



Financial Statements  
For the year 2013 of Ageasfinlux, S.A.

6, rue Eugène Ruppert  
L-2453 Luxembourg  
**R.C.S. Luxembourg: B 86.976**

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**Ageasfinlux S.A.**

*société anonyme*

registered office: 65, boulevard Grande-Duchesse Charlotte

L-1331 Luxembourg

R.C.S. Luxembourg B 86 976

(hereinafter referred to as the «Company»)

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**MANAGEMENT REPORT FOR THE FINANCIAL YEAR AS OF DECEMBER 31, 2013**

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Dear Shareholders,

We are pleased to provide you with the report on the activities of the Company for the financial year as of December 31, 2013 and to submit the annual accounts for the financial year ended on December 31, 2013 for approval, as well as the accompanying audit report issued by KPMG Luxembourg S.à r.l., Réviseur d'Entreprises agréé.

**1. Preparation of the annual accounts**

The annual accounts are prepared by Intertrust (Luxembourg) S.à r.l., with which the Company concluded domiciliation and management & administration agreements, in accordance with legal and regulatory requirements and generally accepted accounting principles in the Grand Duchy of Luxembourg.

**2. Development of the Company's business**

As a result of the events and developments occurred between May 2007 and October 2008 (capital increase and acquisition of parts of ABN AMRO in October 2007, announcement of the accelerated solvency plan in June 2008, divestment of banking activities and Dutch insurance activities in September/October 2008), Fortis Insurance N.V. became involved in a number of legal proceedings as well as administrative and criminal investigations in Belgium and the Netherlands, some of which could have resulted in substantial but at the time unquantifiable future liabilities. Fortis Insurance N.V., who issued a convertible bond in which the Company invested, changed its name into Ageas Insurance N.V. in May 2010 and merged into Ageas Insurance International N.V. (hereafter "AII") in December 2010. All the legal proceedings have come to an end after a verdict in 2011 and an out-of-court settlement in 2012.

The bonds of AII in which the Company invested, were redeemable, in a whole or in part, at any time at the option of AII, while a proportional number of bonds could convert into AII-shares upon an exchange of all or part of the FRESH securities. Management of the Company reviewed these terms in 2013 and concluded that the conversion option represented no value (this option was far "out of the money"), while AII's early redemption option represented a risk to the Company: the Company could experience difficulty to serve the coupon on the

FRESH securities if this option would be exercised, as the Company in turn has no option to call the FRESH securities, while the cash or investment of this cash would not easily provide sufficient yield to cover the liabilities in the current yield environment.

Management therefore renegotiated the terms and conditions of the bonds and reached an agreement on new terms that became effective as of December 31, 2013: the early redemption option as well as the conversion option into AII shares were removed and replaced by a mandatory proportional redemption of the bonds by AII at par upon any exchange of all or part of the FRESH securities.

### **3. Results for the financial year**

Compared to the previous financial year:

- the result of the Company has increased by EUR 40,587,182 (profit of EUR 40,825,992 in 2013 against a profit of EUR 238,810 in 2012). This is mainly due to a partial reversal of value adjustment of EUR 40,535,715 booked on the ageas SA/NV shares;
- the interest income on the loan granted to Ageas Insurance International N.V. has decreased by 24.21 % (EUR 20,047,089 in 2013 against EUR 26,452,547 in 2012), as a consequence of a decrease of the floating rate (EURIBOR 3 months). Likewise, interest charges on the “Undated Floating Rate Equity-linked Subordinated Hybrid” (“FRESH”) issued have decreased by 24.59% (EUR 19,609,597 in 2013 against EUR 26,004,794 in 2012), due to the same reason.
- taxes on profit or loss dropped from EUR 106,819 in 2012 to EUR 3,210 in 2013. A transfer pricing study was performed in the course of 2013. The pricing study concluded that a higher margin should be charged to Ageas Insurance International N.V. than the margin that the Company had been contractually charged up to 2012. The Company uses this higher margin to compute its taxable basis from 2013; however, the Company had carry forward losses to compensate the taxable result of 2013.
- Other interest income of EUR 2,333 derives from the current account of the Company with BNP Paribas Fortis Bruxelles.

