Foyer

SOCIÉTÉ ANONYME

ANNUAL REPORT **2013**

Financial Information

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Corporate Governance 2013 Report

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1. Governance Framework

1.1 GOVERNANCE PRINCIPLES OF THE STOCK EXCHANGE

Foyer S.A. adheres to the ten Corporate Governance Principles of the Luxembourg stock exchange (the "Governance Principles"). The Governance Principles are available on the website **https://www.bourse.lu/gouvernance-entreprise**.

1.2 GOVERNANCE CHARTER

Foyer S.A. has adopted a set of governance rules in its Corporate Governance Charter (the "Governance Charter"). This Governance Charter is available on the website **http://groupe.foyer.lu** and is regularly updated. The last update implements the 3rd revision of the Governance Principles of March 2013.

The Governance Charter follows the Governance Principles, with the exception of the following recommendations:

- Independent directors (recommendation 3.5 referring to appendix D, paragraph h) of the Governance Principles: the Board of Directors of Foyer S.A. considers that a long term of office for a director is likely to constitute an advantage due to the in-depth knowledge that this director will have acquired during his/her years within Group Foyer, without his/her critical attitude and/or independence necessarily being compromised.
- Evaluation of executive directors (recommendation 7.4, 2nd paragraph): the Board of Directors of Foyer S.A. considers that a meeting without executive directors present, in order to assess their performance, would harm the collegial character of the Board and the principle of equality between directors.

1.3 ANNUAL GOVERNANCE REPORT

The present annual report on corporate governance constitutes the declaration on corporate governance according to the meaning of article 68 bis of the law concerning the company and commercial register and the accounting and annual financial statements of companies dated 19 December 2002. In accordance with paragraph 2 of the aforementioned article, the present report constitutes a separate report from the management report.

1.4 REGULATION OF LISTED COMPANIES

The shares of Foyer S.A. are listed on the Luxembourg stock exchange and Euronext Brussels.

Foyer S.A. is consequently subject to compliance with the regulations applicable to listed companies. These include, among others, the regulations on market abuse, transparency, takeover bids, squeeze-outs and the prospectus to be published if listed securities are issued.

The regulatory information Foyer S.A. is required to disclose pursuant to transparency regulations are published on its website (**http://groupe.foyer.lu**) and stored with the Luxembourg stock exchange as "Officially Appointed Mechanism" ("OAM") in charge of the centralised storage of regulatory information (**https://www.bourse.lu/infromations-reglementees-oam**).

Foyer S.A. also publishes on its website (**http://groupe.foyer.lu/fr/investisseurs/declaration-de-transparence**), transactions on Foyer S.A. shares made by persons having managerial responsibilities within its Group.

In 2013, 4 declarations were published, relating to acquisitions of securities for an overall volume of 430 shares.

2. Shareholders

The structure of the shareholders of Foyer S.A. as of 31 December 2013 was as follows:

Foyer Finance S.A.	79,36 %
Luxempart S.A.	6,12 %
Public et institutions	12,87 %
Foyer S.A.	1,65 %
Total	**100 %**

The mode of functioning and main powers of the general shareholders' meeting, and the rights of shareholders and the procedures for exercising these rights, are contained in detail in the amended law dated 10 August 1915 on commercial companies, as well as in the Governance Charter.

3. Board of Directors

The role, composition and functioning of the Board of Directors is described in the Governance Charter, particularly in section "IV. Board of Directors".

3.1 CHANGES TO COMPOSITION

The significant events occurring in 2013 concerning the composition of the Board of Directors were as follows:

- After proposal by the Board of Directors, the general shareholders' meeting of 16 April 2013 renewed the terms of office of directors which expired on the day of the general meeting, for a period of three years, until the annual general meeting of 2016, namely the appointments, as directors, of Mr Paul Mousel, Mr Jacquot Schwertzer and Mr Michel Tilmant.
- After proposal by the Board of Directors, the meeting decided to appoint Mr Marc Lauer as a new Executive Director for a period of three years until the ordinary general meeting of 2016.
- Ms Carole Wintersdorff presented her resignation before the Board meeting of 22 August 2013.

On 31 December 2013, the Board of Directors was composed of 10 members:

- 3 executive directors: the managing director (CEO), the Chief Operating Officer (COO) and the managing director of Capital*at*Work Foyer Group;
- 7 non-executive directors, including 5 independent directors.

3.2 PRESENTATION OF DIRECTORS

Mr Henri Marx
Chairman of the Board of Directors
Non-executive and independent director
Born in 1944, of Luxembourg nationality
After his secondary education, Henri Marx joined Foyer in 1967. From 1988 to 2006, he was a member of the management of the Foyer Group, since 2000 as Assistant General Manager. Mr Marx withdrew from his professional activity in 2006, but he continues, as he has for several years, to be a director of the companies Foyer Assurances S.A. and Foyer Vie S.A. He has been a member of the Board of Directors of Foyer S.A. since 2000. His appointment, for a period of three years, was renewed in 2011 and will expire at the ordinary general meeting of 2014. He was elected Chairman of the Board of Directors on 5 April 2011.

Mr François Tesch
Managing director
Executive Director
Chief Executive Officer of Group Foyer S.A.
Born in 1951, of Luxembourg nationality
François Tesch is the holder of a degree in economic sciences and an MBA from INSEAD. After having been a financial analyst at W.R. Grace & Co in New York and financial director with W.R. Grace & Co in Paris, Mr Tesch joined the Foyer insurance group in 1983 as Company Secretary. Since 1985, he has been Managing Director. In 2000, he was appointed Chairman of the Board of Directors of Foyer S.A. In order to comply with the Governance Charter, on 1 November 2007, Mr Tesch passed chairmanship of the Board of Directors to a non-executive director. His appointment, for a period of three years, was renewed in 2012 and will expire at the ordinary general meeting of 2015. Mr Tesch is managing director of Foyer Finance S.A. and CEO of the companies Foyer S.A. and Luxempart S.A. He is also director of the following listed companies: SES S.A., Atenor Group S.A. and Financière de Tubize S.A.

Mr Romain Becker
Non-executive and independent director
Born in 1954, of Luxembourg nationality
Romain Becker has been a member of the Board of Directors of Foyer S.A. since 6 April 2000. His appointment, for a period of three years, was renewed in 2011 and will expire at the ordinary general meeting of 2014. In 1977, Romain Becker obtained a diploma as an electro-technical engineer at EPF in Zürich. In 1978, he joined the Economics and Energy Ministry where he occupied high office until 1996 as a government adviser and government commissioner for energy. After joining Cegedel S.A. in 1996, Romain Becker became chairman of the executive committee from 1997 until this company merged with SOTEG and Saar-Ferngas to form the Enovos Group. In this group, Mr Becker is co-chairman of the executive committee of Enovos International and CEO of Creos Luxembourg. He is also a director of Eurelectric, LuxEnergie and the FEDIL.

Mr Marc Lauer
Executive Director
Chief Operating Officer of Group Foyer S.A.
Born in 1965, of Luxembourg nationality
Mr Lauer has a degree in actuarial science and a degree in economic sciences. He began his career at the Luxembourg Insurance Commission ("Commissariat aux Assurances") in 1989 and became a member of the executive committee in 1995. In 2004, he joined Group Foyer S.A. as Chief Operating Officer. Since 16 April 2013, Mr Lauer has been a director of Foyer S.A. His term of office, of three years, will expire at the ordinary general meeting of 2016. Mr Lauer is also chairman of the Board of Directors of Foyer Vie S.A., Foyer Re S.A., Foyer-ARAG S.A. and Raiffeisen Vie S.A. and is a director of the following companies: Foyer Assurances S.A., Foyer International S.A., Capital*at*Work Foyer Group S.A. and Capital*at*Work S.A. He is also vice-chairman of the board of the Association of Insurance Companies (ACA) and member of the boards of the Luxembourg financial industry federation (PROFIL), the Luxembourg road safety organisation ("Sécurité Routière Luxembourg") and the Luxembourg automobile club (ACL). Mr Lauer is also a member of the high committee for the Luxembourg financial market (HCPF), the Luxembourg chamber of commerce and a founding member of the Luxembourg association of actuaries (ALAC).

Mr Dominique Laval
Non-Executive Director
Born in 1948, of Luxembourg nationality
Dominique Laval has been a member of the Board of Directors of Foyer S.A. since 2000. His appointment, for a period of three years, was renewed in 2012 and will expire at the ordinary general meeting of 2015. He holds a diploma in corporate administration from E.C.A.D.E. (E.C.L. in Lausanne), as well as a post-graduate degree in management and international trade from the Solvay business school (U.L.B.). Part of the general management of International Carbon and Minerals S.A. Luxembourg, Mr Laval worked on the commercial development of the group for 3 years. He then joined the "Group des Accumulateurs Tudor S.A." in Belgium, where he was active for 15 years, particularly in the finance and administration department. After experience in the financial sector in Luxembourg (founding partner), in 1988 D. Laval joined Group Sogeva S.A. Mr Laval is a director of several unlisted companies, including Foyer Finance S.A., Sogeva S.A, Alltec Participations S.A., Poudrerie de Luxembourg S.A., Teco N.V., Capital*at*Work Foyer Group S.A. and Vivalto Home.

Mr Paul Mousel

Non-executive and independent director
Born in 1953, of Luxembourg nationality
Paul Mousel has been a member of the Board of Directors of Foyer S.A. since 2012 and his term of office, of three years, renewed in 2013, will expire at the ordinary general meeting of 2016. Mr Mousel is also one of the founders of the legal firm Arendt & Medernach in Luxembourg, for which he chairs the strategic board. A law graduate of the free University of Brussels and the holder of a special degree in economic law, Paul Mousel is a member of the Luxembourg and Brussels bars. He is a director of several companies, including Belgacom Finance S.A., Belgacom Re S.A., Cargolux Airlines International S.A. and ING Luxembourg S.A. where he also chairs the audit committee. Paul Mousel is a director of several companies composing the Group Sofina S.A., company financing transport and industrial companies. Mr Mousel is a member of several consultative committees to the supervisory committee for the financial sector and chairs the administrative committee of the Luxembourg hospital.

Mr John Penning

Non-Executive Director
Born in 1972, of Luxembourg nationality
John Penning has been a member of the Board of Directors of Foyer S.A. since 5 April 2011. His term of office, of three years, will expire at the ordinary general meeting of 2014. He holds a Masters in Business Administration, University of Otago & University of North Carolina at Chapel Hill, and a bachelor's degree in Political Science and International Relations from the free University of Brussels. Mr Penning, after a career as a professional golfer until 1999, was Co-Founder & Sports Director of the Luxembourg Golf Open Non-Profit Association between 1999 and 2003 and Co-Founder & Managing Director of DnP Sports Communication & Event Coordination between 2001 and 2004. After his MBA, Mr Penning continued his career as Senior Manager, Corporate Finance Advisory Services, at Deloitte Luxembourg. Since 2009, Mr Penning has been Managing Director of Saphir Capital Partners S.A. Luxembourg. He is a director and chairman of the listed company TROC de l'ILE. He also has appointments in unlisted companies (SOGEVA S.A., STING S.A., Saphir Capital Investment Fund S.A. and Coogee SARL).

Mr Jacquot Schwertzer

Non-executive and independent director
Born in 1956, of Luxembourg nationality
Jacquot Schwertzer holds a master's degree in economic sciences, corporate management section, from the Louis Pasteur University in Strasbourg. Mr Schwertzer was appointed for the first time as a director of Foyer S.A. in 2000. From the same year, he was a member of the Audit, Compliance and Risk Management Committee of Group Foyer S.A. His term of office as a director on the Board of Foyer S.A., of a period of three years, was renewed in 2013 and will expire at the ordinary general meeting of 2016. He is managing director of a family group Socipar S.A. Since 2001, he has been a member of the management committee of Group Luxempart S.A. In this respect, he is a director of the listed companies Direct Energie S.A. and the unlisted companies Indufin S.A. and Algebra Gesellschaft für Beteiligungen mbH. Also, Mr Schwertzer is a member of the board of directors of Trief Corporation S.A., Winvest International S.A. SICAR, Orange Nassau S.A. SICAR and BIL Banque Internationale à Luxembourg S.A.

Mr Michel Tilmant
Executive Director
Born in 1952, of Belgian nationality
Mr Tilmant has been a member of the Board of Directors of Foyer S.A. since April 2010. His term of office, of three years, renewed in 2013, will expire at the ordinary general meeting of 2016. Since June 2011, Mr Tilmant has been managing director of Capital*at*Work Foyer Group S.A. He holds a degree in business administration from the University of Louvain and a diploma from the Louvain School for European Affairs. Mr Tilmant began his career in 1977 with Morgan Guaranty Trust Company of New York in New York. In 1990, he was appointed vice-chairman of the executive committee of the Banque Internationale in Luxembourg. In 1992, he joined Banque Bruxelles Lambert (BBL) where he was appointed chairman of the executive committee in 1997. After BBL was taken over by ING in 1998, Mr Tilmant was successively a member of the executive committee and chairman of ING bank. From 2004 to 2009, he managed the ING Group as Chairman of the Executive Board. Mr Tilmant is a director of BNP Paribas, Lhoist, Sofina, the Catholic University of Louvain, Guardian Assurance, NMGB and the Royal Automobile Club of Belgium.

Mr Patrick Zurstrassen
Non-executive and independent director
Born in 1945, of Belgian nationality
Patrick Zurstrassen has been a member of the Board of Directors of Foyer S.A. since 2002. His appointment, for a period of three years, was renewed in 2012 and will expire at the ordinary general meeting of 2015. He is the holder of several postgraduate diplomas: Civil engineer from the University of Liège, MSC in physics from Leeds University, MBA from the University of California in Los Angeles and he is also a graduate in banking techniques at the Brussels banking training centre. From 1974 to 2001, Mr Zurstrassen held several positions of great responsibility within Group Crédit Agricole, including that of CEO and chairman of the executive committee of Crédit Agricole Indosuez Luxembourg S.A. (1987-2001). Between 1988 and 2007, he was professor at the economic sciences faculty of the Catholic University of Louvain.
Mr Zurstrassen is an independent director in UCITS companies. He is currently chairman of the European Confederation of Directors' Associations (ecoDa).

Ms Carole Wintersdorff
Ms Wintersdorff resigned as director before the meeting of the Board of Directors on 23 August 2013.

Mr Peter Vermeulen, Legal Director of the Group, acts as secretary to the Board of directors.

