subsequent exchange was part of a broader agreement that Ageas reached with BNP Paribas Fortis SA/NV and BNP Paribas; Ageas paid EUR 287 million indemnity to BNP Paribas for the 63% exchange.

Ageas agreed to indemnify BNP Paribas on the same conditions as stated in the reached agreement within a period of two years, if BNP Paribas would acquire and convert additional CASHES out of the 37% CASHES that remain outstanding. Ageas also agreed to pay an annual indemnity to BNP Paribas Fortis SA/NV that equals the grossed up dividend on the shares that BNP Paribas Fortis SA/NV holds.

3. BNP Paribas Fortis SA/NV Tier 1 debt securities 2004

BNP Paribas Fortis SA/NV issued EUR 1,000 million perpetual securities in 2004, which benefit from a support agreement entered into by the former Fortis parent companies now ageas SA/NV, at an interest rate of 4.625% until 27 October 2014 and 3 month Euribor + 1.70% thereafter.

Under the parental support agreement if BNP Paribas Fortis's solvency drops below the threshold level or if BNP Paribas Fortis SA/NV so elects, the coupon will be settled through the issue of ordinary shares by ageas SA/NV in accordance with a so-called Alternative Coupon Settlement Method (ACSM), for which BNP Paribas Fortis would need to compensate ageas SA/NV by issuing new shares.

51.3 Other contingent liabilities

Together with BGL BNP Paribas, Ageas Insurance International N.V. has provided a guarantee to Cardif Lux Vie S.A. for up to EUR 100 million to cover outstanding legal claims related to Fortis Lux Vie S.A., a former subsidiary of Ageas that was merged at year-end 2011 with Cardif Lux International S.A. (see also Note 3 on Acquisitions and disposals).

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LEASE AGREEMENTS

Ageas has entered into lease agreements to provide for office space, office equipment, vehicles and parking facilities. The following table reflects future commitments to non-cancellable operating leases as at 31 December.

	2012	2011
Less than 3 months	15.3	13.2
3 months to 1 year	48.0	40.6
1 year to 5 years	182.4	144.9
More than 5 years	234.0	256.4
Total	**479.7**	**455.1**
Annual rental expense:		
Lease payments	23.2	22.1

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ASSETS UNDER MANAGEMENT

Assets under management include Investments for own account, unit-linked investments on behalf of insurance policyholders and Funds held for third parties. Funds under management include investments that are managed on behalf of clients, either private or institutional, and on which Ageas earns a management or advisory fee.

The following table provides a breakdown of Assets under management by investment type and origin:

	31 December 2012	31 December 2011
Investments for own account:		
- Debt securities	60,156.0	53,372.4
- Equity securities	2,380.0	1,800.2
- Real estate (at fair value)	4,738.6	4,271.5
- Loans	6,288.4	5,683.4
- Cash & Cash Equivalents	2,449.9	2,701.5
Total investments for own account	**76,012.9**	**67,829.0**
Investments related to unit-linked contracts	**13,683.9**	**12,771.4**
Funds held for third parties:		
- Debt securities	1,763.8	504.4
- Equity securities	1,913.9	2,835.3
- Real estate	819.5	1,828.2
Total funds held for third parties	**4,497.2**	**5,167.9**
Total assets under management	**94,194.0**	**85,768.3**

Changes in Funds held for third parties are shown below:

	2012	2011
Balance as at 1 January	**5,167.9**	**8,174.5**
In-/outflow	242.5	18.3
Market gains/losses	70.0	(217.3)
Other	(983.2)	(2,807.6)
Balance as at 31 December	**4,497.2**	**5,167.9**

The line Other includes in 2012 EUR 944 million related to the sale of Befimmo SA (asset management equity) in December 2012 and includes in 2011 a transfer of EUR 2,747 million from a Pension Fund to social security which was enacted by law.

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EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

There have been no material events since the date of the Consolidated statement of financial position that would require adjustment in the Ageas Consolidated Financial Statements as at 31 December 2012.

Share buyback

Ageas completed the share buyback programme announced on 6 August 2012. Between 13 August 2012 and 26 February 2013, Ageas bought back 9,635,159 shares for a total of EUR 200 million. This corresponds to 3.96% of the total shares outstanding.

Ageas currently holds the shares as treasury shares. Together with the shares previously held by Ageas, the total amount of shares now owned by Ageas amounts to 5.70%. On 19 February 2013, Ageas's Board has decided to propose to the next General Meeting of Shareholders the cancellation of these bought back shares up to and including 15 February 2013.

STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of Ageas is responsible for preparing the Ageas Consolidated Financial Statements as at 31 December 2012 in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the European Transparency Directive (2004/109/EC) and the Report of the Board of Directors in accordance with the legal and regulatory requirements applicable in Belgium.

The Board of Directors reviewed the Ageas Consolidated Financial Statements and the Report of the Board of Directors on 5 March 2013 and authorised their issue.

The Board of Directors of Ageas declares that, to the best of its knowledge, the Ageas Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of Ageas, and of the uncertainties that Ageas is facing and that the information contained herein has no omissions likely to modify significantly the scope of any statements made.

The Board of Directors of Ageas also declares that the Report of the Board of Directors gives a fair overview of the development and performance of the businesses of the Group.

The Ageas Annual Report consisting of the Consolidated Financial Statements and Report of the Board of Directors will be submitted to the Annual General Meeting of Shareholders for approval on 24 April 2013.

Brussels, 5 March 2013

Board of Directors

Chairman	Jozef De Mey
Vice-Chairman	Guy de Selliers de Moranville
Chief Executive Officer	Bart De Smet
Directors	Frank Arts
	Ronny Brückner
	Shaoliang Jin
	Bridget McIntyre
	Roel Nieuwdorp
	Lionel Perl
	Jan Zegering Hadders

INDEPENDENT AUDITOR'S REPORT

Statutory auditor's report to the general meeting of ageas SA/NV for the year ended 31 December 2012

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report includes our report on the consolidated financial statements for the year ended 31 December 2012, as defined below, as well as our report on other legal and regulatory requirements.

Report on the consolidated financial statements

We have audited the consolidated financial statements of ageas SA/NV (the company) and its subsidiaries (jointly the group or Ageas), 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 2012 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 97,112.9 million and the consolidated income statement shows a profit for the year of EUR 928.8 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.

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 2012 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.

Emphasis of Matter

We draw attention to Note 51 on Contingent liabilities to the consolidated financial statements as at 31 December 2012 in which is described that Ageas is involved or may still become involved in a number of legal proceedings as well as administrative and criminal investigations in connection with certain events and developments having occurred between May 2007 and October 2008, some of which could result in financial liabilities for Ageas. However, the ultimate outcome of these matters cannot presently be determined. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the Annual Report of the Board of Directors on the consolidated financial statements.

In the framework of our mandate our responsibility is, in all material aspects, to verify compliance with certain legal and regulatory requirements. On this basis, we provide the following additional comments which do 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 aspects, 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.
- As indicated in the first part of our report in respect of our responsibility, we considered 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. Accordingly, we do not express an opinion on whether internal controls operated effectively during the financial year ended 31 December 2012.

Brussels, 5 March 2013

KPMG Réviseurs d'Entreprises/ Bedrijfsrevisoren
Statutory Auditor
represented by

Michel Lange
Réviseur d'Entreprises

ageas SA/NV
COMPANY FINANCIAL STATEMENTS 2012

GENERAL INFORMATION

1. Foreword

Most of the 'General information' is included in the Report of the Board of Directors of Ageas. This section of general information contains solely information on ageas SA/NV that has not been provided elsewhere.

The Extraordinary General Meetings of Shareholders held on 28 June (Utrecht) and 29 June 2012 (Brussels) passed a resolution to merge ageas N.V. (acquiree) and ageas SA/NV (acquirer) with a view to the further simplification of Ageas's legal structure. On 7 August 2012, ageas N.V. was integrated into ageas SA/NV with the number of ageas SA/NV shares doubling. At the same time, certain activities of ageas N.V. were incorporated into a Dutch Permanent Establishment of ageas SA/NV. Wherever these notes refer to figures that relate to the activities incorporated into this permanent establishment, this is mentioned explicitly.

