

## **ageas SA/NV**

Société Anonyme/Naamloze Vennootschap

Rue du Marquis 1/Markiesstraat 1  
1000 Brussels

RPR Brussels 0.451.406.524

### **SPECIAL REPORT BY THE BOARD OF DIRECTORS TO THE SHAREHOLDERS**

#### **on the use and purpose of the authorized capital**

prepared in accordance with Article 604 of the Belgian Companies Code

---

This report is drawn up in accordance with Article 604 of the Belgian Companies Code, to support the proposal that will be made to the Extraordinary General Meeting of Shareholders, to grant to the Board of Directors the authorization to increase the share capital of ageas SA/NV (also referred to as the "Company") with a maximum amount of EUR 329,700,000, enabling the issue of 785,000,000 shares, and to cancel, as the case may be, the balance of the authorized capital, as mentioned in Article 9 a) of the articles of association of the Company, which, on the date of publication in the Belgian State Gazette of the amendment of the articles of association approved by the Extraordinary General Meeting of Shareholders, remains unused. The Board of Directors proposes that this authorization will be granted for a period of three years with effect as from the date of publication in the Belgian State Gazette of the resolutions of the Extraordinary General Meeting of Shareholders approving this proposal.

#### **I. AUTHORIZATION TO INCREASE THE SHARE CAPITAL OF AGEAS SA/NV WITH A MAXIMUM AMOUNT OF EUR 329,700,000**

##### ***1. Authorized capital granted on 28 April 2010***

On 28 April 2010, the Extraordinary General Meeting of Shareholders granted to the Board of Directors of the Company the authorization to increase the share capital with a maximum amount of EUR 88,200,000 enabling the issue of 210,000,000 shares (at an accounting par value of EUR 0.42) to cover commitments entered into in the context of the issue of certain financial instruments. On the date of this report, the entire amount of EUR 88,200,000 remains unused.

##### ***2. Authorization requested from the Extraordinary General Meeting of Shareholders***

###### **2.1. Rationale**

The main reasons for having recourse to the authorized capital procedure relate to the flexibility and rapidity that this procedure offers to enable the Company to meet its obligations entered into in the context of the issue of the financial instruments listed in section 2.2.

In accordance with the provisions regulating ageas SA/NV and ageas N.V. and which, among other things, result from the twinning of the shares of both companies, the Board of Directors aims to be able to use this technique in the most flexible way, in the interest of the Company and with the option, each time the law permits, of deviating from the preferential subscription right of the existing shareholders or to carry out the capital increase by means of a contribution in kind.

## 2.2. Objectives

The authorized capital must enable the Board of Directors to cover the commitments taken in the context of the issue of the hybrid financial instruments described hereafter.

Under the terms of these outstanding instruments, ageas SA/NV and ageas N.V. have committed themselves to use all reasonable efforts to have sufficient authorized capital at all times to meet their potential obligations to issue shares in the context of these instruments.

These potential obligations to issue shares can be divided into two categories. The Board of Directors proposes to the Extraordinary General Meeting of Shareholders to approve a specific authorized capital for each of both categories separately, as set out below.

### 2.2.1. *Obligations to issue shares concerning the payment of coupons*

In certain circumstances, as further specified in the relevant contractual terms of the financial instruments, Ageas may be compelled to pay coupons which are due in new shares of ageas SA/NV and ageas N.V. ("Alternative Coupon Settlement Method" or "ACSM").

Each time the contractual terms require that ageas SA/NV and ageas N.V. jointly and severally use all reasonable efforts to have sufficient authorized capital at all times to meet these potential obligations. For this reason ageas SA/NV annually requests its shareholders to approve an authorized capital which can be used solely for this specific purpose.