3.3 ACTIVITY REPORT

Subjects of the discussion

The main subjects of discussion and deliberation within the Board of Directors in 2013 were as follows:

- examination and approval of the annual financial statements and consolidated annual financial statements for 2012, the half-yearly financial report for 2013, the intermediate declarations of May and November 2013 and related press releases;
- publication of the aggregate embedded value as of 31 December 2012 for Foyer Vie S.A. and Foyer International S.A.;
- preparation for the ordinary general meeting of 16 April 2013;
- monitoring economic, stock market and tax developments and analysing their impact on the Group;
- strategy for the development of the Group and corporate plan 2014-2016;
- examination of the conclusions and recommendations made by specialist committees;
- assignment of rights to options as part of the stock option plan reserved for members of the Group's Executive Committee;
- monitoring the non-life-insurance business in Belgium ("Regio");
- monitoring developments to the regulations for investment companies concerning governance and risk management (circular CSSF 12/552 as modified by circular CSSF 13/563);
- examining the new organisation involving setting up a single manager for the commercial functions (front office) and the operational functions (back office);
- review of Group Foyer's IT systems;
- examination of the acquisition of the Employee Benefits business from the Luxembourg life insurance company IWI International Wealth Insurer;
- adaptation of the Governance Charter to the new governance principles of the Luxembourg stock market and to the recommendations of the European insurance supervisory authority (EIOPA).

Periodicity of meetings

The Board met six times during the past financial year.

The average rate of presence of directors at Board meetings for the past financial year was 98.36%.

Remuneration

The general principles of the remuneration policy are contained in the Governance Charter, particularly section VIII.6 "Remuneration policy of Group Foyer S.A.".

In accordance with these principles, and in accordance with the decision taken by the general meeting of shareholders on 16 April 2013:

The executive directors received no remuneration in 2013 for exercising their appointments as directors.

Non-executive directors were remunerated in 2013:

- by a gross fixed annual payment: the total amount of the gross fixed annual payments allocated to all non-executive directors was €238,986.30;
- by an attendance fee, per meeting attended by non-executive directors: the total gross amount of attendance fees assigned to all non-executive directors was €51,000.00;
- a payment of €13,013.70 gross was paid to a non-executive director.

4. Committees of the Board of Directors

The role, composition and functioning of the committees of the Board of Directors are described in the Governance Charter, particularly in section "V. Specialist committees of the Board of Directors".

4.1 AUDIT, COMPLIANCE AND RISK-MANAGEMENT COMMITTEE

CHANGES TO COMPOSITION

The appointments of the members of the Audit, Compliance and Risk Management Committee were renewed from 16 April 2013 for a period of three years until the annual shareholders' general meeting of 2016.

The current composition of the Committee is as follows:

- Mr Jacquot Schwertzer, Chairman of the Committee, non-executive and independent director,
- Mr Dominique Laval, non-executive director,
- Mr Henri Marx, non-executive and independent director.

Mr Franck Tousch, internal audit manager, acts as secretary to the Committee.

The Group's Compliance Manager, Ms Sylvie Bertholet and the Chief Risk Officer, Mr Paul Fohl, may attend meetings of the Committee.

ACTIVITY REPORT

Subjects of the discussion

- examination of the annual consolidated financial statements as of 31 December 2012 and the conclusions of the audit performed by the company auditor as of 31 December 2012;
- examination of the half-yearly summary consolidated financial statements and conclusions of the company auditor's limited review as of 30 June 2013;
- analysis of the internal control letters ("management letters") issued by the company auditor following the review of the 2012 annual financial statements for the companies of the Group;
- report on the main conclusions of the internal audit relative to assessing the systems for internal control;
- monitoring, by the Committee, of the implementation and development of the system for managing risk for Group Foyer S.A., in order to comply with the future Solvency II regulations;
- review of internal audit and compliance activities during the 2013 financial year and scheduling activities and missions programmed for 2014, in consideration of the risks overview;
- review of the internal audit charters for Group Foyer S.A and Capital*at*Work Foyer Group S.A.;
- proposal to establish a policy and procedure for prior approval, by the Audit, Compliance and Risk Management Committee, of services other than audit provided by the external auditor;
- analysis of the actuarial reports as of 31 December 2012 established in accordance with the provisions of the Solvency II directive;
- monitoring the transposition of the recommendations made by the Audit, Compliance and Risk Management Committee and the external auditor;
- review of the independence of the company auditor.

Periodicity of meetings

The Audit, Compliance and Risk Management Committee met four times in 2013. The rate of presence of the members of the Committee at these meetings was 100%.

Remuneration

In accordance with the remuneration policy defined in section VIII.6 "Remuneration policy of Group Foyer S.A." of the Governance Charter, non-executive members of the Audit, Compliance and Risk Management Committee are entitled to an attendance fee per meeting of the Committee that they attend.

In accordance with the decision of the general meeting of shareholders on 16 April 2013, the total gross amount of attendance fees allocated in 2013 to all non-executive members of the Audit, Compliance and Risk Management Committee stood at €22,000.00.

4.2 APPOINTMENTS AND REMUNERATION COMMITTEE

CHANGES TO COMPOSITION

The terms of office of the members of the Appointments and Remuneration Committee were renewed from 16 April 2013 for a period of three years until the annual shareholders' general meeting of 2016.

The current composition of the Committee is as follows:

- Mr Patrick Zurstrassen, Chairman of the Committee, non-executive and independent director
- Mr Romain Becker, non-executive and independent director
- Mr André Elvinger, non-executive external member (1)
- Mr François Tesch, executive director, CEO (2)

Mr Benoît Dourte, director of cross-company services, acted as secretary of the Committee.

(1) Mr A. Elvinger was requested to join the Appointments and Remuneration Committee in his capacity of chairman of the Board of Directors of the parent company Foyer Finance S.A., in order to ensure an appointments and remuneration policy consistent between the two business divisions, which are grouped under Foyer Finance S.A., namely Group Foyer S.A. and Group Luxempart S.A.

(2) Mr F. Tesch is a member of the Appointments and Remuneration Committee only for questions concerning the appointment or dismissal of directors or the COO.

ACTIVITY REPORT

Subjects of the discussion

- opinion on the renewal of the terms of office of outgoing directors with a view to the ordinary general meeting of 16 April 2013;
- analysis of the current composition of the Board of Directors and proposals for candidates in view of the appointment of new directors within Foyer S.A.;
- proposal to revise salaries for members of the Group Executive Committee;
- proposal for bonuses and the assignment of Foyer S.A. options to be allocated in 2013 to members of the Group Executive Committee pursuant to the 2012 financial year, taking into account the annual assessment of their performance and the results of the companies of the Group;
- proposal on the remuneration of directors and members of specialist committees;
- proposal for a new self-assessment form on the functioning of the Board of Directors of Foyer S.A.

Periodicity of meetings

During the 2013 financial year, the Appointments and Remuneration Committee met twice, with a rate of presence of 100%.

Remuneration

In accordance with the remuneration policy defined in section VIII.6 "Remuneration policy of Group Foyer S.A." of the Governance Charter, non-executive members of the Appointments and Remuneration Committee are entitled to an attendance fee per meeting of the Committee that they attend.

In accordance with the decision of the general shareholders' meeting of 16 April 2013, the total gross amount of attendance fees allocated pursuant to the 2013 financial year to all non-executive members of the Appointments and Remuneration Committee stood at €11,000.00.

5. Executive management

The role, composition and functioning of the Executive Management are described in the Governance Charter, particularly in section "VI. Executive Management (day-to-day management)".

5.1 CHANGES TO COMPOSITION

The Chief Executive Officer (CEO)

Mr François Tesch's function as managing director was renewed by decision of the Board meeting on 16 April 2013.

The Chief Operational Officer (COO)

Pursuant to delegation of powers by the CEO, Mr Marc Lauer was confirmed as COO.

The Executive Committee

The Executive Committee was composed of the aforementioned CEO and COO.

Mr Benoît Dourte, director of cross-company services and member of the Executive Committee of Capital*at*Work Foyer Group S.A. continued to be a standing invitee to meetings of the Executive Committee.

The Group management

The group management meets either in plenary session (Executive Committee or "Group EC"), or in restricted composition, as "Local EC" for local life and non-life activities and as "International EC" for financial and international life insurance activities.

The Group management was composed as follows:

Commercial and marketing manager, local market - Gilbert Wolter
member of the Group EC and the Local EC

Director of local market operations - Franck Marchand
member of the Group EC and the Local EC

Wealth management director - Michel Tilmant
Managing director of Capital*at*Work Foyer Group

Chief Financial Officer (CFO) and Chief Actuary - Philippe Bonte
member of the Group EC and the Local EC

Chief Investment Officer (CIO) - André Birget
member of the Group EC, the Local EC and the International EC

International Life Director - Jean-Louis Courange
member of the Group EC and the International EC

Chief Risk Officer (CRO) - Paul Fohl
member of the Group EC, the Local EC and the International EC

Director of human resources and cross-company services - Benoît Dourte
member of the Group EC, the Local EC and the International EC

Information systems director - Daniel Albert
member of the Group EC and the Local EC

Legal director - Peter Vermeulen
member of the Group EC

ACTIVITY REPORT

Subjects of the discussion

During the 2013 financial year, the Executive Management paid particular attention to the following points:

- monitoring the results compared to the budget in the corporate plan;
- writing and publishing intermediate statements from the management relative to the financial situation of Group Foyer S.A. and to important events and transactions affecting the financial situation of the companies of the Group;
- preparing the corporate plan 2014-2016;
- operational and organisational monitoring of the Group's companies;
- monitoring the work of implementing the provisions of the Solvency II directive concerning the solvency requirements of insurance companies;
- monitoring economic, stock market and tax developments and analysing their impact on the Group;
- monitoring the non-life-insurance business in Belgium ("Regio");
- examining the new organisation involving setting up a single manager for the commercial functions (front office) and the operational functions (back office);
- examination of the acquisition of the Employee Benefits business from the Luxembourg life insurance company IWI International Wealth Insurer.

Periodicity of meetings

As a rule, the Group EC meets once every quarter, as does the International EC, and the local EC meets weekly.

Remuneration

The general principles of the remuneration policy are contained in the Governance Charter, particularly section VIII.6 "Remuneration policy of Group Foyer S.A.".

The Remuneration of Executive Managers is based on an annual assessment of their services in relation to the objectives of Foyer S.A. The variable remuneration is determined according to a pre-established formula, taking into consideration the consolidated IFRS results of Foyer S.A., the results of the company or companies in which the Executive Manager had a predominant influence, and the rate of achievement of individual objectives fixed annually.

The remuneration thus paid in 2013 to the 12 members of the Executive Management (CEO, COO and 10 directors) was as follows:

Fixed remuneration	€3,052,872.37
Variable remuneration	€1,850,745.54
Allowances for supplementary pension	€325,609.10
Other emoluments (entertainment expenses)	€62,083.33

Two members of the Executive Management benefited from a loan granted by a company of the Group for a combined amount of €309,866.90 (situation as of 31 December 2013).

Under the stock option plan implemented for members of the Group Executive Committee, 35,022 share options were allocated in September 2013 to 10 beneficiaries pursuant to the 2012 financial year.

The company freely decides, each year, whether or not it is appropriate to assign option rights. The granting of options is subject to an outright taxation model upon entry. Rights to options, if there are any, are assigned annually according to the achievement of everyone's performance objectives. The right to options is subject to an unavailability period of four years and must be exercised within ten years from the granting of the right to options.

The stock option plan for members of the Group Executive Committee is supplied by a programme for Foyer S.A. to purchase treasury stock in accordance with the authorisation given by the general shareholders' meeting of Foyer S.A. on 16 April 2013 and the buyback programme approved by the Board of Directors of Foyer S.A. on the same day. This programme is described in a document entitled "Programme to purchase treasury stock" and available on the website **http://groupe.foyer.lu**.

The valuation of share options is described in point 2 "Fair value of payments based on shares" in note 33 to Foyer SA's consolidated financial statements as of 31 December 2013.

6. Process of establishing financial information

The systems for internal control and risk management relating to the establishment of financial information are subject to the supervision of the Board of Directors assisted by its Audit, Compliance and Risk Management Committee.

The definition and implementation of appropriate internal control for financial information is the responsibility of the Group's management. It delegates them, firstly to the Chief Financial Officer and secondly, to the financial directors of the entities Foyer International and Capital*at*Work, which do their own accounting work. Establishing the financial statements is not outsourced from the Group. This internal control aims to ensure that financial information is reliable, compliant with applicable laws and regulations and that instructions given by Management are applied.

In the insurance activities and at the Group level, the management of risks relative to financial information is assigned to the Chief Risk Officer. He/she implements a system for controlling risks of all kinds. The Board of Directors and the management of Capital*at*Work Foyer Group S.A. are responsible for managing risks in their wealth-management and financial intermediation business, and the activities of their subsidiaries.

6.1. ACCOUNTS AND STATEMENTS FROM THE MANAGEMENT

The accounting information (annual unconsolidated and consolidated financial statements, half-yearly summary consolidated financial statements and intermediate statements from the management) are prepared according to processes that are documented, regularly updated and periodically reviewed by the internal auditor and the company auditor. The accounting principles are consistent within the companies of the Group. What is more, the accounting software is an application that is common to all entities.

Within the Group's financial Department, the accounting processes adapt the level of control to perceived and recognised risks, to avoid any significant errors, particularly in determining the earnings and valuing shareholders' equity. The process of closing and consolidating the accounts incorporates documented checks on coherence and reconciliation between information sources. The comprehensiveness of the posted transactions is checked by direct confirmation of certain data, both inside and outside the Group.

Lastly, in each of the Group's entities, cost-accounting reviews, carried out at different levels, particularly by the managing personnel, validate the coherence of accounting data.

6.2 OTHER FINANCIAL INFORMATION

The publication of privileged information and other declarations relative to shares issued by the company (transactions carried out by the company on treasury stock, transactions made by persons with access to privileged information or with management responsibilities, annual information relative to the capital and voting rights) is checked by several departments, including the legal department, financial Department, the Chief Investment Officer and the compliance officer. The information is reconciled to check that it is accurate, comprehensive and compliant with regulations, particularly concerning the form and publication deadline.

7. Regulatory information on takeover bids

In accordance with article 11 of the law dated 19 May 2006 on takeover bids, this section contains information on the structures and provisions that could hinder a bidder from acquiring and exercising control of Foyer S.A.

a) the capital structure

The equity capital of Foyer S.A. stands at €44,994,210.00 represented by 8,998,842 ordinary shares fully paid up with no face value. There are no other categories of shares and no options or preferential rights giving entitlement to the issue of shares of any other category, which could dilute the number of shares issued. The shares issued all give entitlement to the same rights, both concerning voting rights in ordinary and extraordinary general meetings and concerning the dividend voted by shareholders at general meetings.

b) any restrictions on share transfer

There are no restrictions on the transfer of shares.

c) significant investments in the capital

Significant investments in the capital are given below in section "2. Shareholders".

d) securities including special control rights

There are no special control rights to which certain shareholders are entitled.

e) the specified control mechanism in any system of personnel shareholding

Within Foyer S.A., there is a stock option plan implemented for members of the Group Executive Committee. The company freely decides, each year, whether or not it is appropriate to assign option rights. The right to options is subject to an unavailability period of four years and must be exercised within ten years from the granting of the right to options. The stock option plan for members of the Group Executive Committee is supplied by a programme for Foyer S.A. to purchase treasury stock in accordance with the authorisation given by the general shareholders' meeting of Foyer S.A. However, this stock option plan contains no control mechanism.

f) any restrictions on voting rights

There are no restrictions on voting rights.

g) agreements between shareholders

There are no agreements between shareholders known to Foyer S.A. which could lead to restrictions on transferring shares or on voting rights.

h) appointment and replacement of directors and managers and modification of the articles of association

Concerning the appointment and replacement of directors and managers and the modification of the articles of association, Foyer S.A. has not specified any rules going beyond what is required by the law and which could hinder a bidder from taking and exercising control of Foyer S.A.