Other external charges totalling EUR 128,777 are detailed as follows:

- Bank charges	1,673
- Audit fees	21,582
- Tax advisory fees and consultancy fees	47,408
- Accounting, domiciliation, directorship and management fees	45,973
- Paying agent fees	8,560
- Luxembourg Chambre of Commerce subscription	1,850
- Publication of Trade Register costs	<u>1,731</u>
Total	128,777

Other operating expenses amounting to EUR 1,971 relate mainly to non-deductible VAT.

#### **4. Balance sheet**

The equity value amounts to EUR 91,322,876. The share capital of the Company totals EUR 127,794,758 represented by 103,060,288 registered shares with a nominal value of EUR 1.24 held by Ageas Insurance International N.V. The latter acquired one share of the Company from FGF Lux S.A. on December 12, 2011, date on which Ageas Insurance International N.V. became the sole shareholder of the Company.

As at December 31, 2013, the Company held 3,968,254 ageas SA/NV shares valued at EUR 88,154,763, compared to a net book value of EUR 47,619,048 at year end 2012.

The Board of Directors has decided to recognize a loss as durable if the value is longer than one year below the carrying value; a loss is reversed when the market value is for more than one year above the carrying value. Since the lowest price in 2013 amounted to EUR 22.215, the value adjustment was reversed for an amount of EUR 40,535,715 moving the value of the share portfolio to EUR 88,154,763. The purchase price of the shares amounted to EUR 1,030,515,881, so the value adjustment amounts to EUR 942,361,118 at year end 2013.

Pursuant to a merger deed dated August 6, 2012 ageas N.V. has been merged with and into ageas SA/NV. Consequently:

- a) All assets and liabilities of ageas N.V. were transferred to ageas SA/NV by operation of law against the issuance of 2,431,212,726 ordinary shares of ageas SA/NV, and
- b) ageas N.V. has ceased to exist.

Concurrent with the completion of the merger, ageas SA/NV has carried out a reverse stock split at a ratio of 10 old ageas shares for 1 new ageas SA/NV share. The transaction closed on August 7, 2012.

These ageas SA/NV shares serve no other purpose than forming adequate collateral for the conversion rights, which can be exercised under the FRESH and are for that purpose pledged in favour of the FRESH holders.

The Company also granted a loan of EUR 1,250,000,000 to Ageas Insurance International N.V. bearing interest at a rate of Euribor 3 months + 1.385%.

The current assets of the Company amounting to EUR 6,305,801 are detailed as follows:

- interest accrued on the loan granted to Ageas Insurance International N.V. for EUR 3,036,301;
- cash at bank for EUR 3,038,191;
- other debtors for EUR 231,309 composed of advances for corporate income tax and net wealth tax, VAT receivable and interest on bank accounts.

The total liabilities amount to EUR 1,252,999,515. Said figure mainly results from the FRESH issued by the Company for EUR 1,250,000,000. The balance is composed of interest accrued on FRESH for EUR 2,970,377, other creditors for EUR 25,286, VAT payable for EUR 3,852 and provision for Luxembourg taxation (i.e. corporate income tax, municipal business tax and net wealth tax) of EUR 141,098.

## 5. Allocation of the result

The financial year 2013 ends with a profit of EUR 40,825,992. The Board of Directors proposes to carry forward the gains of the Company.

Hence, the proposed allocation of the result is as follows:

<i>gain as of December 31, 2013</i>	<i>EUR</i>	<i>40,825,992</i>
<i>loss brought forward</i>	<i>EUR</i>	<i>(980,105,997)</i>
<i>total loss</i>	<i>EUR</i>	<i>(939,280,005)</i>
<i>to carry forward</i>	<i>EUR</i>	<i>(939,280,005)</i>

The Board of Directors has decided to take the own funds when verifying the criteria of article 100 of the Luxembourg Commercial Law. Taking this into account the Board states that the capital and reserves of the Company exceed 50% of the subscribed capital.