As a result, ageas SA/NV obtained the assets and liabilities of ageas N.V., including the 50% share in Ageas Insurance International N.V. (the other 50% already being held by ageas SA/NV) resulting in the Participating interest in affiliated companies increasing by EUR 3.4 billion (which is recorded as acquisition) and Shareholders' equity increasing by EUR 4.5 billion.

Because of the merger and the resolutions passed by the Extraordinary General Meetings of Shareholders on 28 and 29 June 2012, the twinned share principle (a 'unit' consisting of one ageas SA/NV share and one ageas N.V. share) ceased to exist.

2. Identification

The company is a public limited company bearing the name 'ageas SA/NV'. Its registered office is at Rue du Marquis 1, 1000 Brussels. This office may be transferred to anywhere else in the Brussels capital region by resolution of the Board of Directors. The company is registered in the Brussels register of legal entities under no. 0451.406.524.

3. Incorporation and publication

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

4. Places where the public can verify company documents

The Articles of Association of ageas SA/NV can be verified at the Registry of the Commercial Court at Brussels, at the company's registered office and at the website of Ageas.

Decisions on the appointment and resignation of Board members of the companies are published, amongst others in the annexes to the Belgian Law Gazette. Financial reports on the companies and notices convening General Meetings are published in the financial press, newspapers and periodicals. The financial statements of the company are available at the registered office and are also filed with the National Bank of Belgium. They are sent each year to registered shareholders and to others on request.

5. Amounts

All amounts stated in tables of these financial statements are denominated in millions of euros, unless otherwise indicated.

STATEMENT OF FINANCIAL POSITION AFTER PROFIT APPROPRIATION

	31 December 2012	31 December 2011
ASSETS		
Fixed assets	**6,971**	**3,713**
Incorporation expenses		
Intangible fixed assets		
Tangible fixed assets	**1**	**2**
▪ Equipment and motor vehicles		1
▪ Other fixed assets	1	1
Financial fixed assets	**6,970**	**3,711**
Affiliated companies	6,210	2,951
▪ Participating interests	6,136	2,697
▪ Loans	74	254
Enterprises linked by participating interests	760	760
▪ Participating interests	760	760
▪ Loans		
Current assets	**1,222**	**1,341**
Amounts receivable after more than one year		
Stocks and contracts in progress		
Amounts receivable within one year	**8**	**1,185**
▪ Trade accounts receivable	6	3
▪ Other amounts receivable	2	1,182
Short-term investments	**925**	**116**
▪ Own shares	140	115
▪ Other short-term investments	785	1
Liquid assets	**283**	**38**
Prepayments and accrued income	**6**	**2**
TOTAL ASSETS	**8,193**	**5,054**

	31 December 2012	31 December 2011
LIABILITIES		
Shareholders' equity	7,972	3,626
Capital	**2,042**	**1,102**
▪ Subscribed capital	2,042	1,102
Share Premium Reserve	**2,968**	**955**
Capital gains due to revaluations		
Reserves	**4,064**	**2,752**
▪ Legal reserve		
▪ Reserves not available for distribution	140	115
- For own shares	140	115
- Other		
▪ Tax-free reserves		
▪ Reserves available for distribution	3,924	2,637
Profit / loss carried forward	**(1,102)**	**(1,183)**
Provisions and deferred taxes	**170**	**1,181**
Provisions for risks and charges	170	1,181
▪ Pensions and similar commitments		
▪ Taxes		
▪ Major renovation and maintenance projects		
▪ Other risks and charges	170	1,181
Deferred taxes		
Amounts payable	**51**	**247**
Amounts payable after more than one year		190
▪ Other borrowings		
▪ Other debts		190
Amounts payable within one year	**45**	**51**
▪ Current portion of amounts payable after more than one year		
▪ Financial debts		
- Credit institutions		
▪ Commercial debts	15	14
- Suppliers	15	14
Advance payments received on account of contracts in progress		
Amounts payable in respect of taxes, remuneration and social charges	2	12
▪ Taxes		11
▪ Remuneration and social charges	2	1
Other amounts payable	28	25
Accruals and deferred income	**6**	**6**
TOTAL LIABILITIES	**8,193**	**5,054**

INCOME
STATEMENT

	2012	2011
Operating income	**3**	**5**
Turnover :		
▪ Increase (+) or decrease (-) in stocks of work and contracts in progress and of finished goods		
▪ Own construction capitalised		
▪ Other operating income	3	5
Operating expenses	**23**	**46**
▪ Goods for resale, raw and ancillary materials		
- Purchases		
- Increase (-), decrease (+) in stocks		
▪ Services and miscellaneous goods	41	34
▪ Remuneration, social charges and pensions	11	11
▪ Depreciation and amounts written down on formation expenses and intangible and tangible fixed assets	1	1
▪ Increase (+), decrease (-) in amounts written down on stocks, contracts in progress and trade accounts receivable		
▪ Increase (+), decrease (-) in provisions for risks and charges	(1,011)	
▪ Other operating expenses	981	
▪ Operating expenses capitalised as restructuring costs		
Operating loss	**(20)**	**(41)**
Financial income	**400**	**325**
▪ Income from financial fixed assets	10	37
▪ Income from current assets	190	13
▪ Other financial income		275
Financial charges	**299**	**40**
▪ Interest in respect of amounts payable	297	40
▪ Increase (+), decrease (-) in amounts written down on current assets other than stocks, contracts in progress and trade		
▪ Other financial charges	2	
PROFIT ON ORDINARY ACTIVITIES, BEFORE TAXES	**81**	**244**

	2012	2011
Extraordinary income		**50**
- Other extraordinary income		
- Capital gain on realization of fixed asset		50
Extraordinary charges		
- Impairment on financial assets		
- Other exceptional expenses		
Profit for the financial year before taxes	**81**	**294**
▪ Tax on profits		
▪ Taxes		
▪ Adjustment of taxes and write-back of tax provisions		
Profit for the financial year	**81**	**294**
▪ Transfer from tax-exempt reserves		
▪ Transfer to tax-exempt reserves		
▪ Profit for the financial year available for appropriation	**81**	**294**
Appropriation of profit		
Profit to be appropriated	**(1,102)**	**(1,183)**
▪ Profit for the financial year available for appropriation	81	294
▪ Profit carried forward from the previous financial year	(1,183)	(1,477)
Transfers from shareholders' equity		
▪ From the capital and share premium reserves		
▪ From the reserves	273	144
Transfer to shareholders' equity		
▪ To the capital and share premium reserve		
▪ To the legal reserve		
▪ To the other reserves		
Result to be carried forward	**(1,102)**	**(1,183)**
Shareholders' contribution in respect of losses		
Profit to be distributed		
▪ Dividends	273	144
▪ Directors' entitlements		
▪ Other allocations		

NOTES

	2012	2011
STATEMENT OF FIXED ASSETS		
Net book value as at the end of the preceding financial year	2	2
Change during the financial year		
▪ New expenses incurred		1
▪ Depreciation	1	1
▪ Other		
Net book value as at the end of the financial year, comprising:	1	2
▪ Furniture		1
▪ Other fixed assets	1	1