The rules applicable to the appointment and replacement of directors and managers are described in the Governance Charter, particularly sections "IV. Board of Directors" and "VI. Executive Management".

The rules applicable to changes to the articles of association are described in the Governance Charter, particularly in sections "III. General meetings of shareholders" and "VIII.7 Articles of Association of Foyer S.A.".

i) the powers of directors to issue or buy back shares

Authorised capital: The Extraordinary General Meeting (EGM) of shareholders dated 6 April 2010 fixed authorised capital of €74,350,000.00. The EGM authorised the Board of Directors to make any increase to the authorised capital and to issue new shares without reserving, for prior shareholders, preferential subscription rights for the shares to be issued. The authorisation granted to the Board of Directors concerning the authorised capital is described in article 5 of the articles of association (repeated in the Governance Charter in section "VIII.7 Articles of Association of Foyer S.A."). This authorisation expires on 5 April 2015.

Share buybacks: Following the general meeting of shareholders on 16 April 2013, on the same day, the Board of Directors approved the implementation of a programme to repurchase treasury stock. This programme is described in a document entitled "Programme to purchase treasury stock" and available on the website **http://groupe.foyer.lu**.

j) important agreements affected by a takeover bid

There are no agreements to which Foyer S.A. is party and which take effect, are modified or end in case of a change of control of Foyer S.A. following a takeover bid.

k) agreements with directors or personnel in case of a takeover bid

There are no agreements between Foyer S.A. and the directors, managers or personnel which specify compensation if they resign or are dismissed without just cause or if their employment ends due to a takeover bid.

Consolidated management report

of the Board of Directors of Foyer S.A.

to the Annual General Meeting of Shareholders on 15 April 2014

1. GROUP RESULTS

The gross earned premiums, made up of the turnover on policies classified as insurance contracts under IFRS, went from €431.07 million in 2012 to €484.59 million in 2013, rising by 12.4% compared to 2012. This satisfactory growth is mainly due to a good development in Life insurance. The gross earned premiums in Non-Life insurance are rising by 5.5% compared to 2012.

The consolidated profit after tax increased from €61.45 million on 31st December 2012 to €69.90 million at 31st December 2013, rising by 13.8%.

1.1 NON-LIFE INSURANCE

The Non-Life insurance segment of the Group is made up of the companies Foyer Assurances, Foyer Re, Foyer-ARAG and Foyer Distribution, fully consolidated. It includes also Foyer Santé of which, on 1st May 2013, the Group Foyer acquired an additional stake of 25% of the capital. Foyer Santé has been proportionately consolidated until 30 April 2013 and fully consolidated from this date.

The gross earned premiums of Non-Life insurance increased by 5.5%, compared to 2012, and amounted to €324.37 million.

On the local market, the motor insurance earned premiums grew by 4.2% in 2013 compared to 5.7% in 2012, whereas the earned premiums of the non-motor insurance increased by 4.7% in 2013, compared to an increase of 6.9% in 2012. The activity related to captive insurance decreased by 2.6%.

The health insurance turnover still shows a dynamic growth rate of 15.6%, without taking into account the change of the consolidation method.

On the Belgian market, the gross earned premiums increased by 20.2% in 2013 compared to 22.1% in 2012.

In 2013, the claims expenses net of reinsurance of the Non-Life insurance segment increased by 17.8%. This growth is mainly due to the occurrence of a significant number of serious bodily injury claims in civil motor liability.

The contribution of the Non-Life insurance segment to the result after tax amounts to €37.66 million in 2013, compared to €44.39 million in 2012, down 15.2%.

1.2 LIFE INSURANCE

The Life insurance segment of the Group is made up of the companies Foyer Vie and Foyer International, fully consolidated, and Raiffeisen Vie which is consolidated proportionally (50.0%).

The gross earned premiums of the Life insurance segment amount to €160.22 million in 2013, increased by 29.5% compared to 2012.

The gross earned premiums of Foyer Vie increased by 37.4% compared to last year, this growth is mainly explained by the commercialisation of single premium savings products.

The gross earned premiums of Foyer International amount to €279.03 thousand in 2013 compared to €4.82 million in 2012. The deposits related to investment contracts amounts to €355.98 million compared to €716.36 million in 2012. The decline is due to the measures taken in some neighbouring countries in order to repatriate funds of their residents previously invested abroad in Life insurance contracts.

The gross earned premiums of Raiffeisen Vie grew by 31.1% in 2013.

The contribution of the Life insurance segment to the result after tax amounts to €16.20 million in 2013 compared to €13.33 million in 2012, increasing by 21.5%.

1.3 ASSET MANAGEMENT

The Asset management segment of the Group is made up of the companies Capital*at*Work Foyer Group, fully consolidated, and Tradhold, which is consolidated proportionally (50.0%). It includes also the results of Foyer S.A. itself.

Capital*at*Work Foyer Group S.A. has subsidiaries in Belgium, as well as a branch in the Netherlands. On 31st December 2013, Capital*at*Work Foyer Group had €5,139.78 million assets under management, up 11.7% compared to 2012. This increase is due to the positive evolution of financial markets and the flow of new capital.

The contribution of the Asset management segment to the consolidated result after tax amounts to €16.05 million in 2013 compared to €3.73 million in 2012. This strong growth also reflects the realisation of non-recurring income.

2. INVESTMENT STRATEGY

2.1 ECONOMIC AND FINANCIAL ENVIRONMENT IN 2013

The year 2013, the fifth after the systemic shocks of 2008, is characterised by the beginning of a normalization of the extremely expansive monetary policy in the U.S. and economic stabilisation, if not the beginning of a recovery in the Euro area countries impacted by fiscal austerity, unemployment and the declining demand. European growth, as in 2012, was still slightly negative, but should exceed 1% in 2014, with a level of unemployment stabilised at 12%. It remains slow and fragile, but has the powerful support of the ECB, which reduced the official rate to 0.25%, and fiscal and structural consolidations, such as "banking union", which aim to avoid the return of systemic financial and sovereign debt crises. The gap between weak and strong Euro-area countries was reduced in 2013, as shown in Ireland, which was out of the rescue program and finance markets. The restrictive access to credit, especially in the southern countries, however, remains a handicap.

In June 2013, the announcement by the Fed of a forthcoming reduction in liquidity injections by purchases led to a doubling of long-term interest rates in the USA. It has also had a devastating impact on bonds and emerging market currencies, asset class probably vulnerable because overheating, especially as some emerging countries are facing difficulties or imbalances. The impact on European interest rates was limited, the European economic cycle is well behind the USA who seems a cyclical locomotive. Short-term rates in the USA and Europe remain anchored at a very low level, in particular through a level below inflation targets.

The effective implementation of the announcement made by the FED has finally taken place in December 2013, coinciding with very reassuring political messages, and the transition of the head of the US Federal Reserve Bank.

In this environment, the performance of European bond markets were overall mixed, the "hearts" underperforming markets also face the peripheral markets with the new rate of convergence and an increased appetite for risk among investors.

Equity markets recorded impressive performance in 2013, despite the rate movements as mentioned and a modest economic growth. The lower risk aversion can be explained by expectations of the end of the crisis, a balanced growth in the future and geopolitical control, as illustrated by the Iranian issue. In the USA, very positive factors are also the innovation and technological leadership, energy independence and the passing of the budget crisis. Cyclical sectors – worldwide - have suffered from slowdown of the Chinese growth.

2.2 ASSET ALLOCATION OF THE GROUP FOYER

The asset allocation is as follows:

Market value (%)	2013	2012
Bonds	70.7	74.6
Shares	10.8	8.4
Funds	10.2	8.7
Cash	8.3	8.3
Total	**100**	**100**

3. EVENTS AFTER THE BALANCE SHEET DATE

To our knowledge, no significant event that may have a significant impact on the Group's financial position has occurred after the balance sheet date.

4. OUTLOOK

In 2014, developed economies will continue their slow and fragile recovery from the economic crisis. Thanks to the support of highly accommodative monetary policy by the European Central Bank, the Euro area should return to growth in 2014.

The economic situation in the Grand Duchy of Luxembourg should benefit from this positive economic environment, even if the effect of the VAT increase and Public Treasury consolidation may not remain without effect on economic development. Moreover, the recent announcement of the Luxembourg Government to accept an automatic exchange of international information in terms of tax savings will inevitably impact the sector of asset management in Luxembourg.

We hope to maintain the growth rate of our activities similar to those achieved in 2012 and 2013, thanks to the dynamic of our sales teams and our customers demand for optimal coverage, especially in a time of economic uncertainty.

We think that in a fiscal transparency environment, the flexibility of our Life insurance solutions sold under the freedom of services will develop our business in an increasing number of markets.

The wealth management should also develop positively, due to greater commercial dynamic and strengtheness of the administrative organisation.

The announced VAT increase will have a direct effect on our results, because most of the activities of the Group are not subject to.

It should be noted, that the evolution of the result of an insurance company will still be exposed to stock market developments, as well as insurance business specific risks.

5. RESEARCH AND DEVELOPMENT

The research and development have been carried in the following areas:
- analysis of the prudential regulation draft called "Solvency II" and its implications for the Group Foyer;
- IT development in order to create new applications for various business;
- development and implementation of a business continuity plan;
- digital exchange;
- operational excellence approach ("Lean Six Sigma").

6. TREASURY SHARES

In accordance with the authorisation granted by the General Meeting of Shareholders on 16 April 2013, the Board of Directors has approved the same day the implementation of a program to repurchase Company's shares in order to achieve the following objectives:
- Cover a stock option plan of Foyer for employees and executives of the Foyer Group;
- Cancel the repurchased shares by a decision of an Extraordinary General Meeting to be held later;
- Maintain and give subsequently shares of Foyer in exchange or payment in connection with an acquisition.

Based on this repurchase program, Foyer S.A. acquired during the fiscal year 2013 a total of 8,668 own shares for a total amount of €459,419.25, i.e. an average price of €53.00 per repurchased share. Foyer S.A. didn't sell any of its shares in 2013.

On 31st December 2013, the company held in its portfolio 148,391 own shares (31.12.2012: 139,723 shares), representing 1.65% of issued shares. The par value being €5.00, the total amounted to €741,955.00.

At the same time, the unavailable reserve for own shares, on the liabilities side of the balance sheet, went from €5,988,443.21 to €6,447,862.46, increasing by an additional amount of €459,419.25.

7. RISK MANAGEMENT

Due to the nature of its activities, the Group is mainly exposed to insurance and financial risks. For a detailed description of these risks and their management, please refer to the notes 6 and 7 of the consolidated financial statements.

Financial risk is the risk of a significant impact on the development of lines of assets or asset as a whole, related to the negative development of certain market factors. We differentiate specific currency risk, credit risk, interest rate risk, market risk, liquidity risk and treasury risk, which are each subject to specific management.
- The currency risk is minimal; assets in other currencies than Euro are generally hedged.
- The credit risk represented by the risk on bond issuers is limited by the choice of highly rated issuers and a wide distribution among those. The bond portfolio contains 79.41% securities of rating "investment grade", 9.83% securities not rated and 10.76% securities rated lower than BBB.
- The interest rate risk is primarily managed through the duration of the bond portfolio. At the end of 2013, this parameter amounts to 5.00 years. The average yield to maturity amounts to 3.08%, the average current yield to 4.43%.

- The market risk is controlled through a broad diversification across markets and equity instruments, as well as through an ongoing monitoring of the securities portfolio and its performance perspectives.
- Liquidity risk is managed by the choice for a significant part of the financial asset, investment in listed securities on a highly diversified base and small size compared to the issue of these securities.
- The treasury risk is managed through diversification and credit quality of financial institutions with which the Group makes deposits.

Derivative instruments are only used by selling call options on underlying shares in portfolio.

8. INFORMATION INCLUDED IN A SEPARATE REPORT OF CORPORATE GOVERNANCE

Foyer S.A. includes its statement of corporate governance in a separate report, called "Corporate Governance - Report 2013". This separate report is published with the management report and also appears on the website **http://groupe.foyer.lu**.

In this separate report are also included:
- Company's internal control and risk management systems, in the process of preparation of financial information in accordance with Article 339 (2) f) of the amended law of 10 August 1915 on commercial companies;
- Information on structures and measures which could hinder the acquisition and exercise control over Foyer S.A. by an offeror, in accordance with Article 11 of the law of 19 May 2006 law concerning takeover bids.

Leudelange, 4 March 2014

The Board of Directors

Responsibility statement

In accordance with article 3 (2) c) of the amended law of 11 January 2008 in connection with the obligations of transparency concerning information about issuers of securities admitted for negotiation on a regulated stock market, Mr François Tesch, Chief Executive Officer and Mr Marc Lauer, Chief Operating Officer, declare that the consolidated financial statements of Foyer S.A. have been established under their responsibility, in conformity with the complete set of accounting standards, and that, to their knowledge, these consolidated financial statements give a true and fair view of all assets and liabilities, the financial situation and the profits and losses of Foyer S.A. and all companies included in consolidation, and that the management report truly presents the evolution, results and situation of Foyer S.A. and all companies included in consolidation and the description of the principal risks and uncertainties faced by them.