## 6. Risk Management

Exposure to various risks arises in the normal course of business of the Company. The objective and policy of the Board of Directors is to minimize these risks to the extent possible. It wishes to report as follows about risks to which the Company could be exposed:

### ***Operational risk***

The risk of loss resulting from inadequate or failed internal processes or system, human error, external events or change in the competitive environment that damages the franchise or operating economics of the business is low: the activity of the Company is limited to managing the interest flows stemming from the loan and securities outstanding, whereby the board members are directly involved in any cash transaction realised.

### ***Legal risk***

In case of any potential risk (e.g. claim received from a note holder or an investor), the Company requests advice from the legal department of Ageas Group and advice from an external advisor if required by one member of the Board of Directors.

Furthermore, the Company follows the compliance rules defined by its Ageas Group in terms of reputational risk and compliance with laws and regulations applicable to the Company.

### ***Tax risk***

In case of any potential tax risk, the Company requests advice from the tax advisors of its Ageas Group and advice from an external advisor if required by one member of the Board of Directors.

### ***Credit Risk***

The Directors monitor exposure to credit risk on an ongoing basis. As only one loan is granted to Ageas Insurance International N.V., by definition a significant concentration of credit risk exists. Credit evaluations are performed regularly.

The loan including accrued interest granted to Ageas Insurance International N.V. represents about 93% of Assets held at year end 2013; Ageas Insurance International N.V. is rated A- (Stable) by Fitch Ratings, while ageas SA/NV (the direct owner of Ageas Insurance International N.V.) is rated BBB- (Stable) by Standard & Poor's and Baa3 (Negative) by Moody's as at December 31, 2013.

The Directors have reviewed the debt servicing capacity of the Company and concluded that it completely relies on the debt servicing capacity of Ageas Insurance International N.V., to which it granted a loan. Ageas Insurance International N.V. was involved in some legal proceedings that link with the sale of its Dutch Insurance activity to the Dutch State, linked to the September/October 2008 events that lead to the break up of Fortis. Based on the evolution of these legal proceedings, the Board concluded that the debt servicing capacity is in good shape. In case the solvency of Ageas Insurance International N.V. would deteriorate materially, it could imply that the coupon payment on the Company's issued securities may not take place under all conditions. Please also note the analysis stated under liquidity risk.

### ***Interest rate risk***

The Directors have reviewed the interest rate risk of the Company, taking into account its current liabilities (primarily the FRESH issued in 2002) and current assets (primarily the on-loan to Ageas Insurance International N.V.) In terms of interest rate profile these assets and liabilities are both floating rate based, so the Company is currently not exposed to interest rate risk.

### ***Liquidity risk***

The Directors have reviewed the liquidity risks of the Company, given its current liabilities (FRESH) and assets (on-loan to Ageas Insurance International N.V.). The Directors concluded that in principle the coupons received on its assets more than cover the coupons that the Company owes on its liabilities, and are also sufficient to cover other expected running costs. Furthermore, the expected cash inflows on the on-loans take place on the same date as expected outflows on the issued securities.

In case Ageas Insurance International N.V. is not able to service its debt for whatever reason, the Company can elect to move to a so-called Alternative Coupon Settlement Method, to serve the coupons due on its liabilities. Such method implies that Ageas Group will deliver such a number of shares to FRESH bondholders, that it fulfils its coupon obligations. Ageas Group is obliged to issue sufficient shares to fully support the coupon payment. In the unlikely event that the numbers of shares that Ageas Shareholders authorized to Ageas Group with a view to fully satisfy the coupon obligation, such situation leads to a postponement event according to the terms and conditions of the FRESH. In such case no cash will leave the Company. The Directors therefore concluded that in all foreseen circumstances no liquidity risk exists.

## **7. Corporate Governance**

Ageas Group has adopted its own corporate governance charter, which is available on its website and which should be followed within all its subsidiaries. Therefore and considering the organisation and the structure, the Company has established the following committees:

- The Annual General Meeting of Shareholders;
- The Board of Directors;
- Other committees at group level (if any).