	2012	2011
STATUS OF FINANCIAL FIXED ASSETS		
AFFILIATED COMPANIES - PARTICIPATING INTERESTS, EQUITY SECURITIES		
Acquisition value as at the end of the preceding financial year	**2,647**	**3,121**
Changes during the financial year:		
▪ Acquisitions	3,439	
▪ Disposals and asset retirements		474
Acquisition value as at the end of the financial year	**6,086**	**2,647**
Capital gains as at the end of the preceding financial year	**50**	**50**
Capital gains as at the end of the financial year	50	50
Depreciation and amounts written off as at the end of the preceding financial year		
Changes during the financial year:		
▪ Booked		
▪ Disposals and asset retirements		
Depreciations as at the end of the financial year		
UNCALLED AMOUNTS		
Net book value at the end of the financial year	**6,136**	**2,697**
Receivables from related parties	74	254
Net book value at the end of the preceding financial year	**254**	**74**
▪ Change during the financial year	(180)	180
Receivables at the end of the financial year	**74**	**254**
Accumulated amounts written off		
Enterprises linked by participating interests		
Acquisition value as at the end of the preceding financial year	760	760
▪ Changes during the financial year:		
- Acquisitions		
Acquisition value as at the end of the financial year	**760**	**760**
Capital gains		
Depreciation and amounts written off as at the end of the preceding financial year		
▪ Changes during the financial year:		
- Booked		
- Disposals and asset retirements		
Depreciations as at the end of the financial year		
Uncalled amounts		
NET BOOK VALUE AT THE END OF THE FINANCIAL YEAR	**760**	**760**

PARTICIPATING INTERESTS
AND ENTITLEMENTS
IN OTHER COMPANIES

The following list comprises the companies in which ageas SA/NV holds a participating interest, as well as the other companies in which ageas SA/NV holds entitlements representing at least 10% of the capital issued.

Name, full address of the REGISTERED OFFICE
In case of a company governed
By Belgian law, the V.A.T. or NATIONAL NUMBER

	Entitlements held by			Information derived from the latest available financial statements			
	The company (directly)		subsidiaries	Financial statements as at	Currency Code	Shareholders equity	Net Result
	Number	%	%			(+) or (-) (in millions of monetary units)	
Ageas Insurance International N.V. Archimedeslaan 6 3584 BA Utrecht – THE NETHERLANDS				31/12/2011	EUR	5,561	(281)
Ordinary shares		100.00					
Ageas Hybrid Financing SA Boulevard Grande Duchesse Charlotte 6 1331 Luxemburg – G.D. LUXEMBOURG				31/12/2011	EUR	1	
Ordinary shares		100.00					
Royal Park Investments SA/NV Van Orleyestraat 15 1000 Brussels - BELGIUM *BE 0807.882.811*				31/12/2011	EUR	2,348	299
Ordinary shares		44.70					

	2012	2011
SPECIFICATION OF INVESTMENTS AND TRANSITORY ACCOUNTS – ASSETS		
Shares & fixed rate securities	155	116
▪ own shares	140	115
▪ shares		1
▪ fixed rate securities	15	
Deposits – credit institutions	**770**	
- Maturity: more than 1 month and maximum 1 year	600	
- Maturity: more than 1 year	170	
Transitory accounts	**6**	**2**
▪ Invoices to create		
▪ Deferred expenses	3	
▪ Interests to receive	3	2

	2012	2011
SPECIFICATION OF EQUITY AND STRUCTURE OF THE SHAREHOLDER GROUP		
Equity		
▪ Subscribed capital		
- at previous year-end		1.101.819.943
- at year-end	2.042.218.690	
	Amounts	**Number of shares**
Changes during the financial year		
▪ Cancellation own shares	(80,710,598)	(192,168,091)
▪ Merger ageas N.V. – reverse stock split	1,021,109,345	(2,188,091,454)
Capital represented by		
Types of shares		
▪ Ordinary shares	2,042,218,690	243,121,272
▪ Registered shares	xxxxxxxxxx	9,111,025
▪ Bearer shares	xxxxxxxxxx	234,010,247
Unpaid capital		
Own shares held by:		
▪ The company itself		
- Amounts	140,107,962	
- Number of shares		7,275,675
▪ Its subsidiaries		
- Amounts		
- Number of shares		
Commitments to issue shares		
▪ In connection with conversion rights		
- Amount of outstanding convertible notes		
- Amount of capital to be subscribed		
- Maximum number of shares to be issued		
▪ In connection with subscription rights		
- Number of outstanding subscription rights		23,423,060
- Amount of capital to be subscribed	19,675,370	
- Maximum number of shares to be issued		2,342,306
Capital authorised but not subscribed	**100,800,000**	
Shares issued not representing capital		
Structure of the shareholder group of the company as at the closing date of the financial year, as shown by the notices received by the company		
As far as known by ageas SA/NV, the structure of the company's stable shareholders at 31 December 2012, was as follows:		%
Ping An Life Insurance Company of China Ltd.		4.81
Black Rock Inc.		3.05
Ageas SA/NV		3.01
Franklin Mutual Advisors LLC		3.00

On 31 December 2012, the members of the Board of Directors of ageas SA/NV jointly held 3,121,180 shares and 44,529 options on Ageas Shares. Further to the reverse stock split on 7 August 2012, the exercise modalities of the options have been modified. In order to obtain one new share, the optionholder will hereforth have to exercise 10 options and will have to pay ten times the exercise price.

	2012	2011
STATUS OF LIABILITIES AND TRANSITORY ACCOUNTS		
Provisions	**170**	**1,181**
▪ RPN(I)	165	
▪ CASHES	5	
▪ MCS / Dutch State		1,181
Amounts payable originally due after more than one year, according to their remaining term to maturity		**190**
▪ Financial debts		
▪ Other loans		
▪ Other debts		190
Amounts payable in respect of taxes, remuneration and social charges	**2**	**12**
Taxes		**11**
▪ Taxes due		
▪ Taxes not yet due		11
▪ Estimated taxes payable		
Remuneration and social charges	**2**	**1**
▪ Amounts due to the National Social Security Office		
▪ Other amounts payable in respect of remuneration and social charges	2	1
Transitory accounts	**6**	**6**
▪ Accrued expenses	4	1
▪ Accrued interests RPN(I)		1
▪ Accrued expenses State Guarantee		2
▪ Profit to be carried forward	2	2

	2012	2011
BUSINESS RESULTS		
Operating expenses		
Employees		
▪ Total on closing date	59	46
▪ Average in FTE	52,7	39.6
▪ Hours worked	91,730	71,237
Salary expenses	**11**	**11**
▪ Salaries	7	8
▪ Social security expenses	2	1
▪ Employer's premium for extra legal insurance		1
▪ Other staff expenses	2	1
Provisions for other costs	**(1,011)**	
▪ Additions	477	
▪ Usage and releases	1,488	
Other operating costs	**981**	
▪ Other	981	
External employees		
▪ Total year end		
▪ Average number FTE	0.2	
▪ Actual number of hours spent	511	

	2012	2011
FINANCIAL RESULTS		
Other financial income	**190**	**275**
▪ Default interests		
▪ Revaluation RPN(I)	190	275
Other financial charges		
▪ Settlement fee CASHES	2	
Provisions of a financial nature		

	2012	2011
INCOME TAXES AND OTHER TAXES		
INCOME TAXES		
Taxes on the result for the financial year		
▪ Income taxes due or paid		
▪ Surplus on prepaid taxes or activated withholding tax		
▪ Estimated additional charges for income taxes		
Taxes on the result for previous years		
▪ Additional charges for income taxes due or paid		
▪ Estimated additional charges for income taxes or provisioned		
Main sources of differences between the profit before taxes, as stated in the financial statements, and the estimated taxable profit		
Dividends of subsidiaries, of which 95% not taxable	200	36
Capital gains on realisation financial fixed assets		50
Impact of the extraordinary results on the level of taxation on the result for the financial year		
Sources of deferred taxes		
▪ Deferred tax assets		
- Loss carried forward, deductible from future taxable profits	11,437	11,149
▪ Deferred tax liabilities		
- Option on shares BNP Paribas	234	395

	2012	2011
TAXES ON VALUE ADDED AND TAXES TO THE DEBIT OF THIRD PARTIES	**1**	**1**
▪ Due to Corporates		
▪ Due from Corporates	1	1
Amounts withheld to the debit of third parties in the form of:	**19**	**22**
▪ Advance levy withheld from wage, salaries and benefits	4	3
▪ Withholding tax	15	19

ageas SA/NV has extended a guarantee to the Institute of London Underwriters on behalf of Bishopsgate Insurance Limited. Bishopsgate Insurance Limited terminated its membership of the Institute of London Underwriters on 31 December 1991. ageas SA/NV's guarantee concerns the current commitments arising out of policies issued by the previously mentioned Institute on behalf of Bishopsgate, and for Bishopsgate's commitments to the Institute.