Marc Lauer
COO

François Tesch
CEO

Independent auditor's report

To the shareholders of
Foyer S.A.
12 rue Léon Laval
L-3372 Leudelange

Report on the consolidated annual accounts

Following our appointment by the General Meeting of the Shareholders dated 17 April 2012 we have audited the accompanying consolidated annual accounts of Foyer S.A., which comprise the consolidated balance sheet as at 31 December 2013, the consolidated profit and loss statement, the consolidated statement of recognised income and expense, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these consolidated annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of consolidated 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 consolidated 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 consolidated annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts. The procedures selected depend on the judgment of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated annual accounts give a true and fair view of the financial position of Foyer S.A. as of 31 December 2013, and of its financial performance and its cash-flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

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

Ernst & Young
Société Anonyme
Cabinet de révision agréé

Sylvie Testa

Luxembourg, 28 March 2014

Consolidated balance sheet

As at 31 December 2013

€ thousand ASSETS	Notes	31.12.2013	31.12.2012	31.12.2011
Intangible fixed assets		**58 580,1**	**54 970,0**	**57 969,9**
- Goodwill	11	50 522,9	49 610,1	51 328,4
- Other intangible fixed assets	11	8 057,2	5 359,9	6 641,5
Tangible fixed assets		**45 586,6**	**47 940,1**	**50 595,3**
- Investment properties	12	3 706,8	3 930,2	4 158,7
- Business premises	13	38 193,5	40 366,3	42 644,3
- Other tangible fixed assets	13	3 686,3	3 643,6	3 792,3
Subordinated loan	**34**	**-**	**300,0**	**-**
Equity securities		**456 596,8**	**334 713,8**	**201 780,5**
- Available for sale	14	456 538,2	334 643,4	199 555,8
- At fair value through profit and loss	14	58,6	70,4	2 224,7
Debt securities		**1 488 550,3**	**1 397 213,5**	**1 186 499,2**
- Available for sale	14	1 454 521,9	1 361 877,3	1 155 217,9
- At fair value through profit and loss	14	12 497,8	14 657,4	11 521,2
- Held-to-maturity	14	21 530,6	20 678,8	19 760,1
Financial assets relating to unit-linked contracts	**18**	**3 241 507,5**	**3 108 300,3**	**2 347 266,7**
Deferred tax assets	**21**	**20,4**	**276,7**	**292,9**
Insurance receivables and other receivables	**15**	**85 458,1**	**65 932,2**	**56 712,5**
Share of the reinsurers in liabilities in respect of insurance contracts	**17**	**149 408,2**	**78 076,6**	**79 771,5**
Cash and cash equivalents	**16**	**280 092,5**	**250 566,8**	**244 192,1**
Total assets		**5 805 800,5**	**5 338 290,0**	**4 225 080,6**

The comparative balance sheets have been restated due to the reclassification of accrued coupon interest (cf. note 4).

The accompanying notes are an integral part of the consolidated financial statements.

€ thousand EQUITY AND LIABILITIES	Notes	31.12.2013	31.12.2012	31.12.2011
Shareholders' equity		**761 751,7**	**698 354,6**	**546 049,9**
- Capital	9	44 994,2	44 994,2	44 994,2
- Treasury shares	9	-6 447,9	-5 988,4	-5 709,4
- Share premium	9	3 106,0	3 106,0	3 106,0
- Reserves and retained earnings	10	650 527,1	595 047,5	441 665,7
- Net profit		69 572,3	61 195,3	61 993,4
Minority interests		**1 690,2**	**647,5**	**454,8**
Total equity		**763 441,9**	**699 002,1**	**546 504,7**
Subordinated loan	**34**	**600,0**	**300,0**	**-**
Technical provisions		**1 988 127,9**	**1 764 702,2**	**1 655 679,8**
- Other technical provisions	17	1 469 622,2	1 228 234,9	1 137 329,1
- Provisions relating to unit-linked insurance contracts	17	518 505,7	536 467,3	518 350,7
Other provisions		**40 074,7**	**40 997,8**	**35 327,4**
- Pension benefit obligations	19	35 407,8	37 703,8	32 391,7
- Provisions for other liabilities and charges	20	4 666,9	3 294,0	2 935,7
Deferred tax liabilities	**21**	**78 885,5**	**66 103,3**	**28 115,3**
Financial liabilities		**2 800 626,2**	**2 645 131,8**	**1 872 938,1**
- Liabilities in respect of investment contracts	18	2 717 618,7	2 568 051,3	1 825 493,9
- Loans and deposits remitted by reinsurers	17	15 940,5	13 918,4	17 451,1
- Debts to credit institutions	16	67 067,0	63 162,1	29 993,1
Insurance debts and other liabilities	**22**	**56 293,8**	**58 729,5**	**50 137,2**
Income tax payable	**22**	**77 750,5**	**63 323,3**	**36 378,1**
Total equity and liabilities		**5 805 800,5**	**5 338 290,0**	**4 225 080,6**

The comparative balance sheets have been restated due to the reclassification of the debts to credit institutions (cf. note 4).

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated profit and loss statement

For the year ended 31 December 2013

€ thousand	Notes	2013	2012
Gross earned premiums	23	484 590,5	431 066,1
Ceded earned premiums	23	-60 284,2	-60 721,1
Earned premiums, net of reinsurance		**424 306,3**	**370 345,0**
Commission earned on insurance contracts	25	4 329,4	4 534,5
Commission and profit sharing received on reinsurance contracts	26	2 803,8	2 817,4
Commission earned on investment contracts	27	15 110,6	13 047,9
Commission earned by the Asset Management sector	28	38 580,4	28 465,8
Net realised gains on financial assets	29	39 770,7	18 873,1
Other investment incomes	30	71 363,2	63 092,1
Other investment expenses	30	-14 802,5	-10 989,9
Variation of the fair value of assets / liabilities at fair value through income	31	27 203,0	43 318,1
Net operating income		**184 358,6**	**163 159,0**
Life insurance benefits - Gross amount	24	-206 155,8	-175 298,3
Non-life insurance claims and loss adjustment expenses - Gross amount	24	-258 710,6	-160 195,2
Share of the reinsurers in benefits and in claims and loss adjusment expenses	24	79 407,6	8 560,4
Insurance benefits and claims, net of reinsurance		**-385 458,8**	**-326 933,1**

The accompanying notes are an integral part of the consolidated financial statements.

€ thousand	Notes	2013	2012
Acquisition expenses	32	-80 026,7	-76 370,7
Administration expenses	32	-36 989,5	-35 892,9
Costs related to insurance and investment contracts	32	-6 864,8	-6 348,7
Other operating expenses	32	-3 669,9	-3 482,9
Expenses		**-127 550,9**	**-122 095,2**
Profit before taxes		**95 655,2**	**84 475,7**
Taxes	21	-25 751,6	-23 024,5
Net profit for the period		**69 903,6**	**61 451,2**
- of which attributable to equity holders of the parent		69 572,3	61 195,3
- of which attributable to minority interest		331,3	255,9
Earnings per share			
Basic earnings attributable to ordinary equity holders of the parent	9	7,86	6,91
Diluted earnings attributable to ordinary equity holders of the parent	9	7,71	6,79

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of recognised income and expense

For the year ended 31 December 2013

€ thousand	Notes	2013	2012
Net profit for the period		**69 903,6**	**61 451,2**
Items subsequently reclassifiable to profit or loss			
Realised and unrealised net gains (losses) on assets available for sale (net of deferred tax)	10	11 783,7	107 170,5
Items not reclassifiable to profit or loss			
Actuarial gains (losses) on employee retirement benefit scheme (net of deferred tax)	10	1 226,2	-1 787,6
Income and expense recognised directly in equity		**13 009,9**	**105 382,9**
Total recognised income and expense		**82 913,5**	**166 834,1**
- of which attributable to equity holders of the parent		82 688,0	166 461,5
- of which attributable to minority interest		225,5	372,7

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated cash flow statement

For the year ended 31 December 2013

€ thousand	Notes	31.12.2013	31.12.2012
Profit for the year before taxes		**95 655,2**	**84 475,7**
Income taxes paid	21	-4 215,2	-2 904,2
Amortisation and depreciation	11-13	6 671,3	8 416,7
Depreciation and reversal of provision	19-20	387,1	358,3
Fair value of the financial instruments	10, 14	-311 579,4	-148 680,6
Fair value of the financial assets relating to unit-linked contracts	18	-182 143,1	-216 436,7
Result of the proceeds of investment properties	11-13	-	-
Net change in reinsurance assets	15	-71 331,6	1 694,9
Net change in other technical provisions	17	230 842,4	90 905,9
Change in liabilities relating to unit-linked contracts	17-18	133 207,3	760 674,0
Acquisition/proceeds of the financial assets relating to unit-linked contracts	18	48 935,9	-544 596,9
Acquisition/proceeds of financial assets	14	122 348,6	-39 871,0
Change in insurance receivables	15	-3 332,9	-7 696,3
Change in insurance debts	22	-63,9	5 975,2
Change in reinsurance deposits	17	2 022,1	-3 532,7
Change in other debts and receivables	15, 22	-15 032,8	-687,5
Net cash flows from operating activities		**52 371,0**	**-11 905,2**
o/w interest paid		-5 978,3	-6 796,2
o/w interest received		65 326,9	59 980,8
Acquisition of tangible and intangible assets	11-13	-6 036,9	-3 299,1
Proceeds from the sale of tangible and intangible assets	11-13	27,2	546,4
Acquisitions of affiliated companies	3	-1 151,5	-
Net cash flows from investment activities		**-7 161,2**	**-2 752,7**
Dividends paid by the parent company	9	-19 073,2	-14 080,2
Dividends paid to third parties	-	-270,0	-180,0
Acquisition of own shares	9	-459,5	-279,0
Net cash flow from financing activites		**-19 802,7**	**-14 539,2**
Cash flow		**25 407,1**	**-29 197,1**
Opening cash balance	16	188 381,8	217 578,9
Closing cash balance	16	213 788,9	188 381,8

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

	Notes	Subscribed capital	Treasury shares
At 31 December 2011		**44 994,2**	**-5 709,4**
Dividends	9	-	-
Share-based payment	33	-	-
Other changes	9	-	-279,0
Income and expense	10	-	-
At 31 December 2012		**44 994,2**	**-5 988,4**
Dividends	9	-	-
Scope variation	2	-	-
Share-based payment	33	-	-
Other changes	9	-	-459,5
Income and expense	10	-	-
At 31 December 2013		**44 994,2**	**-6 447,9**

The accompanying notes are an integral part of the consolidated financial statements.

Share premium	Reserve for revaluation and actuarial differences	Reserves, retained earnings and profit of the year	Shareholders equity	Minority interests
3 106,0	**-13 771,2**	**517 430,3**	**546 049,9**	**454,8**
-	-	-14 080,2	-14 080,2	-180,0
-	-	207,9	207,9	-
-	-	-5,5	-284,5	-
-	105 266,2	61 195,3	166 461,5	372,7
3 106,0	**91 495,0**	**564 747,8**	**698 354,6**	**647,5**
-	-	-19 073,2	-19 073,2	-270,0
-	203,1	-203,1	-	1 087,2
-	-	241,8	241,8	-
-	-	-	-459,5	-
-	13 115,7	69 572,3	82 688,0	225,5
3 106,0	**104 813,8**	**615 285,6**	**761 751,7**	**1 690,2**

Notes to the consolidated annual accounts

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INFORMATION CONCERNING THE INCOME STATEMENT

OTHER INFORMATION

Note 1. General information

Foyer S.A. (the Company) was founded on 13 November 1998 as Le Foyer, Compagnie Luxembourgeoise S.A., taking the form of a public limited company (société anonyme). The Extraordinary General Meeting of 23 November 2005 decided to change the name to Foyer S.A.

The main object of the Company is all operations relating to the shareholdings and the administration, management, control and development of these shareholdings.

Together with its affiliated companies under its control, the Company forms a group which operates principally in the insurance and asset management activities (the Group).

The Group's insurance activities include damage, assistance, accident, health and civil liability in the non-life sector and risk, savings pension and invalidity in the life sector. The Group operates under the freedom of services directive in the life sector of some European Union countries through its subsidiary Foyer International S.A. In the non-life sector, the Group operates under the freedom of services directive in the South of Belgium through its subsidiaries Foyer Assurances S.A. and FOYER-ARAG S.A.

With Capital*at*Work, the entities involved in financial management are active in Luxembourg, Belgium and the Netherlands, in the area of asset management, for own account and for individuals, and in the area of financial intermediation.

On 31 December 2013, the Group had a staff of 563 in Luxembourg and 53 in the rest of Europe.

The company's shares are listed on the Luxembourg Stock Exchange and on Euronext Brussels.
Out of a total of 8 998 842 shares issued by the Company, 7 141 655 shares (79.4%) are held by Foyer Finance S.A., an unlisted investment entity.

The headquarters of the Company is at L-3372 Leudelange, 12 rue Léon Laval.

At its meeting of 4 March 2014, the Board of Directors of Foyer S.A. approved the consolidated accounts to be submitted to the Annual General Meeting of Shareholders to be held on 15 April 2014.

Note 2. Scope of consolidation and links with subsidiaries and joint ventures

1. PERCENTAGE OWNED AND METHOD OF CONSOLIDATION

Fully consolidated companies	% held 31.12.2013	% held 31.12.2012	Supervisory authority	Sector
Foyer Assurances S.A. 12, rue Léon Laval, L-3372 Leudelange	100,0	100,0	CAA	Non-life
FOYER RE S.A. 12, rue Léon Laval, L-3372 Leudelange	100,0	100,0	CAA	Non-life
Foyer Distribution S.A. 12, rue Léon Laval, L-3372 Leudelange	100,0	100,0	-	Non-life
FOYER-ARAG S.A. 12, rue Léon Laval, L-3372 Leudelange	90,0	90,0	CAA	Non-life
Foyer Santé S.A. * 12, rue Léon Laval, L-3372 Leudelange	75,0	-	CAA	Non-life
Foyer Vie S.A. 12, rue Léon Laval, L-3372 Leudelange	100,0	100,0	CAA	Life
Foyer International S.A. 12, rue Léon Laval, L-3372 Leudelange	100,0	100,0	CAA	Life
Capital*at*Work Foyer Group S.A. 12, rue Léon Laval, L-3372 Leudelange	100,0	100,0	CSSF	Asset management
Capital*at*Work Management Company S.A. 12, rue Léon Laval, L-3372 Leudelange	100,0	100,0	CSSF	Asset management
Capital*at*Work S.A. Av. de la Couronne, 153, B-1050 Ixelles	100,0	100,0	FSMA	Asset management
Immo*at*Work S.A. Av. de la Couronne, 153, B-1050 Ixelles	100,0	100,0	-	Asset management

(*) On 1st May 2013, the Group increased its stake in Foyer Santé S.A., carrying the part in capital from 50% to 75%, in order to reflect the control exercised over this company. Therefore, Foyer Santé S.A. is fully consolidated from that date.