### ***The annual general meeting of Shareholders***

Any regularly constituted meeting of Shareholders of the Company represents the entire body of Shareholders.

Subject to all other powers reserved to the Board of Managers by law or the Articles of Incorporation, the meeting of Shareholders has the broadest powers to carry out or ratify acts relating to the operations of the Company.

### ***The Board of Directors***

The Company shall be managed by a Board of Directors, composed of not less than three members who need not to be Shareholders (the “Board of Directors”). The members of the Board of Directors will be elected by the general meeting of Shareholders, who will determine their number, for a period not exceeding six years, and, if their resignation would cause the number of remaining members to fall below three, they will hold office until their successors are elected. They are re-eligible and they may be removed at any time, with or without cause, by a resolution adopted by the general meeting of Shareholders. In the event of a vacancy on the Board of Directors, the remaining directors may elect by co-optation a director to fill such vacancy until the next general meeting of Shareholders, which shall ratify such co-optation or elect a new member of the Board of Directors instead. The Shareholders shall neither participate in nor interfere in the management of the Company.



The Board of Directors is vested with the broadest powers to perform all acts necessary or useful for accomplishing the Company's object. All powers not expressly reserved by the Articles of Association or by the Laws to the general meeting of Shareholders or the statutory auditor(s) are in the competence of the Board of Directors.

The Board of Directors may delegate the daily management of the Company and the representation of the Company within such daily management to one or more persons or committees of its choice. The delegation of the daily management of the Company to members of the Board of Directors is subject to the previous authorisation by the general meeting of Shareholders. The Board of Directors may also delegate other special powers or proxies or entrust determined permanent or temporary functions to persons or committees of its choice.

The Company will be bound towards third parties by the joint signature of any two members of the Board of Directors. The Company will further be bound towards third parties by the joint signatures or single signature of any persons to whom the daily management of the Company has been delegated, within such daily management, or by the joint signatures or single signature of any persons to whom special signatory power has been delegated by the Board of Directors, within the limits of such special power. Payment orders require the formal authorization by at least two members of the Board of Directors.

On December 31, 2013, the Board of Directors, elected by the Shareholders at a general meeting, is composed as follows:

- Mr. David Sana, born in Forbach (France) on April 10, 1974, residing professionally at L-2453 Luxembourg, 6 rue Eugène Ruppert, was nominated director on January 13, 2011. Mr. David Sana is also Legal Director Client Services at Intertrust (Luxembourg) S.à r.l.;
- Mr. Johan Brugman, born in Arnhem (the Netherlands) on November 4, 1959, residing professionally at NL-3584 BA Utrecht (the Netherlands), Archimedeslaan 6, was nominated director on February 16, 2009. Mr. Johan Brugman is also Treasurer at Ageas Group;
- Mr. Carel Oosterloo, born in Deventer (the Netherlands) on December 18, 1957, residing professionally at NL-3584 BA Utrecht (the Netherlands), Archimedeslaan 6, was nominated director on February 16, 2009. Mr. Carel Oosterloo is also Director Accounting & Controlling at Ageas Group;
- Mrs Valérie Pechon, born in Caracas (Venezuela) on November 10, 1975, residing professionally at L-2453 Luxembourg, 6 rue Eugène Ruppert, was nominated director on April 19, 2012. Mrs Valérie Pechon is also Business Unit Director at Intertrust (Luxembourg) S.à r.l.;
- Ms Ingrid Cernicchi, born in Metz (France), May 18, 1983, residing professionally at L-2453 Luxembourg, 6 rue Eugène Ruppert, was nominated as director until the end of the annual general meeting of 2014. Ms Ingrid Cernicchi is also Business Unit Manager at Intertrust (Luxembourg) S.à r.l.

The directors are nominated until the Annual General Meeting of 2014. During the Annual General Meeting it is proposed to re-appoint the above directors for a six year period. Mr. David Sana however will resign and will be replaced by Mr Roeland de Graaf, who is also Relationship Manager Corporate at Intertrust (Luxembourg) S.a r.l.