This request notably concerns the following instruments:

- The issue in September 2001 by Fortis Bank of so-called Redeemable Perpetual Cumulative Coupon Debt Securities with a total nominal value of EUR 1,000,000,000, with an annual coupon of 6.50% until 26 September 2011 and a variable quarterly coupon of 3-month Euribor plus 2.37% thereafter. The ACSM obligation is triggered in the event of, among other things, certain solvency events affecting Fortis Bank. More specifically, ageas SA/NV and ageas N.V. have undertaken to (use all reasonable efforts to) have sufficient authorized capital at all times to cover the payment in shares of one year of coupons (i.e. one annual coupon or four quarterly coupons);
- The issue in October 2004 by Fortis Bank of so-called Directly Issued Perpetual Securities with a total nominal value of EUR 1,000,000,000, with an annual coupon of 4.625% until 27 October 2014 and a variable quarterly coupon of 3-month Euribor plus 1.70% thereafter. The ACSM obligation is triggered in the event of, among other things, certain solvency events affecting Fortis Bank. More specifically, ageas SA/NV and ageas N.V. have undertaken to (use all reasonable efforts to) have sufficient authorized capital at all times to cover the payment in shares of one year of coupons (i.e. one annual coupon or four quarterly coupons);
- The issue in June 2006 by Ageas Hybrid Financing S.A. of so-called Perpetual Securities with a total nominal value of EUR 500,000,000, with an annual coupon of 5.125% until 20 June 2016 and a variable quarterly coupon of 3-month Euribor plus 2% thereafter ("HYBRONE"). The ACSM obligation is triggered in the event of, among other things, certain solvency events affecting the Ageas group. More specifically, ageas SA/NV and ageas N.V. have undertaken to (use all reasonable efforts to) have sufficient authorized capital at all times to cover the payment in shares of one year of coupons (i.e. one annual coupon or four quarterly coupons);

- The issue in February 2008 by Ageas Hybrid Financing S.A. of so-called Perpetual Securities with a total nominal value of US\$ 750,000,000, with a semi-annual coupon of 8.25% ("NITSH I"). The ACSM obligation is triggered in the event of, among other things, certain solvency events affecting the Ageas group. More specifically, ageas SA/NV and ageas N.V. have undertaken to (use all reasonable efforts to) have sufficient authorized capital at all times to cover the payment in shares of one year of coupons (i.e. two semi-annual coupons);
- The issue in June 2008 by Ageas Hybrid Financing S.A. of so-called Euro Denominated Perpetual Securities with a total nominal value of EUR 625,000,000, with an annual coupon of 8% ("NITSH II"). The ACSM obligation is triggered in the event of, among other things, certain solvency events affecting the Ageas group. More specifically, ageas SA/NV and ageas N.V. have undertaken to (use all reasonable efforts to) have sufficient authorized capital at all times to cover the payment in shares of one year of coupons (i.e. one annual coupon);
- The issue in May 2002 by Ageasfinlux S.A. of so-called Undated Floating Rate Equity-linked Subordinated Hybrid ("FRESH") Capital Securities with a total nominal value of EUR 1,250,000,000, with a variable quarterly coupon of 3-month Euribor plus 1.35%. The ACSM obligation is triggered, among other things, in the event that ageas SA/NV and ageas N.V. do not pay a dividend (i.e. interim and final dividend taken together) in relation to any financial year with a yield of at least 0.5%. More specifically, ageas SA/NV and ageas N.V. have undertaken to (use all reasonable efforts to) have sufficient authorized capital at all times to cover the payment in shares of one year of coupons (i.e. four quarterly coupons);
- The issue in December 2007 by Fortis Bank of so-called Convertible And Subordinated Hybrid Equity-linked Securities ("CASHES") with a total nominal value of EUR 3,000,000,000, with a variable quarterly coupon of 3-month Euribor plus 2%. The ACSM obligation is triggered, among other things, in the event that ageas SA/NV and ageas N.V. do not pay a dividend (i.e. interim and final dividend taken together) in relation to any financial year with a yield of at least 0.5%, as well as in the event of certain solvency events affecting Fortis Bank or the Ageas group. More specifically, ageas SA/NV and ageas N.V. have undertaken to (use all reasonable efforts to) have sufficient authorized capital at all times to cover the payment in shares of one year of coupons (i.e. four quarterly coupons).

For each of these financial instruments, the Board of Directors proposes to the Extraordinary General Meeting of Shareholders to approve sufficient authorized capital to cover the payment of one year of coupons.