Companies consolidated using the proportionate consolidation method	% held 31.12.2013	% held 31.12.2012	Supervisory authority	Sector
Foyer Santé S.A. 12, rue Léon Laval, L-3372 Leudelange	-	50,0	CAA	Non-life
Raiffeisen Vie S.A. 12, rue Léon Laval, L-3372 Leudelange	50,0	50,0	CAA	Life
Tradhold S.A. 14, boulevard Royal, L-2449 Luxembourg	50,0	50,0	-	Asset management

2. LINE-BY-LINE RECOGNITION OF SHARES IN JOINT VENTURES

2.1 Share in the result

2013 € thousand	Raiffeisen Vie	Tradhold
Earned premiums, net of reinsurance	6 976,8	-
Other operating income	1 534,2	250,6
Insurance benefits and claims, net of reinsurance	-5 871,8	-
Expenses	-723,6	-3,5
Elimination of consolidation	-	-
Income before taxes	**1 915,6**	**247,1**
Taxes	-570,3	-3,0
Net income	**1 345,3**	**244,1**
o/w group share	1 345,3	244,1

2012 € thousand	Foyer Santé	Raiffeisen Vie	Tradhold
Earned premiums, net of reinsurance	5 356,3	5 194,3	-
Other operating income	501,6	1 064,4	251,8
Insurance benefits and claims, net of reinsurance	-4 107,0	-4 143,1	-
Expenses	-1 270,9	-689,9	-3,4
Elimination of consolidation	45,2	-	-
Income before taxes	**525,2**	**1 425,7**	**248,4**
Taxes	-141,0	-423,7	-2,9
Net income	**384,2**	**1 002,0**	**245,5**
o/w group share	384,2	1 002,0	245,5

2.2 Share in the main groups of assets and liabilities

31.12.2013 € thousand	Raiffeisen Vie	Tradhold
Assets		
Equity instruments	5 355,4	6 852,5
Fixed income securities	26 601,4	-
Receivables	723,5	-
Parts of reinsurance	1 800,4	-
Cash and cash equivalents	4 179,9	321,3
Liabilities		
Technical provisions	27 358,7	-
Other provisions	6,5	-
Deferred taxes liabilities	593,8	-
Financial liabilities	1 571,1	-
Insurance debts and other debts	1 500,6	3,8

31.12.2012 € thousand	Foyer Santé	Raiffeisen Vie	Tradhold
Assets			
Fixed assets	1 079,4	-	-
Equity instruments	729,9	4 114,2	6 852,5
Fixed income securities	5 866,8	21 659,5	-
Receivables	3 757,0	980,0	-
Parts of reinsurance	-	1 561,8	-
Cash and cash equivalents	1 201,6	3 230,3	310,7
Liabilities			
Subordinated loan	300,0	-	-
Technical provisions	8 650,3	22 056,6	-
Other provisions	28,8	7,5	-
Deferred taxes liabilities	128,8	619,5	-
Financial liabilities	-	1 320,6	-
Insurance debts and other debts	632,9	831,1	3,3

3. AMOUNTS OUTSTANDING IN RESPECT OF THE SHARE CAPITAL SUBSCRIBED BUT NOT FULLY PAID

31.12.2013 € thousand	Capital not paid	Group share
FOYER-ARAG S.A.	247,9	223,1
Foyer International S.A.	5 000,0	5 000,0
FOYER RE S.A.	2 000,0	2 000,0
Foyer Vie S.A.	30 000,0	30 000,0

Note 3. Acquisition

On 1st May 2013, the Group acquired 25% of the capital of Foyer Santé S.A., increasing its stake from 50% to 75% reaching the same proportion of the voting rights. The acquisition price of €2,000.0 thousand was paid in cash.

Foyer Santé S.A. is a company active in health insurance in Luxembourg. It is classified in the Non-Life insurance segment.

This company was incorporated as a joint venture in which each partner owns 50% of capital and voting rights, although its relevant activities are controlled or conducted by the Group: distribution, investment management, administration, IT and actuary. The governance of the Company having the form of joint control, this company has been proportionately consolidated until 30 April 2013. The strengthening of the participation is intended to reflect the control of the Group. Following the purchase of additional shares, the subsidiary is fully consolidated as from 1st May 2013.

To determine goodwill, minority interests are valued for their share of the revalued net assets (partial goodwill method). However, the assets and liabilities were revalued to their identical amounts previously recognised under IFRS. At last, no assets or liabilities or contingent liabilities other than those included in the balance sheet of the company, has been identified. The fair value of securities previously held is therefore identical to the share of the Group in the net assets of the company as reflected in the consolidated financial statements at the acquisition date.

€ thousand	Fair value mesured at acquisition	Previous carrying value at acquisition
Assets		
Fixed assets	2 010,7	2 010,7
Equity instruments	1 813,2	1 813,2
Fixed income securities	12 495,1	12 495,1
Receivables and deferred acquisition costs	8 266,1	8 266,1
Cash and cash equivalents	1 692,8	1 692,8
Liabilities		
Subordinated loan	1 200,0	1 200,0
Technical provisions	19 400,8	19 400,8
Other provisions	256,8	256,8
Deferred tax liabilities	317,0	317,0
Debts and other liabilities	754,4	754,4
Net asset	**4 348,9**	**4 348,9**
Minority interests (for 25%)	1 087,2	
Previous book value (for 50%)	2 174,5	
Acquisition cost (pour 25%)	2 000,0	
Goodwill	-912,8	

Goodwill consists mainly of earnings prospects in the medium or long term. These elements were not recognised separately because they do not comply with identification criteria (cf. note 11).

Note 4. Accounting policies and methods of consolidation

1. DECLARATION OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with the "International Financial Reporting Standards" (IFRS), as adopted by the European Union.

The standards relating to consolidation, namely IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities" (issued on 12 May 2011 and amended subsequently) are not compulsory in the European Union for the financial year 2013.

2. PRESENTATION: RECLASSIFICATION OF BALANCE SHEET ITEMS

Accrued interests on bonds are now included in the valuation of the fixed income securities. Previously, there were recognised under accruals assets. Accordingly, the items "Fixed income securities" and "Insurance receivables and other receivables" have been restated in the comparative balance sheets at 31 December 2011 and 2012, respectively for €28,319.4 thousand and €30,716.4 thousand. This reclassification is intended to provide more complete information as the amount of accrued coupon interest is now included in the description of financial risks (cf. note 7) and financial assets (cf. note 14).

Moreover, debts to credit institutions that were included in the item "Insurance debts and other liabilities" have been reclassified in a separate line among "Financial liabilities". The bank debts are mainly short term loans that are deducted from current accounts and short term deposits in order to measure the net cash and cash equivalents (cf. note 16).

3. BASIS OF PRESENTATION OF THE ANNUAL CONSOLIDATED ACCOUNTS

The consolidated financial statements are presented in Euro and rounded to the nearest thousand (€ thousand) with the exception of notes 7 and 9. The Euro has also been chosen as the operational functional currency for the Group entities. The consolidated accounts are based on the principle of historical amortised cost with the exception of:

- financial instruments available for sale, held for trading and those related to unit–linked contracts which are measured at fair value ;
- insurance and investment contracts with a discretionary participation feature which are valued according to legislation and rules applicable in the Grand Duchy of Luxembourg (LuxGAAP).

If applicable, the non-current assets and groups of assets held for sale, classified as held for sale, are valuated at the lowest of either net accounting value or fair value net of sales cost.

Preparation of the financial statements in accordance with the IFRS, requires of the Group's management to make estimates, assumptions and decisions which have an impact on the application of some accounting policies, the value of certain assets and liabilities and the amounts of income and cost initially recognised. These estimates and assumptions are based on historical data and various others factors, which under these circumstances, are considered reasonable. The aggregate of these elements constitutes the basis of valuation of all assets and liabilities. Actual results may differ from theses estimates.

Estimates and hypothesis are continually reviewed. The result from a change of an accounting estimate is recognised within the same period as the one when the change was made and provided this period was the only one concerned, or within the period when the change occurred and subsequent periods when the change has an influence on the current period as well as subsequent periods.

Decisions taken by Group management in compliance with the IFRS which have a significant impact on consolidated annual accounts and estimates that may have a significant impact on the accounts are detailed in specific notes.

The main accounting principles applied in the preparation of the annual consolidated accounts are described hereafter. These accounting policies have been continuously and harmoniously applied by Group entities. The accounting methods applied are coherent with those applied during the previous accounting period.

The effective application of the following standards and interpretations did not have any impact on the consolidated financial statements:

- IFRS 13 "Fair Value Measurement" (issued 12 May 2011);
- Amendments to IAS 1 "Presentation of Financial Statements" entitled " Presentation of Items of Other Comprehensive Income" (issued 16 June 2011);
- Amendments to IAS 19 "Employee Benefits" amendments related to termination benefits (issued 16 June 2011);
- Amendments to IFRS 7 "Financial Instruments: Disclosures" entitled "Offsetting Financial Assets and Financial Liabilities" (issued 16 December 2011);
- Amendments to IFRS 1 "First-time Adoption of IFRS" entitled "Government Loans" (issued 13 March 2012);
- Annual improvements to IFRS "2009-2011 Cycle" (issued 17 May 2012).

Certain standards and interpretations of standards issued by the International Accounting Standards Board (IASB) were not yet applicable in the European Union at the time of preparation of 2013 accounts:

- First phases of IFRS 9 "Financial Instruments" which aims to replace IAS 39 "Financial Instruments: Recognition and Measurement" (issued 12 November 2009 and amended subsequently, but not endorsed by the European Union);
- Standards for consolidation, namely IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of interests in other entities" as well as new versions of IAS 27 "Separate Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" (issued 12 May 2011 and amended subsequently but applying to annual period 2014); as a consequence, the joint venture Raiffeisen Vie S.A. will no longer be proportionally integrated but accounted for according the equity method;
- Amendments to IAS 32 "Financial Instruments: Presentation" entitled "Offsetting Financial Assets and Financial Liabilities" (issued 16 December 2011 but applying to annual period 2014);
- Amendments to IAS 36 "Impairment of Assets" entitled "Recoverable Amount Disclosures for Non-Financial Assets" (issued on 29 May 2013 but applying to annual period 2014);
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" entitled "Novation of Derivatives and Continuation of Hedge Accounting" (issued on 27 June 2013 but applying to annual period 2014);
- Amendments to IAS 19 "Employee Benefits" entitled "Defined Benefit Plans: Employee Contributions" (issued on 21 November 2013 but not endorsed by European Union and applying to annual period 2015);
- Annual improvements to IFRS "2010-2012 and 2011-2013 Cycles" (issued 12 December 2013, but not endorsed by European Union and applying to annual period 2015);
- IFRIC Interpretation 21 "Levies" (issued on 20 May 2013, but not endorsed by European Union and applying to annual period 2014).

4. PRINCIPLES AND METHODS OF CONSOLIDATION

4.1 Basis of preparation

The Group adopted the IFRS in January 2004 and applied the rules of IFRS 1 to the transition from LuxGAAP to IFRS. In the case of Business Combinations according to IFRS 3, the Group made use of first adoption exemptions. As a consequence Business Combinations recognised prior to the adoption of the IFRS have not been subject to a new estimate so that goodwill calculated by applying the accounting standards in effect prior to transition date were maintained as such in the balance sheet.

Annual consolidated accounts include financial statements of Foyer S.A. and entities being part of the Group on 31 December of each year. The financial statements of these entities are prepared for the same reference period as those of the parent company and on the same homogeneous accounting methods.

All intra-group balances and transactions as well as any profits, losses and pending results included in the accounting value of assets, and due to intra-group transactions as defined by the method of consolidation applied, are either entirely or proportionally eliminated.

4.2 Subsidiaries

Subsidiaries (or affiliated) are all entities over which the Group has the power to govern the financial and operating policies. This control is essentially the consequence of a direct or indirect shareholding of more than 50% of the voting rights.

In assessing whether the Group controls or not is taken into account, if applicable, potential voting rights and conversion options exercisable over the period.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date on which the Group ceases to have control.

Minority interests represent the share of profit or loss as well as the share of nets assets which are not held by the Group. Minority interests are recognised in the consolidated balance sheet in equity but separate from the "shareholders' equity". The contribution of minority interests to the Group's profit is also recorded separately.

4.3 Joint ventures

Joint ventures are defined as the Group's interests in entities governed by an agreement between joint-ventures by which it is agreed that economic activity of the entity will be subject to joint control. Joint ventures are proportionally consolidated from the date on which joint control takes effect until the date on which it ceases.

The Group records its contribution to the income statement, the balance sheet and the cash flow statement on a line-by-line basis.

4.4 Associates

An associate is a company in which the Group has considerable influence on the financial and operating policies but does not exert control. This is generally the case when the Group holds between 20% and 50% of the voting rights. Associates are recognised by using the equity method from the date on which this notable influence is transferred to the Group until the date on which it ceases.

Profits or losses arising from transactions between the Group and its subsidiaries are eliminated to the extent of the Group's interest in the associates, unless in the transaction provides evidence of an impairment.

Investments in associates are initially recognised at cost. The book-value is increased or decreased to account the Group's share in profit or loss recognised in the income statement of the associate after the acquisition date.

The Group recognises reserves and results of the associated company up to its share in the capital of this company.

4.5 Business combinations

Business combinations are initially recognised using the "purchase method" of accounting for subsidiaries, joint ventures and associated undertakings. The resulting acquisition cost is considered to be equivalent to the fair value. The excess of purchase price over the fair value of the assets acquired and liabilities incurred and liabilities assumed is considered as goodwill. This goodwill is not depreciable. However an impairment test is carried out once a year or more frequently if, as a result of events or changes which have taken place, there is an indication it may be depreciated under IAS 36 "Depreciation of Assets". But, if on the other hand, the Group's interest in the net fair value of the assets, liabilities and any identifiable contingent liabilities exceeds the acquisition cost (negative goodwill), the assets, liabilities, any identifiable contingent liabilities and the acquisition cost are reassessed. Any excess remaining after that reassessment is recognised immediately in the income statement.

5. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency (currencies other than the operating currency) are converted to the operating currency at the exchange rate at the transaction date. At each year-end, the following procedure is used to convert foreign currency items to the operating currency:

- Monetary elements are converted at the year-end date and resulting gains or losses are recognised in the income statement ;
- Non-monetary elements measured at fair value, such as equity investments, are converted at the exchange rate applicable on the valuation date of fair value assessment ;
- The other non-monetary elements are held at their historical exchange rate.

When a gain or loss from a non-monetary element, such as financial assets available for sale for instance, is recognised in equity, the resulting exchange rate differential is also recorded directly in equity. When the gain or loss on such an item is recognised in the income statement, the exchange rate differential is also recorded in the income statements.

6. INSURANCE CONTRACTS AND INVESTMENT

6.1 General: definitions

An insurance contract is a contract whereby the Group accepts significant insurance risk from a third party (the policyholder) and agrees to compensate the latter if the occurrence of a given uncertain event (the insured event) should have unfavourable consequences for the policyholder. The policyholder is defined as the party with entitlement to compensation under the insurance contract should the insured event materialise.

A financial risk is the risk of potential variation of one or more of the following: a specified interest rate, the price of a financial instrument, an exchange rate or other similar variable provided that, where the variable is non-financial, it does not pertain to one of the contracting parties.

An insurance risk is a non-financial risk transferred by the policyholder to the policy issuer.