CONTINGENT LIABILITIES

Like any other financial institution, Ageas is involved as a defendant in various claims, disputes and legal proceedings arising in the ordinary course of its business.

In addition, as a result of the events and developments occurred in respect of the former Fortis group between May 2007 and October 2008 (a.o. acquisition of parts of ABN AMRO and capital increase in October 2007, announcement of the accelerated solvency plan in June 2008, divestment of banking activities and Dutch insurance activities in September/October 2008), Ageas is or may still become involved in a series of legal proceedings and administrative and criminal investigations in Belgium and the Netherlands.

In all of these proceedings and investigations, Ageas denies and will continue to challenge all allegations of wrongdoing. However, if these actions against Ageas were to be successful, they could eventually result in substantial monetary consequences for Ageas. Today though it is not possible to assess the outcome of these actions, or to quantify future Ageas' liabilities should they be successful.

Administrative proceedings initiated by market regulators in the Netherlands and Belgium

In the Netherlands:

On 5 February 2010, the AFM ('Autoriteit Financiële Markten') levied a fine on each of ageas SA/NV and ageas N.V. of EUR 288,000 for breaches of the Dutch Securities Act ('Wet op het financieel toezicht'). The AFM alleges that on 5 June 2008 certain statements would have been incorrect or misleading in respect of the solvency situation of Fortis and that on 14 June 2008 Fortis should have made public that the required EC remedies would imply that the financial objectives for 2008 and later could not be achieved without additional measures. This might imply that, for the period of 5 to 25 June 2008, investors may allege to have traded on not fully correct information. Ageas challenges any allegations of wrongdoing. After rejection of the administrative appeal, Ageas has appealed the decision of the AFM before the District Court in Rotterdam. On 4 May 2011 the District Court of Rotterdam confirmed the decision of the AFM. Ageas has filed an appeal against this decision with the competent court in the Netherlands.

On 19 August 2010, the AFM levied an additional fine on each of ageas SA/NV and ageas N.V. of EUR 144,000 for breach of the Dutch Securities Act. The AFM alleges that Fortis did not timely inform investors on its subprime position and should have published information on its subprime position and exposure (both overall and in the US, as well as a break down) in the trading update published on 21 September 2007 in the context of the rights issue effectuated on 9 October 2007. This might imply that, for the period as of 21 September 2007, investors may allege to have traded on incomplete information. Ageas challenges any allegations of wrongdoing. After rejection of the administrative appeal, Ageas has appealed this decision of the AFM before the District Court in Rotterdam. On 9 February 2012, the District Court of Rotterdam confirmed the decision of the AFM. Ageas has filed an appeal against this decision with the competent court in the Netherlands.

In Belgium:

The Belgian Financial Services and Markets Authority ('FSMA') initiated an investigation on Fortis' external communications concerning the implementation of its solvency plan and its solvency outlook during the second quarter of 2008. On 12 April 2012, the FSMA Management Board forwarded the auditor's investigation report to its Sanctions Committee. The Committee will eventually decide on whether a fine must be imposed on Ageas.

Criminal procedure in Belgium

In Belgium, a criminal procedure is ongoing on the events mentioned above in the introduction to this chapter. In November 2012 certain individuals were indicted by the investigating magistrate. The file was transmitted to the public prosecutor.

Any negative findings of these administrative proceedings and/or the criminal procedure may affect pending legal proceedings and/or could lead to new legal proceedings against Ageas, including claims for compensatory damages.

Legal proceedings initiated by shareholders or associations of shareholders

These proceedings, both in Belgium and in the Netherlands, (i) are (in)directly related to the transactions in September/October 2008, or (ii) aim at the payment of compensatory damages based on alleged miscommunication and/or market abuse committed, by Fortis during the period between May 2007 and October 2008.

In the Netherlands:

On 16 August 2010, VEB (Vereniging van Effectenbezitters - Association of Shareholders) and certain other parties filed a request with the Ondernemingskamer (Enterprise Division of the Court of Appeal) in Amsterdam (i) to start legal proceedings aiming at establishing that certain facts mentioned in the Ondernemingskamer's investigation report[3)] should be deemed 'mismanagement' ('wanbeleid') by Fortis, and (ii) to annul the release granted to Fortis N.V. directors on 29 April 2008.

On 5 April 2012 the Ondernemingskamer partly rejected, but at the same time partly upheld, the VEB requests thereby stating that there was mismanagement in certain matters. As a result, the Ondernemingskamer nullified the decision of the general shareholders' meeting of Fortis N.V. to release the Board of Directors for its management during 2007, to the extent that the release related to the communication on the subprime portfolio in the prospectus and in the trading update. Ageas filed an appeal against this decision with the Dutch Supreme Court.

On 19 January 2011, the VEB initiated proceedings before the Amsterdam District Court seeking a ruling that various Fortis communications between September 2007 and 3 October 2008 constituted a breach of law by Fortis and by certain of its former directors and executives. VEB characterises each of these breaches as an unlawful act by all or certain defendants and states that these defendants were therefore liable for the loss incurred by any (former) shareholder who bought shares during the relevant period. Inter alia, VEB alleges (against Fortis, certain of its former directors and executives and against financial institutions which acted as global coordinators and lead managers during the capital increase) that the information provided in the 24 September 2007 prospectus for the 9 October 2007 capital increase on Fortis' position in and exposure to the subprime situation, was incorrect and incomplete.

Stichting FortisEffect and a series of individuals represented by Mr De Gier appealed with the Amsterdam Appeal Court against the judgment of the Amsterdam District Court of 18 May 2011 that dismissed their claim to invalidate the decisions taken by the Fortis Board in October 2008 and unwind the relevant transactions, or alternatively, to pay damages.

A series of individuals represented by Mr Bos demand damages on grounds of alleged Fortis miscommunication during 2008. On 15 February 2012, the Court of Utrecht decided that Fortis and two co-defendants (the former CEO and the former financial executive) disclosed misleading information during the period from 22 May through 26 June 2008. The Court further ruled that separate proceedings were necessary to decide whether the plaintiffs had suffered damages, and if so, the amount of such damages. In the same proceedings, certain former Fortis directors and top executives requested the Court to acknowledge the alleged Ageas obligation to hold them harmless for the damages resulting from or relating to the legal proceedings initiated against them and resulting from their mandates within the Fortis group. An appeal against the judgement by the Court of Utrecht was filed with the Appeal Court of Arnhem.

On 7 July 2011, 'Stichting Investor Claims Against Fortis' ('SICAF'), a 'Stichting' (Foundation) under Dutch law, brought a collective action before the Utrecht Court based on alleged Fortis miscommunication on various occasions during 2007 and 2008. SICAF alleges, i.a. (against Fortis and against two financial institutions) that the information provided in the 24 September 2007 prospectus for the 9 October 2007 rights issue on Fortis' position in and exposure to the subprime situation was incorrect and incomplete.

On 3 August 2012 the same SICAF, on behalf of and together with a number of identified (former) shareholders, brought a second action before the Utrecht Court against the same defendants and certain former Fortis directors and executives, claiming damages. The allegations in this second action are materially similar to the first action. In addition, the plaintiffs claim that Fortis failed in its solvency policy in the period 2007 and 2008. At present it is unclear whether both actions will be joined.