Financial Statements are prepared on a quarterly basis by Intertrust (Luxembourg) S.à r.l., with which the Company concluded domiciliation and management & administration agreements. These quarterly Financial Statements are duly reviewed by the Board of Directors.

## **8. Miscellaneous**

Since December 31, 2013, no significant commitment has been entered into by the Company.

As of April 4 2014, the address of the company has changed within Luxembourg city from 65, Boulevard Grande Duchesse Charlotte, L-1331 Luxembourg to 6, rue Eugène Ruppert, L-2453 Luxembourg.

The private limited company KPMG Luxembourg S.à r.l. has been re-appointed as the approved statutory auditor for one year. It has been decided that the mandate of KPMG Luxembourg S.à r.l. will be renewed each year during the board meeting.

On January 10, 2014 there has been an amendment of bonds headed under “Loans to affiliated undertakings” in the notes to the account that became effective as of December 31, 2013. For an explanation of the amendment, please refer to point 2 of the management report “development of the Company’s business”.

The Company does not own its own shares and has no branch.

The Company will continue to perform its activities that link with the securities that were issued in 2002, and the on-lending of the proceeds in the form of the convertible loan to Ageas Insurance International N.V. The FRESH-securities that the Company issued will mandatorily convert into ageas SA/NV shares if the Ageas share price equals or exceeds EUR 472,50 for 20 consecutive stock exchange business days. After the events in September/October 2008 that led to the breakup of Fortis and given Ageas’ current share price level, this conversion is not expected to take place in the coming decade. This also explains that the FRESH-securities effectively trade as if it were perpetual instruments.

The Board at this stage does not expect that the Company will issue new securities; its organisation and governance is geared to serve the coupon on the existing FRESH-securities for the expected long term up to the date that the instrument converts.

*[signature page follows]*

Place: Luxembourg

Date: 4.4.2014

The Board of Directors

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Valérie Pechon

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Ingird Cernicchi

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Carel Oosterloo

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David Sana

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Johan Brugman

## Ageasfinlux S.A.

Balance sheet  
as at December 31, 2013  
(expressed in EUR)

	Notes	2013	2012
<b>ASSETS</b>			
Fixed assets			
Financial assets			
Loans to affiliated undertakings	3	1,250,000,000	1,250,000,000
Securities held as fixed assets	4	88,154,763	47,619,048
		<u>1,338,154,763</u>	<u>1,297,619,048</u>
Current assets			
Debtors			
Amounts owed by affiliated undertakings becoming due and payable within one year	7	3,036,301	2,969,775
Other debtors		231,309	218,590
Cash at bank		3,038,191	2,974,770
		<u>6,305,801</u>	<u>6,163,135</u>
Prepayments and accrued income		2,925	2,925
		<u><b>1,344,463,489</b></u>	<u><b>1,303,785,108</b></u>
<b>LIABILITIES</b>			
Capital and reserves	5		
Subscribed capital	5.1	127,794,758	127,794,758
Reserves	5.2		
Other reserves		902,808,123	902,808,123
Loss brought forward		(980,105,997)	(980,344,807)
Profit for the financial year		40,825,992	238,810
		<u>91,322,876</u>	<u>50,496,884</u>
Subordinated debts	4	1,250,000,000	1,250,000,000
Provisions			
Provisions for taxation	9	141,098	241,033
Non-subordinated debts			
Creditors for tax and social security			
Tax		3,852	119,134
Other creditors			
becoming due and payable within one year	6	2,995,663	2,928,057
		<u>2,999,515</u>	<u>3,047,191</u>
		<u><b>1,344,463,489</b></u>	<u><b>1,303,785,108</b></u>

The accompanying notes form an integral part of these annual accounts.