An insurance risk is significant if, should an insured event materialise, the issuer has to pay significant additional benefits (amounts in excess of 5% of the amount due to the policyholder in case the insured event does not materialise) in at least one of the scenarios, excluding those without commercial substance.

An investment contract is a contract which does not fit the IFRS 4 definition of "insurance contract" and which is viewed by the IFRS as a "financial instrument". It does however fall within the scope of IFRS 4 if it contains a discretionary participation feature and within the scope of IAS 39 if no such feature exists.

A discretionary participation feature is defined as the contractual right of a policyholder to receive as a supplement to guaranteed benefits, additional benefits:

- That is likely to account for a significant portion of the total contract benefit;
- Whose amount or timing is by virtue of a contract at the discretion of the issuer?
- Which are contractually based on the performance of a specified pool of contracts or a specified type of contract, realised and/or unrealised return on investments in a specified group of assets held by the issuer or the profit or loss of the issuer, a fund or another entity issuing the contract.

The discretionary participation feature is governed by both the discretionary participation clauses of the contract as well as applicable local regulations.

The timing is at the discretion of the issuer:

- When the latter determines the timing of incorporation of the discretionary participation into the individual commitments towards policyholders by use of a profit sharing provision;
- When the discretionary participation clause is based on the issuer's investment income and the issuer has discretionary control over its timing.

The discretionary participation feature, as defined by IFRS 4, is recorded as a liability and not a separate component of equity.

6.2 Insurance contracts falling within the scope of IFRS 4

6.2.1 Main contracts classified as IFRS 4 insurance contracts

Non-life insurance contracts governed by LuxGAAP standards all contain a significant insurance risk and, as such, are classified as insurance contracts falling within the scope of IFRS 4.

Contracts covering individual life risk such as temporary death protection, combined contracts and annuity contracts with a significant insurance risk are classified as insurance contracts.

Unit-linked investment contracts are classified on a case-by-case basis, depending on whether or not a significant supplementary insurance guarantee was underwritten at the outset (or subsequently). Consequently, only those which include a significant insurance risk are considered to be insurance contracts falling within the scope of IFRS 4.

Contracts covering Group life risk are all considered on a contract-by-contract basis. Those with significant cover for death or invalidity risk are classified as insurance contracts under IFRS 4.

6.2.2 Accounting procedures for IFRS 4 insurance contracts

IFRS 4 insurance contracts continue to be recognised under LuxGAAP standards except when restatements required by IFRS 4 for instance for the claims equalisation provision, which captive reinsurance companies are bound to carry in their balance sheet.

a) Premiums

Premiums for non-life insurance risks are recognised on the effective date of the guarantee, this date being the operative event for accounting purposes. Premiums are issued before tax, gross of reinsurance, net of cancellations, reductions and rebates.

Life insurance premiums are accounted for on their date of issuance net of tax and gross of reinsurance.

Other amounts charged to policyholders (contractual loading and charges), are recorded as technical income in the Non-Life business lines. In the Life sector, these form an integral part of the premiums.

b) Technical provisions

The provisions for unearned premiums is determinate for each contract, according the time remaining between year-end and due date of premium.

Claims reserve covers the total estimated cost of settlement of all claims arising by the end of a given period. With the exception of disability annuities reserve, which is not discounted.

These reserves cover reported claims, incurred claims but not reported, reported claims but insufficiently provisioned, and all costs linked to the processing of these claims. They are estimated on the basis of historic data and current trends of claims, and are taking into account the frequency of indemnity payments in all business lines of insurance.

Subrogation and recoveries are claims for which the third party’s insurer is responsible but for which the Group has paid the indemnity by virtue of legal assistance of fully comprehensive cover. The amount recorded in subrogation and recoveries thus equates to the sums the Group is entitled to claim from third party insurers.

The provision for aging in the Health insurance business line takes into account the future tariff benefits of the current portfolio. This is calculated on a contract-by-contract basis and is the difference between the present value of future claims and the present value of future premiums.

Mathematical provisions are the difference between the current value of commitments made by the insurer and the policyholder respectively:

- From the insurer's point of view, the commitment equates to the sum of the present value of future benefits and the present value of management costs, taking into account the probability of the occurrence of the insured event;
- The policyholder's commitment equates to the present value of net premiums still outstanding plus any management costs applicable, adjusted for the probability of payment of said premiums.

The mathematical provisions are not zillmerised.

The mortality tables used are those deemed appropriate for the local market.

In Non-life, a provision for management costs is set aside to cover the cost of all future management expenses inherent to the settlement of claims (grouped by homogeneous categories) which are not covered by premium loading or collected from the Group's investment income if this is provided for in the insurance contract.

The mathematical provisions for annuity pension represent the present value of annuity commitments and annuity policy fees. These are calculated on the basis of mortality tables deemed appropriate for the local market.

Equalisation reserves recorded in accordance with local regulations in order to compensate fluctuations in the claims rate or to cover special risks are not recognised in the consolidated accounts under IFRS.

The provisions for unit-linked insurance contracts are revaluated at the fair value of the units at the end of each period. Contractually, these liabilities are linked to the performance of the underlying assets which are recorded at fair value.

c) Subscription costs and costs refunded to brokers

These costs are recognised in accordance with the same accounting rules as those applied to investment contracts. See point 6.4.3 below for details.

d) Deferred acquisition costs

Acquisition commissions incurred when purchasing insurance contracts are recognised on the asset side of the balance sheet. These deferred acquisition expenses are amortised over the average lifetime of the contracts.

In the case that all or part of the deferred acquisition expenses cannot be recovered within an accounting period, these are immediately recorded as an expense.

6.3 Investment contracts with DPF measured with IFRS 4

6.3.1 Major investment contracts with DPF

Individual life contracts with financial risk only, which include a DPF clause, are classified as investment contracts with DPF under IFRS.

Group life contracts, other than those mentioned in 6.2.1 above, with pension benefit either in the form of a saving with guaranteed rate and with DPF or unit-linked with the option to convert to a sub-fund with a DPF as a complement to a contract with guaranteed rate (with commercial substance) are also classified as investment contracts with discretionary participation feature.

As the DPF is not set at a fixed rate but agreed periodically by the Board of Directors of the issuing company on the basis of economic factors, the risk is not quantifiable. Consequently, all these contracts are falling within the scope of IFRS 4.

6.3.2 Accounting procedures for investment contracts with DPF

Investment contracts with DPF falling within the scope of IFRS 4 are valued and recognised in accordance with the same rules as those applicable to insurance contracts (see 6.2.2).

6.4 Investment contracts under IAS 39

Contracts holding no significant insurance risk and without DPF fall within the scope of IAS 39.

6.4.1 Main types of investment contracts coming under IAS 39

Unit-linked retirement savings contracts without a significant insurance risk are classified as investment.

Unit-linked contracts where the policyholder did not take cover for significant insurance risk at the outset or has not as yet taken out cover for significant insurance risk are classed as investment.

6.4.2 Accounting procedures for investment contracts coming under IAS 39

Nets premiums received are not recognised as premium income but as a financial liability as "Liabilities in respect of investment contracts".

Unit-linked contracts are financial liabilities where cash flows are dependent on the performance of assets recognised at fair value through income. From inception, these unit-linked contracts are recognised at fair value through income.

The fair value of these unit-linked contracts is calculated by multiplying the fair value of each unit by the number of units owed to the beneficiary at the end of the period under review. The fair value of the units is calculated at the beginning and at the end of the period on the basis of valuation techniques used in case of absence of an active market and which provide that the Group includes all factors which market players would take into account and which are based on the observation of market.

Given that fair value of these unit-linked contracts is calculated on the basis of the value of the units, and given the contractual clause according to which payments to be made by virtue of the contract and are defined in units of the internal or external fund, is considered to be closely linked to the host contract. This payment clause expressed in units does not give rise to the separation of the contract and the evaluation at fair value through income. The entire contract is therefore valued according to the rules applicable to the host contract.

6.4.3 Accounting procedure for subscription costs and costs refunded to brokers

Expenses charged on the subscription of investment contracts are treated as contract originating costs. Similarly, expense repaid to brokers are management costs they have incurred in providing advice and the cost incurred in the transfer of the assets underlying these investment contracts. All these costs repaid/collected are recorded under expense/income in the contract subscription period. The Group also charges for managing the investments underlying the investment contracts. This revenue is collected for regularly rendered services throughout the life of the contract and not when it is issued. It is recorded as and when the services are rendered.

Acquisition commissions incurred when purchasing investment contracts may be recognised on the asset side of the balance sheet. These deferred acquisition expenses are amortised over the average lifetime of the contracts. In the case that all or part of the deferred acquisition expenses cannot be recovered within an accounting period, the non-recoverable part is immediately recorded as an expense.

6.5 Separation of embedded derivatives

The embedded derivatives in a host contract falling into the insurance contract or investment contract category are unbundled and valued separately at fair value if the criteria for such a separation are met.

6.6 Liability adequacy test

At the end of each period, the Group checks that the liabilities recorded in respect of insurance contracts or investment contracts with DPF are sufficient to cover the future cash flows arising from these contracts. Any deficiency will be fully and immediately recognised as an additional charge in profit or loss.

6.7 Reinsurance

Reinsurance contracts which transfer significant insurance risk are classified as reinsurance contracts held under IFRS 4 and the LuxGAAP accounting rules apply. Other reinsurance contracts are classified as financial reinsurance contracts and IAS 39 applies. Currently, the Group takes out reinsurance contracts in life and non-life business only in order to limit insurance risk in case of accumulation of risk.

Reinsurance cessions are recognised in accordance with the terms of the various contracts. The assets under reinsurance cessions are shown independently of the corresponding insurance liabilities. Likewise, the income and expense from reinsurance contracts are not offset against the income and costs from the corresponding insurance contracts.

The reinsurer's share of technical provisions is valued in the same way as the gross technical provisions recorded under liabilities. Assets held under reinsurance contracts are recognised as financial liabilities.

The reinsurance assets are subject to regular impairment tests and losses in value are recorded when necessary. The Group gathers objective evidence of impairment and records the reduced values according to the same procedures as those used for the financial assets and liabilities recognised at amortised cost (see in particular note 7.9, 7.10 below).

7. FINANCIAL INSTRUMENTS

7.1 Recognition and derecognition of financial assets and liabilities

The Group recognises financial assets and liabilities in its balance sheet when they become a party to the contractual provisions of the instrument. Normal purchases and disposals of the financial assets and liabilities are recorded on the transaction date. On initial recognition, financial assets and liabilities are recorded at fair value (with the exception of the financial assets and liabilities related to unit-linked contracts) plus any transaction costs directly attributable to the acquisition or issue of the financial instrument.

A financial asset is derecognised on expiry of the contractual rights to the cash flows linked to the asset in question, when the financial asset is transferred by the Group together with a substantial portion of the risks and benefits inherent to the asset or when the Group ceases to have control of the asset.

A financial liability is derecognised when extinguished, in other words when the contractual obligation inherent to the contract is extinguished, is cancelled or has expired.

7.2 Amortised cost

Following initial recognition, financial assets held-to-maturity, loans and receivables and financial liabilities (other than those recorded at fair value through profit or loss) are valued at amortised cost using the effective interest rate method. Commission paid or received, directly attributable transaction costs and all other positive or negative premiums are written off over the expected lifetime of the financial instrument.

Accrued interests on bonds are recognised in the valuation at amortised cost.

7.3 Fair value

For a financial instrument quoted in an active market, the fair value is the bid price on the valuation date for an asset held or a liability to be issued and the ask price for an asset intended for purchase or a liability held. Funds share invested in instruments quoted on active markets are themselves regarded as securities listed on an active market and valuated at their net asset value calculated by responsible third parties.

A financial instrument is generally considered not quoted in an active market because of its nature (unlisted share, for example) but this could also result from market changes (decline in the volume of transactions, for example). The group then uses the quotations made by third parties (for example valuations of unlisted securities Luxembourg estimated annually by the Luxembourg Stock Exchange or the valuations provided regularly by banks and other financial institutions). Although the previous methods are not applicable, the Group estimates the fair value using a valuation technique. When appropriate, the valuation techniques include the comparison with recent transactions in competitive conditions, if any, reference to the fair value of another instrument that is substantially the analysis of future cash flows updated models and option pricing.

Accrued interests on bonds are recognised in the valuation of the debt securities.

7.4 Classification and recognition of financial assets and liabilities

Financial assets are divided into the following categories:

- Financial assets available for sale ;
- Financial assets at fair value through profit and loss ;
- Financial assets held to maturity ;
- Loans and receivables.

Financial liabilities are divided into two categories:

- Financial liabilities at fair value through profit or loss ;
- Other financial liabilities.

7.5 Impairment

At each end of the reporting period, the Group determines whether there is any objective evidence of impairment of an individual financial asset or a group of assets as a result of events occurring subsequent to their initial recognition in the accounts. In the affirmative, the Group assesses the amount of the loss suffered by the financial asset or group of financial assets and this amount is immediately recognised in profit or loss. Expected losses as a consequence of events occurring after the close of the period are not being considered. Amongst criteria considered as indications of depreciation:

- Significant financial difficulties of the issuer ;
- Default or delinquency in interest or principal payments;
- Becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for that financial asset because of financial difficulties.

7.6 Derivatives

If applicable, these financial instruments are recognised initially at fair value from the starting date of the corresponding contract and are measured at fair value during subsequent periods. Change in the fair value is recognised in income or loss. The Group does not apply hedge accounting under IAS 39.

For the Group, financial instruments include convertible bonds valuated at fair value through profit and loss because they contain an embedded derivative according to IAS 39, or a debt swapped at the lending bank. Where appropriate, can also include selling of derivatives (call options) on underlying shares held by the Group.

7.7 Financial assets available for sale

Financial assets available for sale are non-derivative financial instruments classified as available for sale or financial instruments which are not part of any other categories of financial instruments.

Financial assets available for sale are recognised at purchase date at fair value plus any transaction costs directly attributable to the acquisition. Fixed income securities are depreciated using the effective interest rate method. The difference between acquisition price and redemption value of fixed income securities is thus recorded through income by using an actuarial method over the residual lifetime of the securities.

The difference between the fair value of the securities on balance sheet date and their acquisition price, plus or minus depreciation due to the effective interest rate method, where applicable, is recognised in assets under the "available for sale" heading and a corresponding entry in line "revaluation reserve" in equity.

Where there is an objective indication of impairment of a financial instrument available for sale, the accumulated loss, previously recorded in equity, is transferred to income as follows:

a) Debt instruments

A drop in value, which equals the difference between fair value and amortised cost, is recorded in the income statement. If during a subsequent financial year, the fair value of an impaired debt instrument increases, the amount of the impairment previously recorded is written back to income.

b) Equity instruments

The Group appreciates the existence of objective evidence of impairment in value for all equity instruments whose fair value is materially lower than cost. For these instruments, the Group considers the occurrence of significant changes in the technological, market, economic or legal having an adverse effect on the issuer and the significant or prolonged decrease in fair value of the instrument below its cost.