3) *Investigation report commissioned by the Enterprise Division and published on 16 June 2010. It can be consulted on Ageas' website: http://www.ageas.com/Documents/NL_final_report_dutch_investigation_20100616.pdf.*

In Belgium:

On 28 January 2009, a series of individuals represented by Mr Modrikamen brought an action before the Commercial Court of Brussels initially demanding for the annulment of the sale of ASR to the Dutch State and the sale of Fortis Bank to SFPI (and subsequently to BNP Paribas), or alternatively damages. On 8 December 2009, the Court inter alia decided that it was not competent to judge on actions against the Dutch defendants. On 17 January 2013, the Brussels Court of Appeal confirmed this judgment in this respect. The proceedings on the merits before the commercial court continue regarding the sale of Fortis Bank.

On 13 January 2010, a series of individuals associated with Deminor International brought an action before the Commercial Court of Brussels, seeking damages based on alleged lack of or misleading information by Fortis during the period from May 2007 to October 2008

On 12 September 2012 a (former) Fortis shareholder and its parent company brought an action before the Commercial Court of Brussels, seeking damages based on alleged lack of or misleading information in the context of the 2007 rights issue.

Legal proceedings initiated by Mandatory Convertible Securities (MCS) holders

The Mandatory Convertible Securities (MCS) issued in 2007 by Fortis Bank Nederland (Holding) N.V. (now ABN AMRO Bank N.V.), together with BNP Paribas Fortis SA/NV, ageas SA/NV and ageas N.V., were mandatorily converted on 7 December 2010 into 106,723,569 Ageas shares. Prior to 7 December 2010, certain MCS holders unilaterally decided at a general MCS holders' meeting to postpone the maturity date of the MCS until 7 December 2030. However, at the request of Ageas, the President of the Commercial Court of Brussels suspended the effects of this decision. Following 7 December 2010, the same MCS holders contested the validity of the conversion of the MCS and requested its annulment or, alternatively, damages for an amount of EUR 1.75 billion. On 23 March 2012, the Brussels Commercial Court ruled in favour of Ageas, dismissing all claims of the former MCS holders. Hence, the conversion of the MCS into shares issued by Ageas on 7 December 2010 remains legally valid and no compensation is due. Certain former MCS holders appealed against this judgment, claiming damages for a provisional amount of EUR 350 million and the appointment of an expert.

Hold harmless undertakings

In 2008, the Fortis parent companies granted certain former executives and directors, at the time of their departure, a contractual hold harmless protection covering legal expenses and, in certain cases, also the financial consequences of any judicial decisions, in the event that legal proceedings were brought against them on the basis of their mandates exercised within the Fortis group. Ageas contests the validity of the contractual hold harmless commitments to the extent they relate to the financial consequences of any judicial decisions. Furthermore, and as standard market practice in this kind of operations, Ageas entered into agreements with certain financial institutions facilitating the placing of Fortis shares in the context of the capital increases of 2007 and 2008. These agreements contain indemnification clauses that imply hold harmless obligations for Ageas subject to certain terms and conditions. Note that some of these financial institutions are involved in certain legal proceedings mentioned in this note.

General observations

Taking into account that none of the experts appointed by the Courts have raised arguments that could substantiate or justify an annulment of (part of) the decisions taken by the Fortis Board of Directors in September/October 2008 and of the resulting agreements and transactions, and that the Amsterdam District Court in two judgments of 18 May 2011 dismissed the claims of VEB/Deminor and Stichting FortisEffect respectively with regard to these transactions, the Ageas management considers it unlikely that any of the proceedings described in this note would result in the annulment of these transactions.

Nevertheless, without prejudice to any specific comment made above in this note, given the various stages, the continuously evolving nature and the inherent uncertainties and complexity of the current proceedings described herein, Ageas' management is not in a position to assess the merits or the outcome of the claims or actions brought against Ageas, nor can it determine whether they can be successfully contested or whether they might or might not result in significant losses in the Ageas Consolidated Financial Statements. For this reason, no provisions have been set aside yet. But Ageas will make provisions if and when, in the opinion of management, consulting with its legal advisors, it considers that, for these matters it is likely that payments will need to be made by Ageas and that the relevant amounts can be reasonably estimated.

However, if any of these proceedings were to lead to negative consequences for Ageas or were to result in awarding monetary damages to plaintiffs claiming losses incurred as a result of Fortis miscommunication or mismanagement, this could have substantial consequences on Ageas' financial position. Such consequences remain unquantifiable at this stage.

Taking into account the conclusions reached by certain judicial decisions referred to above in this note, the underwriters of the Directors & Officers and of the Public Offering of Securities Insurance policies, that insure the potential risks of Ageas and its directors and executives at stake under the liability claims subject of the various pending proceedings, have expressed their view that these conclusions could lead to a loss of coverage under the relevant policies. Ageas disagrees with this view that is now under discussion with the insurers.

Contingent liabilities for hybrid instruments of former subsidiaries

Ageas's former operating entities issued a number of hybrid instruments that have created a contingent liability for ageas SA/NV, because this former parent company acted as guarantor, co-obligor or provided support agreements. The following chapters describe the contingent liabilities linked to these instruments.

1. CASHES

CASHES (Convertible And Subordinated Hybrid Equity-linked Securities) represent 4,447 securities for a total nominal amount of EUR 1,112 million, issued by BNP Paribas Fortis SA/NV, with ageas SA/NV acting as co-obligor.

The securities have no maturity date and cannot be repaid in cash: they can only be exchanged into Ageas shares. A mandatory exchange takes place if the price of the Ageas share is equal to or higher than EUR 359.10 on twenty consecutive stock exchange business days (the closing share price at the end of the 2012 amounted to EUR 22.22). The securities can also be exchanged at the discretion of the security holders at a price of EUR 239.40 per share. BNP Paribas Fortis SA/NV owns 4,643,904 Ageas shares for the purpose of the potential exchange.

The sole recourse of the holders of the CASHES against any of the co-obligors with respect to the principal amount are the Ageas shares that BNP Paribas Fortis SA/NV holds; these shares are pledged in favour of such holders.

BNP Paribas Fortis SA/NV pays the coupon on the CASHES, in quarterly arrears, at a variable rate of 3 month Euribor + 2.0%, up to the exchange of the securities for Ageas shares. In the event that Ageas declares no dividend on its shares, or that the dividends to be declared are below a threshold with respect to any financial year (dividend yield less than 0.5%), and in certain other circumstances, coupons will mandatorily need to be settled by ageas SA/NV in accordance with the so called Alternative Coupon Settlement Method (ACSM), while BNP Paribas Fortis SA/NV would need to issue instruments that qualify as hybrid Tier 1 instruments to Ageas as compensation for the coupons paid by ageas SA/NV. If the ACSM is triggered and there is insufficient available authorised capital to enable ageas SA/NV to meet the ACSM obligation, the coupon settlement will be postponed until such time as the ability to issue shares is restored.

2. Indemnity related to CASHES

Originally 12,000 CASHES securities were issued. In January 2012, BNP Paribas launched a tender offer on the CASHES securities at a price of 47.5% and subsequently exchanged 7,553 tendered CASHES securities for their underlying Ageas shares. The tender and subsequent exchange was part of a broader agreement that Ageas reached with BNP Paribas Fortis SA/NV and BNP Paribas; Ageas paid EUR 287 million indemnity to BNP Paribas for the 63% exchange.

Ageas agreed to indemnify BNP Paribas on the same conditions as stated in the reached agreement within a period of 2 years, if BNP Paribas would acquire and convert additional CASHES out of the 37% CASHES that remain outstanding. Ageas also agreed to pay an annual indemnity to BNP Paribas Fortis SA/NV that equals the grossed up dividend on the shares that BNP Paribas Fortis SA/NV holds.

3. BNP Paribas Fortis SA/NV Tier 1 debt securities 2004

BNP Paribas Fortis SA/NV issued EUR 1,000 million perpetual securities in 2004, which benefit from a support agreement entered into by the former Fortis parent companies now ageas SA/NV, at an interest rate of 4.625% until 27 October 2014 and 3 month Euribor + 1.70% thereafter.