## Ageasfinlux S.A.

Profit and loss account  
for the year ended December 31, 2013  
(expressed in EUR)

	Notes	2013	2012
<b>CHARGES</b>			
Other external charges	8	128,777	88,020
Other operating expenses		1,971	8,826
Interest payable and other financial charges			
other interest and similar financial charges	6	19,609,597	26,004,794
Tax on profit or loss	9	3,210	106,819
Other taxes not shown under the above items		15,590	15,480
Profit for the financial year		40,825,992	238,810
		<u><u>60,585,137</u></u>	<u><u>26,462,749</u></u>
<b>INCOME</b>			
Income from financial fixed assets	4	40,535,715	-
Other interest and other financial income			
from affiliated undertakings	7	20,047,089	26,452,547
other interest and similar financial income		2,333	10,202
		<u><u>60,585,137</u></u>	<u><u>26,462,749</u></u>

The accompanying notes form an integral part of these annual accounts.

# **Ageasfinlux S.A.**

Notes to the annual accounts  
for the year ended December 31, 2013

R.C.S. Luxembourg B86976

## **1 General**

Ageasfinlux S.A. (the “Company”) is a Luxembourg company, which was incorporated on April 22, 2002 under the laws of Luxembourg as a Société Anonyme, for an unlimited period.

On July 2, 2010, the Company changed its name from Fortfinlux S.A. to Ageasfinlux S.A..

The Company has its register address at 65, Boulevard Grande-Duchesse Charlotte, L-1331 Luxembourg and is registered at the Luxembourg Commercial Register under number R.C.S Luxembourg n° B 86.976. The financial year starts on January 1 and is ended on December 31.

The object of the Company is the holding of participations, in any form whatsoever, in Luxembourg and foreign companies, the acquisition by purchase, subscription, or in any other manner as well as the transfer by sale, exchange or otherwise of stock, bonds, debentures, notes and other securities of any kind, the possession, the administration, the development and the management of its portfolio.

The Company is included in the consolidated accounts of ageas SA/NV (“Ageas Group”), which forms the largest body of undertakings, with registered office at Rue Royale 20, B-1000 Brussels (Belgium), and in the consolidated accounts of Ageas Insurance International N.V., which forms the smallest body of undertakings, with registered office at Archimedeslaan 6, NL-3584 BA Utrecht (the Netherlands), of which the Company forms a part as a subsidiary undertaking. The consolidated accounts are available at the above-mentioned addresses and as well on the website of Ageas ([www.ageas.com](http://www.ageas.com)).

## **2 Significant accounting policies**

The annual accounts are prepared in accordance with legal and regulatory requirements and generally accepted accounting principles in the Grand Duchy of Luxembourg.

Where necessary, certain prior year figures have been reclassified to conform with the current financial year’s presentation for comparative purposes. Convertible bonds becoming due and payable after more than one year included within “Non-subordinated debts” have been reclassified to “Subordinated debts” (Note 4).

### **2.1 Currency conversion**

The subscribed capital of the Company is expressed in euro (“EUR”) and these annual accounts are established in EUR.

During the year, transactions, income and expenses in currencies other than EUR were converted using the exchange rate ruling at the transaction date.

Fixed assets are converted at the historic rate. All other assets and liabilities expressed in foreign currencies are translated into EUR at the rates of exchange in effect at the balance sheet date.

Realised results and unrealised losses on unmatched foreign exchange positions are taken to the profit and loss account.

## Ageasfinlux S.A.

Notes to the annual accounts  
for the year ended December 31, 2013  
(continued)

### 2.2 Financial assets

Financial assets are stated at historical cost less any durable losses. In case of durable depreciation in value according to the opinion of the Board of Directors, value adjustments are made in respect of financial assets, so that they are valued at the lower figure to be attributed to them at the balance sheet date. The value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Dividends are recognized when received.

### 2.3 Debtors

Debts are valued at lower of nominal value or estimated net recovery value. Appropriate value adjustments are made against specific debts where, in the opinion of the Board of Directors, these debts have a risk attached to their ultimate recoverability.

### 2.4 Creditors

Creditors are valued at the higher of nominal or repayment value.

### 2.5 Interest income and expenses

Interest income and expenses are recorded on an accrual basis.