If the closing price of such an instrument is lower by at least 40,0% to its purchase price or if the unrealised loss is continuous for 18 months, it is objective indication of permanent impairment. In addition, the Company recognises systematically an impairment loss from other criteria (see note 5).

The amount of accumulated impairment transferred from equity to income is the difference between the acquisition cost and the fair value, less any impairment of this asset previously recorded in income. Any subsequent loss on a depreciated equity is immediately recognised through income whether or not it is significant or lasting. If the equity investment in question should subsequently appreciate in value, impairment recorded is not written back through income but is recognised in the "revaluation reserve" until the asset in question is sold.

7.8 Financial assets at fair value through profit and loss

7.8.1 Financial assets held for trading

A financial asset is classified as held for trading if it is:

- Acquired or incurred principally for the purpose of selling in the near term ;
- A financial derivative or embedded derivative as defined in IAS 39.

Change in fair value of financial assets held for trading during the period is recognised in the profit and loss statement.

7.8.2 Financial assets designated as at fair value through profit and loss

In order to avoid accounting discrepancies, the Group classifies financial assets held within unit-linked contracts, where the corresponding liabilities are valued on the basis of the fair value of the investments units underlying these contracts, as being at fair value through profit and loss.

7.9 Financial assets held to maturity

Assets held-to-maturity are non-derivative financial assets, with determined or determinable payments as well as a fixed maturity where the Group has a positive intention and capacity to maintains until maturity, with the exception of:

- those which the Group has designated at initial recognition, as being valued at fair value through income (cf. 7.8.2) ;
- those which the Group has designated as being available for sale (cf. 7.7) ;
- those defined as loans and receivables (cf. 7.10).

Financial assets held-to-maturity are measured at amortised cost, using the effective interest rate method.

If it seems appropriate to recognise a financial asset at amortised cost rather than at fair value, for instance if the Group has changed its intention, the book value of this financial asset measured at fair value will be considered to be its new amortised cost.

7.10 Loans, receivables and financial liabilities

a) Insurance receivables

Client, broker and agent, co-insurer and reinsurers receivable accounts are initially recorded at fair value and then valued at amortised cost.

b) Loans on life insurance contracts

Loans secured by life insurance contracts are initially recognised at fair value and then valued at amortised cost.

c) Mortgages and other loans

Mortgages and other loans are initially recognised at fair value and then valued at amortised cost.

d) Depreciation terms of these financial assets

Impairment is calculated as soon as there is objective evidence of depreciation of all or some of these insurance receivables, down payments or loans.

The amount of the impairment is the difference between the book value and the recoverable value (if the latter is lower than the book value), where the recoverable value is defined as being the present value of estimated future cash-flows. This depreciation is recorded in the income statement.

e) Financial liabilities

Financial liabilities other than investment contracts falling within the scope of IAS 39 (see point 6.4.2) are initially recognised at fair value and then valued at amortised cost.

7.11 Cash and cash equivalents

Bank accounts, postal checks and cash in hand are recognised at initial book entry value. This item includes cash, short-term deposits and other short-term investments with very high liquidity, provided that their initial maturity and remaining maturity do not exceed three months. Credit balances on current accounts are considered as cash management instruments.

7.12 Valuation and accounting of income and expense from financial assets and liabilities

Income and expense from financial assets and liabilities received, paid, to be received or payable are valued at fair value. In the majority of cases, there is a counter-entry in cash or cash equivalents. Income is recognised if it is probable that the economic benefits associated with the transaction will flow to the Group. Expenses are recorded as soon as they are incurred.

8. TANGIBLE AND INTANGIBLE FIXED ASSETS

8.1 Land, buildings, equipment, machinery and furniture

8.1.1 Land and buildings

The Group recognises land and constructions separately depending on whether the buildings are used by the Group (business premises), as defined in IAS 16, or held for investment (investment property), as defined in IAS 40. These positions are recognised separately in consolidated assets of the Group. After initial recognition, these assets are recognised at cost less accumulated amortisation and accumulated impairment, if any.

a) Investment properties

An investment property is measured initially at its cost, including transaction costs. The cost is the cash or cash equivalent at the time of its acquisition or construction plus accessory construction cost and/or acquisition costs directly attributable thereto or indeed the equivalent cash value given to the asset on initial recognition.

b) Business premises

Business premises are recognised at acquisition cost less amortisation and impairment. Land is an exception to this rule as only impairment can be deducted.

The acquisition cost of business premises is defined as the acquisition price plus any accessory costs related to the acquisition. The cost includes:

- The purchase price, including duties and non-refundable purchase taxes, after deducting trade discounts and rebates ;
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are recognised as separate assets only if it is probable that future economic benefits associated with this item will flow to the Group and the cost of the item can be measured reliably. The day-to-day servicing of the tangible fixed assets such as repairs, maintenance and other similar costs are charged to the income statement.

8.1.2 Equipment, machinery and furniture

These tangible assets are recognised initially at acquisition cost. The acquisition cost is defined as the purchase price plus any accessory costs related to the acquisition. The acquisition cost includes:

- The purchase price including duties and non-refundable purchase taxes, after deducting trade discounts and rebates ;
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

After recognition these assets are carried on the basis of the cost model less accumulated amortisation and any accumulated impairment losses.

8.1.3 Amortisation and impairment

The Group allocates the amount initially recognised to significant parts and depreciates separately each such part.

Amortisation is calculated using the linear method on the basis of the useful life of the assets, i.e. :
- 25 to 50 years for the structure of the buildings ;
- 10 years for the technical components of the buildings ;
- 3 to 10 years for equipment, machinery and furniture.

The depreciable amount of these assets is determinate after deducting its residual value. Remaining life and the amortisation method applied is examined at each annual end.

Land is considered as a non-amortisable asset. Any depreciation is subject to an impairment loss.

The fair value of business premises and investment property is periodically determined by professionally qualified valuers. The fair value of items is indicated in the respective notes to the financial statements. Any loss of value resulting from the expertise is subject for impairment.

The residual value and useful life of the tangible assets are revised at each annual period end. In accordance with IAS 36, impairment is recognised immediately, when the carrying amount exceeds the amount to be recovered.

8.2 Intangible fixed assets

8.2.1 General

An intangible fixed asset is recognised when:
- It is probable that the expected future economic benefits that are attributable to the asset will flow to the entity ;
- The cost of the asset can be measured reliably.

To assess the probability of expected future economic benefits, the Group uses reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible fixed assets are measured initially at cost comprises any directly attributable costs of preparing the assets for their intended use. After initial recognition, an intangible fixed asset is recognised at cost less accumulated amortisation and accumulated impairment if any.

For intangible assets with a finite useful life, the Group amortises these over their useful life. The amortisation period for an intangible fixed asset depends on the activity and economic development of the Group's entities. Amortisation begins when the intangible asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation shall cease at the earlier of the date that the asset is classified as held for sale in accordance with IFRS 5 and the date that the asset is derecognised. The amortisation charge for each period is recognised in the income statement. The breakdown of this charge is included in financial charges, charges for insurance benefit and cost items. The useful life and the amortisation method of the intangible fixed asset are reviewed at each financial year-end.

When there is any indication that an intangible fixed asset may be impaired, the entity does impairment tests. If there is any significant change to parameters such as intrinsic value, future profitability or market share, the value will be reduced in accordance with IAS 36.

Intangible fixed assets with an indefinite useful life will not be amortised but will undergo annually impairment tests in accordance with IAS 36 or whenever there is an indication that the asset may be impaired.

8.2.2 Categories of intangible fixed assets

a) Goodwill

Goodwill is defined as the portion of the acquisition costs exceeding the fair value of the assets, liabilities and any identifiable contingent liabilities accruing to the Group on at the date of acquisition. This goodwill is recognised as an intangible fixed asset. Goodwill on investments in associates is included in the carrying value of these investments.

In order to determine an eventual loss of value, goodwill is tested for impairment periodically and at least once a year. The remaining net value, less any impairment, is recognised in the balance sheet. The impairment is recognised in profit or loss. An impairment recognised for goodwill is not reversed.

b) Other intangible fixed assets

- Intangible fixed assets purchased

The costs of software licences purchased are recognised in assets at its purchase price and any directly attributable costs of preparing the asset for its intended use. The customer lists acquired from the agents are recognised at their purchase price. These costs are amortised according to the linear method, over their estimated useful lives of 3 to 5 years. The residual value is estimated zero.

- Internally generated intangible fixed assets

These assets are IT projects developed internally. Costs incurred during the research phase of the internal generated projects are not recognised in asset and are recognised in the income statement when incurred.

Only cost incurred during the development phase is recognised in asset, provided the rules for asset recognition of such elements, as defined by IAS 38, have been applied.

After initial recognition, development expenses considered as internally generated intangible fixed assets are valued using the amortised cost model. The cost of such an asset includes all directly attributable costs required to create, produce and prepare the fixed asset to be capable of operating in the manner intended by management.

As a general rule, the estimated useful life of the software generated internally is currently between 3 and 5 years. This period is consistent with the group's experience in this way. The residual value is estimated zero. Amortisation is calculated by the linear method over the useful life of the assets.

9. CAPITAL

Ordinary shares are recognised under "Capital". Expenses directly linked to the issue of new shares or options are recognised in shareholders' equity, net of tax, and deducted from the value of the shares issued. When a Group company purchases shares of the parent company, the price paid, and the direct included incurred costs related to this transaction, are deducted from the shareholders' equity until these shares are cancelled or sold. When those shares are sold, the selling price, net of tax and any direct costs incurred during the transaction, is added to the shareholders' equity.

Following a decision taken by the Annual General Meeting of Shareholders, shares issued entitle the holder to a dividend upon presentation of the detached coupon.

In 2009, the Company has implemented a stock option plan in favour of the management. Those transactions do not result in the issuance of new shares and the Company redeems the shares necessary for such compensation at the stock market.

10. INCOME TAXES

Taxes on income are calculated according to the tax rules in force in the countries in which the entities are located. Advances paid for a specific financial year may be offset against tax liabilities in respect of the estimated result for the same financial year.

Deferred taxes arise where there is a temporary difference between the tax base of an asset or a liability and the carrying value of the asset or liability in the consolidated balance sheet. The tax rate is applied and the deferred tax is calculated in accordance with the legal provisions adopted at of the year-end.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises out of the initial recognition of the goodwill of a business combination or the initial recognition of an asset or a liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit and loss, and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be offset, unless the temporary tax asset originates from the initial recognition of an asset or a liability which involved a transaction which:

a. is not a business combination, and
b. at the time of the transaction affects neither the accounting profit nor taxable profit and loss.

However, deferred tax assets are recognised for all deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be used.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be used. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future tax profits will allow the deferred tax asset to be recovered.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Tax rates to be applied to temporary differences will be the maximum tax rate in the various tax categories:
- Luxembourg: 29,97% (rate in Leudelange) ;
- Belgium: 33,99%.

11. STAFF BENEFITS

11.1 Post employment benefits

The Group manages two types of defined pension benefit plans in favour of employees and a commitment in favour of certain agents.

- Pension benefit plan

A defined contribution pension benefit plan was introduced in favour of employees on 1st January 2003. The employer's contributions to supplementary pension are used to build an employers' supplementary pension benefit fund, an employers' supplementary pension benefit fund for early retirement and capital for death and invalidity indemnities.

The employee chooses where the employers' contributions to the supplementary pension fund, net of expenses, are paid on his or her behalf each year. This can be a unit-linked savings instrument, stipulating the various funds into which these payments are made, and/or into a guaranteed rate savings instrument. If the employee dies before retirement, beneficiaries receive the accumulated savings plus a death benefit. Any dependent children receive an orphan's pension. In the event of full or partial invalidity prior to the retirement date, a supplementary invalidity benefit is paid by the employer in accordance with the rules of the plan. The Group has no further obligations other than to pay the aforementioned employers' contributions.

A feature of the defined contribution plans is that payments are made to institutions which release the employer from any subsequent obligation. Consequently, once the contributions have been paid, no liability or commitment is recognised in the accounts of the various entities. Foyer Vie S.A. acts as the insurer for the other Group entities operating defined contribution pension plans for their respective employees. This means that both unit-linked and non-unit-linked life insurance and pension benefit commitments, covering the assets which represent the retirement capital accumulated by the individual employees, are recognised in the Group's consolidated accounts.

- The previous pension plan

The Group has obligations linked to a previous defined pension benefit plan. This plan was closed in 2003 and now only relates to those employees who retired prior to that date. A provision is set aside for current pension benefit commitments which include retirement, invalidity, survivor and orphan's pensions.

- Retirement allowances

The Group has long-term obligations towards some agents, who are employees. Contributions are paid annually proportionally to the agent's commission. A benefit is paid to the agent on retirement.

- Accounting methods

In accordance with IAS 19, the projected credit unit method is used to calculate the discounted value of the defined benefits, the cost of the services rendered over the period and, where applicable, of past services. Present value of the commitments is calculated by discounting future flows at a market rate based on state bond issues.

Any variations (actuarial gains or losses), net deferred taxes, are fully recognised in equity under the item "Reserves" for the period in which they occurred.

11.2 Other long term benefits and stock options

- Capital*at*Work's variable remuneration

In 2009, the Group acquired the Group Capital*at*Work. One of subsidiaries had previously awarded to certain employees stock options on a fund that are exercisable in 2018.The fair value of the commitments is the market value of these options.

In 2010, certain employees of Capital*at*Work Group subscribed to an incentive plan giving them additional pay depending on performance of Capital*at*Work. The plan is similar to a stock option plan exercisable, subject to conditions, between 01.01.2014 and 31.12.2016, and settled in cash. This commitment is assessed according to the characteristics of this plan, based on results achieved and the amount of assets under management (AUM).

- Jubilee awards

Gifts are offered to employees Gifts are offered to employees in Luxembourg. This commitment is recognised at its current value (cf. note 20).

- Share-based payment plan of Foyer S.A.

In 2009, the Company has implemented a stock option plan in favour of the management. This plan provides only settlement in shares.

The cost of options is valued at fair value of contracted instruments at grant date. The fair value is estimated by an appropriate valuation model taking into account the buy back shares programs.

At grant date, the option cost is recognised in staff costs, for an equivalent increase in equity of the Company.

11.3 Short term benefits

A provision is recognised for paid leave acquired by employees and reported in future periods (cf. note 20).