Under the parental support agreement if Fortis Bank's solvency drops below the threshold level or if BNP Paribas Fortis SA/NV so elects, the coupon will be settled through the issue of ordinary shares by ageas SA/NV in accordance with a so-called Alternative Coupon Settlement Method (ACSM), for which Fortis Bank would need to compensate ageas SA/NV by issuing new shares.

RELATED PARTIES

	2012	2011
RELATIONSHIPS WITH AFFILIATED COMPANIES AND COMPANIES IN WHICH THE COMPANY HOLDS PARTICIPATING INTERESTS		
Affiliated companies		
▪ **Financial fixed assets**	**6,210**	**2,951**
- Participating interests	6,136	2,697
- Subordinated loans	74	74
- Other loans		180
▪ **Financial results**	**200**	**37**
- Income from financial fixed assets	200	37
- Income from current assets		
- Other financial income		
- Interest in respect of amounts payable		
- Other financial charges		
▪ **Realisation of fixed assets**		**50**
- Capital gains on realisation of fixed assets		50
Relationships with affiliated enterprises and enterprises linked by participating interests		
▪ **Financial fixed assets**	**760**	**760**
- Participating interests	760	760
▪ **Financial relationships with:**		
- Directors, managers, individuals or bodies corporate who control the enterprise without being associated therewith or other enterprises controlled by these persons		
- Amounts of direct and indirect remunerations and pensions, included in the income statement,	2	1
as long as this disclosure does not concern exclusively or mainly, the situation of a single identifiable person, to directors and managers		
▪ Auditors or people they are linked to		
- Auditor's fee	0.7	0.9

Numbers of Joint Committees applicable to the enterprise	218.00

Statement of persons employed

During the year	Codes	Total	Men	Women
Average number of employees				
▪ Full time	1001	51.6	31.5	20.1
▪ Part time	1002	1.2		
▪ Total in FTE	1003	52.7	31.5	20.1
Number of hours worked				
▪ Full time	1101	87,865	53,690	34,175
▪ Part time	1012	3,865		
▪ Total in FTE	1013	91,730	53,690	34,175
Salary expenses				
▪ Full time	1021	8,968,359	6,360,188	2,575,171
▪ Part time	1022	1,610,322		
▪ Total in FTE	1023	10,545,681	6,360,188	2,575,171
Value of benefits in addition to salary	1033	52,880	31,644	21,236

During the previous year	Codes	Total	Men	Women
▪ Average number of employees in FTE	1003	39.6	23.8	15.8
▪ Number of hours worked	1013	71,237	38,136	33,101
▪ Salary expenses	1023	11,481,042	6,146,261	5,334,781
▪ Value of benefits in addition to salary	1033	40,400	21,628	18,772

On last day of financial year	Codes	Full time	Part time	Total in full time equivalents
Number of employees listed in the personnel register	**105**	**58**	**1**	**58.9**
Breakdown by type of employment contract				
▪ Permanent contract	110	58	1	58.9
▪ Fixed-term contract	111			
▪ Contract for a specified task	112			
▪ Substitution contract	113			
Breakdown by gender and level of education				
▪ Men	120	37	0	37.0
- Elementary	1200			
- Secondary	1201	1	0	1.0
- Higher non-university	1202	3	0	3.0
- University	1203	33	0	33.0
▪ Women	121	21	1	21.9
- Elementary	1210			
- Secondary	1211	1	0	1.0
- Higher non-university	1212	8	0	8.0
- University	1213	12	1	12.9
▪ **Breakdown by occupational category**				
- Managerial and supervisory staff	130	31	0	31.0
- Clerical staff	134	27	1	27.9
- Manual workers	132			
- Other	133			

Agency workers and staff on secondment to the enterprise

During financial year	Codes	Agency workers	Staff on secondments
Average number of employees	150	0.2	
Actual number of hours worked	151	511	
Cost to the enterprise	152	18,780	

Table of staff movements during financial year

Recruitment	Codes	Full time	Part time	Total in full time equivalents *(FTE)*
Number of employees entered in the Personnel register during financial year	**205**	**18**	**1**	**18.9**
▪ **Breakdown by type of employment contract**				
- Permanent contract	210	18	0	18.0
- Fixed-term contract	211	0	1	0.9
- Contract for a specified task	212			
DEPARTURES				
▪ Number of employees whose contract terminated on a date				
- Terminated on a date recorded in the personnel				
- Register during the year	305	4	2	5.3
▪ Breakdown by type of employment contract				
- Permanent contract	310	4	1	4.5
- Fixed term contract	311	0	1	0.8
- Contract for a specified task	312			
▪ Breakdown by reason for termination of contract				
- Retirement	340			
- Early retirement	341			
- Redundancy	342	1	0	1.0
- Other reason	343	3	2	4.3
Of which: the number of people that continue to work at least half time for the enterprise on a self employed basis	350			

Information on training initiatives for employees during financial year

	Codes	Men (FTE)	Codes	Women (FTE)
TOTAL OF SEMI-FORMAL AND INFORMAL FURTHER VOCATIONALTRAINING INITIATIVES FOR EMPLOYEES AT THE EMPLOYER'S EXPENSE				
▪ Number of employees involved	5841	36	5811	22
▪ Number of hours of training completed	5842	1,448	5812	727
▪ Net cost to the enterprise	5843	179,214	5813	34,073

SUMMARY OF VALUATION PRINCIPLES

Incorporation expenses

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

Financial fixed assets

Financial fixed assets consist only of ownership interests in Ageas companies. They are accounted for at their acquisition price, excluding acquisition costs.

Amounts receivable and liquid assets

Amounts receivable and liquid assets are accounted for at face value or at acquisition price.

The three items above are reduced in value if, at the balance sheet date, and taking into account the value of any guarantees attached to each receivable or liquid asset, recovery is uncertain or doubtful.

Short-term investments

Securities are recorded at their acquisition price.

Reductions in value are recorded to the amount of the long-term capital losses incurred. If these reductions in value subsequently diminish, they will be reversed in the amount of such diminution. Profits on the sale of securities are determined on the basis of the average acquisition price of the securities.

Conversion of assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in foreign currencies are converted in euro at the exchange rates at the end of the financial year. Gains or losses arising from these conversions and exchange rate differences in connection with transactions in the course of the financial year are taken to the income statement.

ADDITIONAL DISCLOSURE ON ITEMS IN THE STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

ACTIVE

a. Financial Fixed Assets: EUR 6,970 million

Financial Fixed Assets increased from EUR 3,711 million to EUR 6,970 million as at 31 December 2012 mainly due to:

- the resolutions passed by the Extraordinary General Meetings on 28 and 29 June 2012 to merge ageas SA/NV with ageas N.V. due to which the participating interest in Ageas Insurance increased with EUR 3,439 million to EUR 6,136 million;
- the capital increase approved by the Extraordinary General Meeting of Ageas Hybrid Financing which increased the participating interest in that company to EUR 0.7 million.

ageas SA/NV also has a participating interest in Royal Park Investments (EUR 760 million) and a loan of EUR 74 million to AG Insurance NV.

b. Amounts receivable within one year: EUR 8 million

The components of this item are several trade accounts receivable and prepaid invoices (EUR 6 million) and an accrued tax refund (EUR 2 million).

Amounts receivable, totalling EUR 1,181 million at year end 2011, from Fortis Capital Company Limited, ABN AMRO and the Dutch State in connection with the FCC transaction and the MCS conversion were settled in the course of the financial year.

c. Short-term investments: EUR 925 million

- As at 31 December 2012 ageas SA/NV has bought back 7,273,425 own shares with a value of EUR 140 million;
- as a consequence of the merger with ageas N.V., ageas SA/NV acquired fixed income securities at a value of EUR 15 million and term deposits at a value of EUR 770 million. The fixed income securities and an amount of EUR 600 million are held by the Dutch Permanent Establishment of ageas SA/NV.

d. Liquid assets: EUR 283 million

As at 31 December 2012 Ageas SA/NV had liquid assets of EUR 283 million, of which EUR 190 million is held by the Dutch Permanent Establishment of ageas SA/NV.