It should be noted that in respect of part of these instruments, the issuing entity (and the evolution of its solvency) is no longer under the control of ageas SA/NV and ageas N.V., which has an impact on the risk of the ACSM being triggered.

Assuming a Euribor rate of 1.00%, the maximum number of shares to be issued by ageas SA/NV and ageas N.V. if the ACSM were triggered simultaneously on all aforementioned financial instruments is approximately 200,000,000 per annum.

*In terms of number of shares, the authorized capital required to fulfil the ACSM commitments made in the context of the issue of the aforementioned financial instruments is estimated at 200,000,000 shares, which corresponds to a first tranche of authorized capital of EUR 84,000,000 (taking into account an accounting par value of EUR 0.42).*

### 2.2.2. *Obligation to issue shares concerning the payment of the principal amount*

The contractual terms of the Redeemable Perpetual Cumulative Coupon Debt Securities issued by Fortis Bank in September 2001 contain a special provision according to which, in the event that Fortis Bank does not make use of its right to redeem on the first call date (26 September 2011), the investors will have the right to request the exchange of their debt instruments, which in total represent a principal amount of EUR 1,000 million, in ordinary shares issued by ageas SA/NV and ageas N.V. (the so-called "Stock Settlement"). Based on the contractual terms ageas SA/NV and ageas N.V. will in such case acquire the ownership of the debt instruments and the therein incorporated claim on Fortis Bank.

In the event that investors request Stock Settlement, ageas SA/NV and ageas N.V. may choose to acquire the securities of the investors against payment of the corresponding principal amount in cash, provided that the Belgian regulator agrees to this.

In the event that ageas SA/NV and ageas N.V. would choose or would be compelled to issue shares, the contractual terms require that both companies use all reasonable efforts to have sufficient authorized capital for this purpose.

*In terms of number of shares, the additional authorized capital required to fulfil the commitments made in the context of a potential "Stock Settlement" as described above is estimated at 585,000,000 shares, which corresponds to a second tranche of authorized capital of EUR 245,700,000 (taking into account an accounting par value of EUR 0.42).*

### 2.3. **Amount requested**

Therefore, the Board of Directors proposes to the Extraordinary General Meeting of Shareholders to grant a double authorization which, if approved, authorizes the Board of Directors to increase the share capital of ageas SA/NV, in one or more transactions, with a maximum amount of EUR 329,700,000. This double authorization consists of the following two tranches:

- a first authorization granting an authorized capital of EUR 84,000,000 for a potential issue of shares to cover coupon obligations existing under the outstanding financial instruments ("First Authorization"); and
- a second authorization granting an additional authorized capital of EUR 245,700,000 for a potential issue of shares to cover the obligation to exchange the Redeemable Perpetual Cumulative Coupon Debt Securities (EUR 1,000,000,000 principal amount) issued by Fortis Bank in September 2001 against Ageas shares in the event that Fortis Bank does not call the instruments on their first call date on 26 September 2011 ("Second Authorization").

In the event that the Extraordinary General Meeting of Shareholders approves only the First Authorization, the balance of the authorized capital, as mentioned in Article 9 a) of the articles of association of ageas SA/NV, which, on the date of publication in the Belgian State Gazette of the amendment of the articles of association approved by the Extraordinary General Meeting of Shareholders, remains unused, will be cancelled. In that case, the text of the articles of association will only be adapted up to the amount of the authorized capital corresponding to the First Authorization, i.e. EUR 84,000,000.

In the event that the Extraordinary General Meeting of Shareholders approves only the Second Authorization, the balance of the authorized capital, as mentioned in Article 9 a) of the articles of association of ageas SA/NV, which, on the date of publication in the Belgian State Gazette of the amendment of the articles of association approved by the Extraordinary General Meeting of Shareholders, remains unused, will not be cancelled and will remain valid for its initial duration. In that case, the text of the articles of association will be adapted to also include the amount of the authorized capital corresponding to the Second Authorization, i.e. EUR 245,700,000.