## 3 Loans to affiliated undertakings

The Company subscribed to bonds issued by Fortis Insurance N.V., which changed name into Ageas Insurance N.V. in May 2010 and merged into Ageas Insurance International N.V. in December 2010 (all these entities are affiliated undertakings); the bonds can be specified as follows:

Issue date	Name of the Company	Nominal EUR	Interest rate	Duration
May 7, 2002	Ageas Insurance International N.V.	1,250,000,000	Euribor – 3 months +margin of 1.385%	No maturity date

The bonds are issued in denominations of EUR 250,000 each and are subordinated obligations of Ageas Insurance International N.V. (hereafter "AII") and rank at all times (i) junior to any indebtedness or obligation, including any preference shares, of AII other than such indebtedness or obligation in clauses (ii) and (iii) below, (ii) *pari passu* and without any preference among themselves and with any other indebtedness or obligation that, expressly or by applicable law, ranks *pari passu* with the loans and (iii) senior to (A) any indebtedness or obligation of AII that, expressly or by applicable law, is subordinated to the loans and (B) any ordinary shares of AII.

## Ageasfinlux S.A.

Notes to the annual accounts  
for the year ended December 31, 2013  
(continued)

The bonds were redeemable, in a whole or in part, at any time at the option of AII, while a proportional number of bonds could convert into AII-shares upon an exchange of all or part of the FRESH securities (see Note 4).

Management of the Company reviewed these terms in 2013 and concluded that the conversion option represented no value (this option was far “out of the money”), while AII’s early redemption option represented a risk to the Company: the Company could experience difficulty to serve the coupon on the FRESH securities if this option would be exercised, as the Company in turn has no option to call the FRESH securities, while the cash or investment of this cash would not easily provide sufficient yield to cover the liabilities in the current yield environment.

Management therefore renegotiated the terms and conditions of the bonds and reached an agreement on new terms that became effective as of December 31, 2013: the early redemption option as well as the conversion option into AII shares were removed and replaced by a mandatory proportional redemption of the bonds by AII at par upon any exchange of all or part of the FRESH securities.

### 4 Securities held as fixed assets and subordinated convertible bonds

Securities held as fixed assets are analysed as follows (in EUR):

	2013	2012
Purchase price	1,030,515,881	1,030,515,881
Value adjustment at the beginning of the year	(982,896,833)	(982,896,833)
Reversals	40,535,715	-
Value adjustment at the end of the year	<u>(942,361,118)</u>	<u>(982,896,833)</u>
Net book value at the end of the year	<u>88,154,763</u>	<u>47,619,048</u>
Market value at the end of the year	<u>122,817,461</u>	<u>88,154,763</u>

Ageasfinlux S.A. has issued “Undated Floating Rate Equity-linked Subordinated Hybrid” (FRESH) in denominations of EUR 250,000 each on May 7, 2002 for a total amount of EUR 1,250,000,000. The FRESH pays an interest of EURIBOR-3 months plus a margin of 1.35%. The total interest charges on FRESH as at December 31, 2013 amount to EUR 19,609,597 (2012: EUR 26,004,794). The FRESH securities are exchangeable in ageas SA/NV shares at an Exchange Price of EUR 315 per share.

The FRESH are listed on the Luxembourg Stock Exchange.

Following the merger and reverse stock split on ageas SA/NV share, which occurred on August 7, 2012, the Company holds 3,968,254 ageas SA/NV shares.



## Ageasfinlux S.A.

### Notes to the annual accounts for the year ended December 31, 2013 (continued)

These ageas SA/NV units/shares serve no other purpose than forming adequate collateral for the conversion rights, which can be exercised under the FRESH and are for that purpose pledged in favor of the FRESH holders. These shares have no voting/dividends rights as long as they are held by the Company.

All FRESH outstanding shall automatically be exchanged for ageas SA/NV shares at the Exchange Price if, at any time after the seventh anniversary of the issue date, the weighted average price of an ageas SA/NV share equals or exceeds EUR 472.50 for 20 consecutive stock exchange business.