LIABILITIES

The changes in Shareholders' equity are as follows:

a. Subscribed capital increased from EUR 1,102 million to EUR 2,042 million
b. Share premium reserve increased from EUR 955 million to EUR 2,968 million
c. Reserves not available for distribution: EUR 140 million.

ageas SA/NV has:

- 7,056,442 shares bought back for EUR 137 million;
- 216,983 shares bought back for EUR 3 million in connection with the Restricted Share Plan.

e. Available reserves: EUR 3,924 million

Available reserves increased from EUR 2,637 million to EUR 3,924 million due to the merger with ageas NV.

An amount of EUR 144 million was released from the reserves for the payment of dividend. EUR 140 million was transferred to the reserves not available for distribution in connection with the share buyback programme.

f. Profit/loss carried forward: EUR -1,102 million

The 2012 financial year closed with a profit of EUR 81 million, which was the result of dividend of EUR 200 million received from Ageas Insurance International N.V. on the one hand and on the other hand a loss of EUR 73 million following the settlement of a number of legal disputes (claims on Fortis Capital Company Limited, ABN AMRO and the Dutch State in connection with the FCC transaction and the MCS conversion) and an operating expense of EUR 46 million. The loss carried forward consequently decreased from EUR 1,183 million to EUR 1,102 million.

g. Provisions: EUR 170 million

Provisions of EUR 1,181 million made in 2010 concerning the disputes with the Dutch State, Fortis Capital Company and ABN AMRO were released due to the settlement of those disputes.
ageas SA/NV made a provision of EUR 170 million for the future settlement of the RPN(I) (EUR 165 million) as well as a provision for an indemnity (EUR 5 million) related to the CASHES.

h. Amounts payable within one year: EUR 45 million

The main components of this item are:

- debts to suppliers: EUR 15 million;
- salaries and social security contributions: EUR 2 million;
- debts to shareholders: EUR 28 million.

INCOME STATEMENT

a. Operating income: EUR 3 million

This item concerns mainly the charge of services related to the Solvency II programme (EUR 1 million) and the charge of expenses related to the launch of a Restricted Share Unit programme (EUR 2 million).

b. Operating expenses: EUR 23 million

The components of Operating expenses are as follows (in EUR million):

- Legal and consultancy fees 17
- Expenses oncharged by AG Insurance 12
- General meetings 1
- Directors' remuneration and fees 4
- Marketing and advertisements 2
- Insurance 1
- Other 5
- Salaries 11
- Provisions (-) - .... (1,011)
- Write-down of trade receivables 981

STATUTORY AUDITOR'S REPORT TO THE

GENERAL SHAREHOLDERS' MEETING *ON THE* FINANCIAL STATEMENTS OF ***ageas*** SA/NV

AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2012

Statutory auditor's report to the general meeting of Ageas SA/NV for the year ended 31 December 2012

As required by law and the company's articles of association, we report to you on the performance of our mandate of statutory auditor. This report includes our report on the annual accounts for the year ended 31 December 2012, as defined below, as well as our report on other legal and regulatory requirements.

Report on the annual acounts

We have audited the annual accounts of ageas SA/NV ('the company') for the year ended 31 December 2012, prepared in accordance with the financial reporting framework applicable in Belgium. These annual accounts comprise the balance sheet as at 31 December 2012, the income statement for the year then ended and notes. The total of the balance sheet amounts to EUR 8.193 million and the income statement shows a profit for the year of EUR 81 million.

Board of directors' responsibility for the preparation of the annual accounts

The board of directors is responsible for the preparation and fair presentation of these annual accounts in accordance with the financial reporting framework applicable in Belgium, and for such internal control as the board of directors determines, is necessary to enable the preparation of annual accounts 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 annual accounts 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 annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts 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 company'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 annual accounts. 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 annual accounts give a true and fair view of the company's equity and financial position as at 31 December 2012 and of its financial performance for the year then ended in accordance with the financial reporting framework applicable in Belgium.

Emphasis of Matter

We draw attention to the note Contingent Liabilities of the annual accounts in which is described that the company is involved or may still become involved in a number legal proceedings as well as administrative and criminal investigations in connection with certain events and developments having occurred between May 2007 and October 2008, some of which could result in financial liabilities for the company. However, the ultimate outcome of these matters cannot presently be determined. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the annual report, for maintaining the company's accounting records in compliance with the applicable legal and regulatory requirements, as well as for the company's compliance with the Company Code and the company's articles of association.

In the framework of our mandate our responsibility is, in all material aspects, to verify compliance with certain legal and regulatory requirements. On this basis, we provide the following additional comments which do not modify our opinion on the annual accounts:

- The annual report which consists of the document entitled 'report of the Board of Directors of Ageas', includes the information required by law, is consistent, in all material aspects, with the annual accounts and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.
- As indicated in the first part of our report in respect of our responsibility, we considered internal control relevant to the company's preparation and fair presentation of the annual accounts 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 company's internal control. Accordingly, we do not express an opinion on whether internal controls operated effectively during the financial year ended 31 December 2012.
- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- The appropriation of results proposed to the general meeting complies with the legal provisions and the provisions of the articles of association.
- There are no transactions undertaken or decisions taken in violation of the company's articles of association or the Company Code that we have to report to you.

Brussels, 5 March 2013

KPMG Réviseurs d'Entreprises/ Bedrijfsrevisoren
Statutory auditor
Represented by

Olivier Macq Réviseur d'Entreprises	Michel Lange Réviseur d'Entreprises

OTHER INFORMATION

FORWARD-LOOKING STATEMENTS *TO BE* TREATED WITH CAUTION

Some of the statements contained in this Annual Report, including but not limited to the statements made in the sections entitled Message to the Shareholders, Description of Activities and Report of the Board of Directors and in Note 7 Risk management, refer to future expectations and other forward-looking perceptions that are based on management's current views, estimates and assumptions concerning future events. These forward-looking statements are subject to certain risks and uncertainties which means actual results, performance or events may differ substantially from what those statements express or imply, including but not limited to our expectations regarding the level of provisions relating to our credit and investment portfolios.

Other more general factors that may impact our results include but are not limited to:

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

AVAILABILITY OF COMPANY DOCUMENTS FOR PUBLIC INSPECTION

The Articles of Association of ageas SA/NV can be inspected at the Registry of the Commercial Court in Brussels (ageas SA/NV) and at the companies' registered offices.

The Annual Report is filed with the National Bank of Belgium (ageas SA/NV). Resolutions on the (re)election and removal of Ageas Board Members are published in annexes to the Belgian Law Gazette (ageas SA/NV) and elsewhere.

Financial reports on the companies and notices convening AGMs and EGMs are published in the financial press, and other newspapers and periodicals. The Annual Report as well as a list of all participations of Ageas is available from Ageas's registered offices in Brussels and is also filed with the National Bank of Belgium. The Annual Report is sent each year to registered shareholders and to others on request.

Provision of information to shareholders and investors

Listed shares

Ageas shares are currently listed on NYSE Euronext Brussels and the Luxembourg Stock Exchange. Ageas also has a sponsored ADR programme in the United States. ageas SA/NV, VVPR strips were listed only on NYSE Euronext Brussels until 1 January 2013.

Types of shares

Shares in Ageas may be registered or bearer shares.

DEMATERIALISATION AND REGISTRATION OF BEARER SHARES

Ageas offers its shareholders the opportunity to register their shares in dematerialised form. These registered shares remain dematerialised and are administered at no cost. Holders of registered shares may arrange, on request and free of charge, for their shares to be converted into bearer shares. Holders of bearer shares may arrange, on request and free of charge, for their shares to be dematerialised and registered. Ageas has devised a procedure for the rapid dematerialisation of shares, facilitating rapid delivery.