In the event that the Extraordinary General Meeting of Shareholders approves both the First Authorization and the Second Authorization, the balance of the authorized capital, as mentioned in Article 9 a) of the articles of association of ageas SA/NV, which, on the date of publication in the Belgian State Gazette of the amendment of the articles of association approved by the Extraordinary General Meeting of Shareholders, remains unused, will be cancelled.

In the event that the Extraordinary General Meeting of Shareholders approves neither the First Authorization nor the Second Authorization, the balance of the existing authorized capital will not be cancelled.

The Board of Directors further proposes that this double authorization will be granted for a period of three years, with effect as from the date of publication in the Belgian State Gazette of the resolutions approved by the Extraordinary General Meeting of Shareholders.

This capital increase may be achieved, amongst other means, by contributions in cash (with or without cancellation or limitation of the preferential subscription right of the existing shareholders) or in kind, by incorporation, with or without the issue of new shares, of available or non-available reserves, share premium accounts, claims, the issue of bonds convertible into shares or bonds with subscription rights, as well as by subscription rights which may or may not be attached to another security.

## **II. CORRESPONDING AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

The corresponding amendment to the articles of association described below assumes that, as past experience suggests, the First Extraordinary General Meeting of Shareholders of 30 March 2011 will not be able to validly deliberate and decide because the quorum of 50% of the capital is not attained and that only the second Extraordinary General Meeting of 27 April 2011 will be able to deliberate and decide.

1. In the event that the Extraordinary General Meeting of Shareholders votes in favour of the requested double authorization as set out above in section I. (2.3.) and the balance of the existing authorized capital is consequently cancelled, Article 9 would be amended as follows:

- Paragraph a) would be amended as follows:

*“a) Subject to the Twinned Share Principle, the board of directors is authorized to increase the Company capital, in one or more transactions, with a maximum amount of three hundred twenty-nine million seven hundred thousand euro (EUR 329,700,000). This authorization is granted to the board of directors for a period of three years starting on the date of the publication in the Belgian State Gazette of the amendment to the articles of association of the Company resolved by the extraordinary general meeting of shareholders of 27 April 2011.”*

2. In the event that the Extraordinary General Meeting of Shareholders only votes in favour of the requested First Authorization as set out above in section I. (2.3.) and the balance of the existing authorized capital is consequently cancelled, Article 9 would be amended as follows:

- Paragraph a) would be amended as follows:

*“a) Subject to the Twinned Share Principle, the board of directors is authorized to increase the Company capital, in one or more transactions, with a maximum amount of eighty-four million euro (EUR 84,000,000). This authorization is granted to the board of directors for a period of three years starting on the date of the publication in the Belgian State Gazette of the amendment to the articles of association of the Company resolved by the extraordinary general meeting of shareholders of 27 April 2011.”*

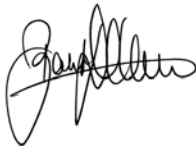
3. In the event that the Extraordinary General Meeting of Shareholders only votes in favour of the requested Second Authorization as set out above in section I. (2.3.) and the balance of the existing authorized capital is therefore not cancelled, Article 9 would be amended as follows:

- Paragraph a) would be amended as follows:

*“a) Subject to the Twinned Share Principle, the board of directors is authorized to increase the Company capital, in one or more transactions, with a maximum amount of eighty-eight million two hundred thousand euro (EUR 88,200,000). This authorization is granted to the board of directors for a period of three years starting on the date of the publication in the Belgian State Gazette of the amendment to the articles of association of the Company resolved by the extraordinary general meeting of shareholders of 28 April 2010. Subject to the Twinned Share Principle, the board of directors is further authorized to increase the Company capital, in one or more transactions, with a maximum amount of two hundred forty-five million seven hundred thousand euro (EUR 245,700,000). This authorization is granted to the board of directors for a period of three years starting on the date of the publication in the Belgian State Gazette of the amendment to the articles of association of the Company resolved by the extraordinary general meeting of shareholders of 27 April 2011.”*

Brussels, 18 January 2011

For the Board of Directors of ageas SA/NV



---

Bart De Smet  
Chief Executive Officer



---

Jozef De Mey  
Chairman