The Board of Directors has decided to recognize a loss as durable if the value is longer than one year below the carrying value; a loss is reversed when the market value is for more than one year above the carrying value. Since the lowest price in 2013 amounted to EUR 22.215, the value adjustment was reversed for an amount of EUR 40,535,715 moving the value of the share portfolio to EUR 88,154,763.

## 5 Capital and reserves

Changes in capital and reserves during the year ended December 31, 2013 are as follows (in EUR):

	Subscribed capital	Other reserves	Result brought forward	Result for the year	Total
Capital and reserves as at December 31, 2012	127,794,758	902,808,123	(980,344,807)	238,810	50,496,884
Allocation of the result for the year 2012	-	-	238,810	(238,810)	-
Result for the year 2013	-	-	-	40,825,992	40,825,992
Capital and reserves as at December 31, 2013	<u>127,794,758</u>	<u>902,808,123</u>	<u>(980,105,997)</u>	<u>40,825,992</u>	<u>91,322,876</u>

The allocation of the result for 2012 was approved by the Annual General Meeting of Shareholders held on May 13, 2013.

### 5.1 Subscribed capital

The subscribed and fully paid capital of EUR 127,794,758 consists of 103,060,288 shares with a par value of EUR 1.24 each.

### 5.2 Reserves

#### *Legal reserve*

Luxembourg law states that a company must appropriate annually to a legal reserve at least 5% of its statutory net profits until the aggregate reserve equals 10% of the subscribed share capital. Such reserve is not available for distribution.

## Ageasfinlux S.A.

Notes to the annual accounts  
for the year ended December 31, 2013  
(continued)

### *Other reserves*

Other reserves correspond to an unrestricted special reserve constituted by the Extraordinary Shareholder's meeting dated September 5, 2002.

## **6 Other interest and similar financial charges**

Interest expenses on bonds issued amount to EUR 19,609,597 (2012: EUR 26,004,794), of which EUR 2,970,377 (2012: EUR 2,904,030) are accrued at year-end.

## **7 Other interest and other financial income from affiliated undertakings**

Interest income on loans granted to affiliated undertakings amount to EUR 20,047,089 (2012: EUR 26,452,547), of which EUR 3,036,301 (2012: EUR 2,969,775) are accrued at year-end.

## **8 Fees billed by KPMG Luxembourg S.à r.l. and other member firms of the KPMG network**

Fees billed (excluding VAT) to the Company by KPMG Luxembourg S.à r.l. and other members firms of the KPMG network during the financial year are as follows:

	<b>2013</b>	<b>2012</b>
	<b>EUR</b>	<b>EUR</b>
Audit fees	21,582	21,070

Such fees are presented under other external charges in the profit or loss account.

## **9 Taxation**

A transfer pricing study was performed in the course of 2013. The pricing study concluded that a higher margin should be charged to Ageas Insurance International N.V. than the margin that the Company has been contractually charged up to 2012. The Company uses this higher gross margin to compute its taxable basis from 2013. The Company had carry forward losses to compensate the taxable result of 2013.

To the Shareholders of  
Ageasfinlux S.A.  
65, Boulevard Grande-Duchesse Charlotte  
L-1331 Luxembourg

## **REPORT OF THE REVISEUR D'ENTREPRISES AGREE**

### ***Report on the annual accounts***

Following our appointment by the General Meeting of the Shareholders dated April 19, 2012, we have audited the accompanying annual accounts of Ageasfinlux S.A., which comprise the balance sheet as at December 31, 2013 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

### ***Board of Directors' responsibility for the annual accounts***

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, 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.

### ***Responsibility of the Réviseur d'Entreprises agréé***

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 as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. 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 judgement of the Réviseur d'Entreprises agréé, 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 Réviseur d'Entreprises agréé considers internal control relevant to the entity'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 entity'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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the annual accounts give a true and fair view of the financial position of Ageasfinlux S.A. as of December 31, 2013, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

***Report on other legal and regulatory requirements***

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

Luxembourg, April 4, 2014

KPMG Luxembourg S.à r.l.  
Cabinet de révision agréé

M. Eichmüller de Souza