Corporate Administration ageas SA/NV

Rue du Marquis 1, 1000 Brussels, Belgium

Information and communication

Ageas sends out notices, including those relating to the quarterly and annual results, and to the Ageas Annual Report, free of charge to holders of both bearer shares and registered shares. Ageas sends all holders of both bearer and registered shares a personal invitation to attend the AGMs, and encloses the agenda, proposed resolutions and a form by means of which shareholders can nominate a proxy to vote on their behalf at the AGMs. When dividend becomes payable, Ageas automatically credits the dividend accruing to the holders of both bearer and registered shares to those bank accounts of which it has previously received details from the pertinent shareholders.

GLOSSARY AND ABBREVIATIONS

Amortised cost
The amount at which a financial asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation/accretion of any premium/discount, and minus any write-down for impairment.

Asset backed security
A bond or a note backed by debt instruments (not being mortgages) or accounts receivable.

Associate
A company on which Ageas has significant influence but which it does not control.

Basis point (bp)
One hundredth of a percentage point (0.01%).

Cash-flow hedge
A hedge to mitigate exposure to fluctuations in the cash flow of a recognised asset or liability, or forecasted transaction, as a consequence of movements in variable rates or prices.

Clean fair value
The fair value excluding the unrealised portion of the interest accruals.

Clearing
Administrative settlement of securities, futures and options transactions through a clearing organisation and the financial institutions associated with it (clearing members).

Credit spread
The yield differential between government bonds and corporate bonds or credits.

Custody
An agreement, usually between an investor and a bank (or possibly an agent or a trust company), whereby the investor deposits for safekeeping securities, gold or other valuables with the bank, which in turn takes the valuables into safekeeping for a fee.

Deferred acquisition cost
The cost of acquiring new and renewed insurance business, principally commissions, underwriting, agency and policy issue expenses, all of which vary with and primarily are related to the production of new business.

Derivative
A financial instrument such as a swap, a forward, a future contract or an option (both written and purchased). This financial instrument has a value that changes in response to changes in various underlying variables. It requires little or no net initial investment, and is settled at a future date.

Disability insurance
Insurance against the financial consequences of long-term disability.

Discounted cash flow method
An approach to valuation, whereby projected future cash flows are discounted at an interest rate that reflects the time value of money and a risk premium that reflects the extra return investors demand for the risk that the cash flow might not materialise after all.

Discretionary participation feature
A contractual right to receive, as a supplement to guaranteed benefits, additional benefits:
(a) that are likely to be a significant portion of the total contractual benefits; (b) whose amount or timing is contractually at the discretion of the issuer; and (c) that are contractually based on: (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.

Embedded derivative
A derivative instrument that is embedded in another contract – the host contract. The host contract might be a debt or equity instrument, a lease, an insurance contract or a sale or purchase 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.

Fair value
The amount for which an asset (liability) can be bought (incurred) or sold (settled), between knowledgeable, willing parties in an arm's length transaction.

Fair value hedge
A hedge of an exposure to changes in the fair value of a recognised asset or liability (or a portion thereof) or a firm commitment. The exposure is attributable to a particular risk and will affect reported net income.

Finance lease
A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Goodwill
This represents the amount by which the fair value of the assets acquired, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business, exceeds Ageas's interest in the fair value of assets acquired and liabilities and contingent liabilities assumed.

Gross written premiums
Total premiums (whether or not earned) for insurance contracts written or accepted during a specific period, without deduction for premiums ceded.

Hedge accounting
Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item.

IFRS
International Financial Reporting Standards have been used as the standard for all listed companies within the European Union since 1 January 2005 to ensure transparent and comparable accounting and disclosure.

Impairment
A decline in value whereby the carrying amount of the asset exceeds the recoverable amount. In such a case, the carrying amount will be reduced to its recoverable amount through the income statement.

Insurance contract
A contract under which one party (Ageas) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

Investment contract
A life insurance policy contract that transfers financial risk without transferring significant insurance risk.

Intangible asset
An identifiable non-monetary asset which is recognised at cost if and only if it will generate future economic benefits and if the cost of the asset can be measured reliably.

Investment property
Property held by Ageas to earn rental income or for capital appreciation.

ISO Currency code list

AUD	Australia, Dollars
CAD	Canada, Dollars
CHF	Switzerland, Francs
CNY	China, Yuan Renminbi
DKK	Denmark, Kroner
GBP	Britain (United Kingdom), Pounds
HKD	Hong Kong, dollar
JPY	Japan, Yen
MYR	Malaysia, Ringgits
SEK	Sweden, Kronor
THB	Thailand, Baht
TRY	Turkey, New Lira
TWD	Taiwan, New Dollars
USD	United States of America, Dollars
ZAR	South Africa, Rand

Market capitalisation
Value attributed to the company by the stock market. Market capitalisation corresponds to the number of shares outstanding multiplied by the share price at a given time.

NCI
Non-controlling Interest.

Net-investment hedge
A hedge used to reduce the financial risks of a reporting entity's share in the net assets of a foreign entity by entering into transactions that give an offsetting risk profile.

Notional amount
Amount of currency units, number of shares, a number of units of weight or volume or other units specified in a derivative contract.

Operating lease
A contract that allows the use of an asset in return for periodic payments, but does not convey rights similar to legal ownership of the asset and where the financial risks related to the asset are borne by the lessor.

Operating margin
Operating income divided by net premium. Operating income is the profit or loss stemming from all operations, including underwriting and investments.

Option
A privilege sold by one party to another that offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security at an agreed price during a certain period of time or on a specific date.

Private equity
Equity securities of companies that are not listed on a public exchange. Investors wishing to sell their stake in a private company have to find a buyer themselves owing to the lack of a marketplace.

Provision
Provisions are liabilities involving uncertainties in the amount or timing of payments. Provisions are recognised if there is a present obligation to transfer economic benefits, such as cash flows, as a result of past events and a reliable estimate can be made at the date of the statement of financial position.

Reverse repurchase agreement
The purchase of securities with an agreement to resell them at a higher price at a specific future date.

Shadow accounting
According to IFRS 4 an insurer is permitted, but not required, to change its accounting policies so that a recognised but unrealised gain or loss on an asset affects the measurement of the insurance liabilities. The related deferred adjustment to the insurance liability (or deferred acquisition costs or intangible assets) is recognised in equity only if the unrealised gains or losses are recognised directly in equity.

Securities lending transaction
A loan of a security from one counterparty to another who must eventually return the same security as repayment. The loan is often collateralised. Securities lending allows an entity in possession of a particular security to earn enhanced returns.

Structured credit instruments
Securities created by repackaging cash flows from financial contracts and encompassing asset-backed securities (ABS), mortgage-backed securities (MBS) and collateralised debt obligations (CDO).

Subordinated bond (loan)
A loan (or security) that ranks below other loans (or securities) with regard to claims on assets or earnings.

Subsidiary
Any company, of which Ageas, either directly or indirectly, has the power to govern the financial and operating policies so as to obtain the benefits from its activities ('control').

Trade date
The date when Ageas becomes a party to the contractual provisions of a financial asset.

Value of business acquired (VOBA)
The present value of future profits from acquired insurance contracts. VOBA is recognised as an intangible asset and amortised over the period in which the premiums or gross profits of the policies are recognised.

VaR
Abbreviation of value at risk. A technique which uses the statistical analysis of historical market trends and volatilities to estimate the likelihood that a given portfolio's losses will exceed a certain amount.

Abbreviations

AFS	Available for sale
ALM	Asset and liability management
CASHES	Convertible and subordinated hybrid equity-linked securities
CDS	Credit default swap
CEU	Continental Europe
CGU	Cash generating unit
DPF	Discretionary participation features
EPS	Earnings per share
Euribor	Euro interbank offered rate
EV	Embedded value
FRESH	Floating rate equity linked subordinated hybrid bond
HTM	Held to maturity
IBNR	Incurred but not reported
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
LAT	Liability Adequacy Test
MCS	Mandatory convertible securities
OTC	Over the counter
SPV	Special purpose vehicle
UK	United Kingdom

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