12. PROVISIONS AND OTHER LIABILITIES

In addition to the technical provisions related to Life and Non-Life insurance, the Group sets aside a provision whenever there is uncertainty as to the maturity of an obligation or the amount of a future expense required to meet the obligation. These provisions are recorded when the following conditions are met:

- The Group has a current (legal or implicit) obligation in respect of a past event ;
- It is likely that resources representative of economic benefits will be used in order to meet the obligation ;
- The amount of the obligation can be reliably estimated.

The provisions are discounted if the "time value" of the money is considered to be significant.

13. SEGMENT INFORMATION

As determined by management to evaluate performance, the group is organised around three operating segments based on their products, services and on regulatory constraints.

The segments are as follows:

- Non-life insurance ;
- Life insurance ;
- Asset management.

Revenue from external customers is presented with the following:

- Life insurance and Non-Life insurance: earned premium net of reinsurance ;
- For all segments, net operating income, commissions and financial income included.

The net financial incomes are closely related to the business of operating segment and are managed independently. Of these net financial incomes, revenue and interest expenses are presented separately in accordance with IFRS 8, although they are not provided to management.

Miscellaneous expenses such as those relating to management accounting, financial management or management legally are supported by various segments through entities belonging to segments. These expenses are identified and allocated to the Group's entities using an internal cost allocation system and a common accounting system.

The benefits of the fiscal integration of certain companies incorporated in Luxembourg are allocated to the sector of asset management.

Geographic information separate following indicators between Luxembourg, on the one hand, and the rest of Europe, on the other hand:

- for Life insurance and Non-Life insurance, gross earned premiums from external customers are assigned based on the geographical location of customers ;
- tangible assets are allocated on the basis of their geographical location.

Providing more detailed information would require undue cost.

14. INCOME FROM ORDINARY ACTIVITIES

Products from insurance premiums in Life and Non-Life, services and use of assets of the Group entities generating interests, royalties and dividends are considered as income from ordinary activities.

- Insurance premiums are collected either for non-renewable periods agreed on a case-by-case basis with clients, either for fixed, tacitly renewed periods.
- As a general rule, services rendered are tasks performed under contract by a Group entity within a given deadline. Services may be rendered in the course of a single accounting period or over several accounting periods.
- Income generated by investment contracts in the asset management segment is represented by commission paid in return for the management of the securities portfolio and underlying deposits. This commission is fixed at the time of the signature of the investment contract and is payable periodically. The management fees charged on signing contracts cover both the financing costs charged by third parties as compensation for business expenses incurred.
- Use by third parties of assets belonging to the Group entities generates income from ordinary activities in the form of:
  - Interest – payment for the use of cash or cash equivalents or amounts due to the entities ;
  - Dividends - distribution of profits to holders of equity investments pro rata to their holdings in a class of securities in the capital.

15. LEASE AGREEMENTS

Some tangible fixed assets used by the Group, such as offices, have been taken for rent. Payments under these leases are recognised in the income statement on straight line basis over the duration of the lease. These simple operating leases do not involve the transfer of significant risks or benefits to the Group.

Note 5. Critical accounting estimates and judgments in applying accounting policies

When preparing the financial statements, Management has, on the date these statements are made, to make estimates and assumptions and set certain hypothesis which affect the amounts recognised under the assets and liabilities and, where necessary, provide information on asset and liability items and the income and expense recognised over the period. The actual results may differ from these estimates.

The estimates and assumptions are reviewed on a regular basis. The impact of changes to accounting estimates is recorded for the period in which the change took place, if it relates only to the current period, or for the period in which the change is applied and subsequent periods, if the change applies to the current period and subsequent periods.

Implementation of these decisions and estimates, which are explained in the notes to the financial statements, involves amongst others the evaluation of the technical provisions and the methods used to calculate depreciation amounts.

1. ESTIMATING CLAIMS EXPENSES

The effective cost of claims covered by the insurance contracts constitutes a critical accounting estimate. Various uncertainties must be taken into account when estimating claims, especially claims in the business line of civil responsibility (both general and motor), which are sometimes settled several years after their occurrence. With no established precedents and changes in the law and in the economic environment in general, it is difficult to accurately estimate what the final expense will be. These estimates are made with caution by management and skilled employees.

The estimated amounts of future payments of individual claims are recorded in the provisions for claims. With the exception of provisions for invalidity annuities, these are not discounted.

Additional provisions are set aside for claims incurred but not reported, for claims incurred but not enough reported, and for all future administration expenses related to these claims. They are estimated on the basis of historic data and current claim settlement trends, taking into account the frequency of occurrence of claims in the individual business lines of insurance (cf. note 17).

2. LIFE INSURANCE CONTRACTS AND SUPPLEMENTARY PENSION BENEFITS

2.1 Estimates in respect of long term supplementary pension benefit and life insurance contracts

The Group estimates the liabilities arising from long-term life insurance contracts. These estimates are based on the number of deaths over the total number of years of the Group's risk exposure. They also take into account the standards within the sector and mortality tables approved by supervisory bodies. For contracts where the risk is the survival of the policyholder, reasonable adjustments are made to take into account the increase in life expectancy.

The major source of uncertainty in death cover is the development of epidemics or pandemics such as AIDS or avian flu and lifestyle changes relating to eating, drinking and smoking habits. In contrast, progress in medical treatment and improvements in social conditions may have a positive effect on life expectancy.

Reinsurance cover is taken out for all contracts with the exception of savings-investment contracts with no insurance risk factor. When contracts offer a guaranteed minimum rate, a provision is set aside to cover shortfalls in future returns.

2.2 Mathematical provisions

Mathematical provisions for life insurance contracts with high mortality risk are calculated according to current principles approved by the supervisory authorities in line with prospective principles on the basis of assumptions relating to rates of return, mortality/morbidity and administration expenses.

If the mortality table changes, an additional provision is set aside to cover the variance between the provisions calculated on the basis of the old table and those calculated in line with the new table.

When contracts offer a guaranteed minimum rate, a provision is set aside to cover shortfalls in future returns.

The mathematical provisions for savings contracts are calculated retrospectively. These equate to total contributions paid plus returns calculated on the basis of technical rates. Where DPF is offered in the contracts, these are also included in the mathematical provisions (cf. note 17).

3. POST EMPLOYMENT BENEFITS

The commitments of the Group to employees and insurance agents (cf. notes 19 and 20) are discounted at a market rate based on bonds emitted by first class issuers. This is the rate of German government bonds ("Bund").

4. INVESTMENT CONTRACT

The Group writes a large number of contracts which are linked to financial instruments recognised at fair value through income. Not all of these instruments are listed on an active market and their market value is calculated using various techniques in case no active market is available.

These techniques are validated prior to use and, where appropriate, adapted to guarantee a result which reflects a market value comparable with that of similar assets.

Changes to the basic assumptions employed by these techniques (volatility, credit risk, etc.) may impact on the estimated fair market value of these financial instruments. However, since the Group's commitment to policyholders under these contracts equates to the fair value of the corresponding financial instruments, there is in fact no real financial risk for the Group. These contracts pass the financial risk on to the policyholders but, in return, guarantee them the benefits and revenues from these instruments (cf. note 18).

5. SHARES PERMANENTLY IMPAIRED

At each closing date, the Group reviews equity instruments whose fair value has an unrealised loss and determines whether there is objective evidence of permanent impairment for individual assets or assets of the same sector level. For the Group is objective evidence of permanent impairment, when an equity instrument is experiencing unrealised loss of at least 20,0% for a continuous period of nine months or more before the closing date (cf. note 14). The Group recognises the impairment in the income statement (cf. note 4, § 7.5 and 7.7).

At 31st December 2013, the largest unrealised and not impaired loss in shares amounts to -16.7%.

6. IMPAIRMENT OF GOODWILL

At each closing date, the Group carries out impairment tests of goodwill, acquired with Capital*at*Work, based primarily on assets under management (AUM) and coefficients of recovery thereof, by distinguishing private clients and institutional clients (cf. note 11). A reasonably possible change in a key assumption would not change the result of the test.

Note 6. Capital and risk management

1. RISK MANAGEMENT

1.1 Environment

European insurers and reinsurers are preparing for major regulatory changes in assessing, but also in communicating their risk. The Group takes the opportunity to refine its controls, its procedures and its methods of risk assessment and the associated capital needs.

a) Insurances : Solvency II

The European directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance, called "Solvency II", is based on a three-pillar approach: quantitative requirements (solvency capital requirement), management of internal processes and supervisory review (effective risk management) and disclosure requirement (market discipline). In December 2013, it was amended by the European directive 2013/58/EC scheduling the application date of the Solvency II Directive for 1 January 2016.

In recent years, the Group is actively preparing for changes made by the Solvency II directive. It has participated in several "Quantitative Impact Studies" (QIS), and has produced in 2013 estimates based on the future prudential standards in the actuarial reports submitted to the "Commissariat aux Assurances" (CAA).

b) Wealth management

Within the Asset Management sector, subsidiaries under the supervision of the financial sector have already adopted a risk management framework in line with local regulations (cf. section 3). In Luxembourg, "Commission de Surveillance du Secteur Financier" (CSSF) requires individual and consolidated prudential reporting at Capital*at*Work Group level. It consists of a ratio of capital adequacy and control of large exposures. In 2013, Capital*at*Work has adapted its operations following the CSSF circular 12/552 concerning central administration, internal governance and risk management.

The capital ratios required of investment companies of the Group are arising from the implementation of EU Directives 2006/48/EC and 2006/49/EC, as amended by Directive 2010/76/EU. The directives called "Capital Requirement Directives" (CRD) transpose into EU law the recommendations of the second Basel Accord. These agreements known as "Basel II" are based on three pillars: minimum capital requirement (solvency ratio), supervisory review process and market discipline requirements. This prudential supervision is strengthened by a new Capital Requirement Directive (CRD IV) and a Capital Requirements Regulation (CRR). The new rules transpose the global standard called "Basel III" and will apply from 1 January 2014.

1.2 Risk governance

Foyer Group involve following bodies in the analysis and control of risk:

- The Board of Directors sets the strategic objectives and allocates the capital;
- The Group Management defines operational objectives and allocates capital to the various entities/activities under the risk reward;
- The Chief Risk Officer implements the risk management framework; it is responsible for developing the own risk and solvency assessment (ORSA) in the insurance activities;
- The other functions that are involved in insurance risk management, particularly the Chief Actuary, who orchestrates the insurance risk quantification, and the Chief Investment Officer, responsible of the financial risk;
- The management of Capital*at*Work Foyer Group S.A. decline the risk management in asset management and financial intermediation activities, including its subsidiaries.

Risk governance is reinforced by internal audit teams of the Group, who, as part of their duties, evaluate the effectiveness of the governance procedures and risks of the Group.

This description has to be completed by the Charter that can be consulted in its entirety on the website and Corporate Governance which is published with these consolidated annual accounts.

1.3 Quantitative and qualitative information

Note 7 details the risks that the Group is subject because of the subscribed insurance or investment contracts and the matter the Group manages these risks.

2. CAPITAL MANAGEMENT

2.1 Managed capital

The Group defines managed capital as the consolidated equity, of which are deducted:

- The dividend proposed to shareholders and payable next year (cf. note 9),
- The net carrying value of intangible assets (cf. note 11).

With the exception of Foyer Santé S.A., the Group doesn't issue subordinated debt and cover its financial risks without hedge accounting. The change in the subordinated debt recognised in the consolidated balance sheet is due to the change in consolidation method for this entity.

€ thousand	31.12.2013	31.12.2012
Managed capital	685 544,9	624 311,4
Subordinated debt	600,0	300,0

2.2 Management framework

The Board of Directors and its Audit, Compliance and Risk Management Committee supervise periodically the capitalisation of the Group. The solvency of subsidiaries engaged in insurance or financial regulated activity is the subject of a particular control, in order to offer our customers the guarantee of a perennial protection, our shareholders a steady return and to allocate optimally the resources to Group's strategic development.

The capital level is assessed:

- For all subsidiaries, in the current regulatory framework, on a quarterly basis (see below point 3);
- As for subsidiaries and the Group Foyer, in an internal approach which converges gradually to future regulatory framework.

2.3 Objectives

In 2012 and 2011, the Group met its objective by far exceeding the capital required by a risk model that complies with Solvency II (based on specifications not finalised to date), and respecting a default risk of less than 0.5%, i.e. once every 200 years. The parameters required for the calculation of the solvency ratio at 31 December 2013 have not been supplied.

3. REGULATORY REQUIREMENTS IN CAPITAL

On 31 December 2013, the Group's subsidiaries and the joint venture which are under the supervision of the competent authorities of the insurance and reinsurance, on the one hand, and the financial sector (investment companies, including management companies), on the other hand, meet the capital requirements required by the respective laws and regulations applicable to them as part of their activities (see the list of companies note 2). The requirements were also met by insurance and investment companies at each quarterly reporting during the year 2013.

All these requirements in capital are calculated on the basis of accounts that are not prepared according to IFRS accounting principles. The consolidated equity established according to IFRS and their changes compared to the previous year are presented in the consolidated statement of changes in equity.

3.1 Insurance and reinsurance companies

Luxembourg insurance and reinsurance companies must at any time have a sufficient solvency margin to cover the solvency margin requirement on all their activities (Luxembourg regulations "Solvency I" primarily defined by the "règlement grand-ducal" of 14 December 1994 in implementation of the amended law of 6 December 1991 on the insurance sector). The available solvency margin includes the paid-up capital, statutory and free reserves, not corresponding to underwriting liabilities and the deferral of profits or losses, net of dividends payable and own shares held. This margin is decreased or increased for all other items covered by the regulation, particularly by unrealised gains. The required solvency margin is determined according to the business lines of insurance. The equity requirements of insurance and reinsurance companies generally depend on product conception, the volume of subscriptions, invested assets, liabilities and capital market developments, particularly regarding interest rates and financial markets.

3.2 Investment companies

Luxembourg investment companies, including management companies of investment funds, must at any time have sufficient equity to meet their overall equity requirement. Eligible shareholders' equity is calculated according to the circulars of the "Commission de Surveillance du Secteur Financier" which define the ratio of capital adequacy (principally circular CSSF 2007/290 issued under section 56 of the amended law of 5 April 1993 on the financial sector). The capital requirements are determined according to the risks associated with the activities of investment companies, including:

- Credit and dilution risk, associated with non-held for trading portfolio;
- Settlement, counterparty, position risks, related to the held for trading portfolio;
- Currency risk;
- Risk related to changes in prices of basic products;
- Operational risk.

Belgian investment companies are supervised by the Financial Services and Markers Authority (FSMA). The equity of the Belgian subsidiary Capital*at*Work S.A, approved as "brokerage company", must meet the general solvency ratio calculated on the basis of third party funds and other requirement defined by the circular D4/EB/97/1: the equity has to cover the third party funds, certain fixed assets and overhead on the one hand, and cover the credit risk and market risk on the other hand.

Note 7. Insurance and financial risks

The Group writes contracts whereby an insurance risk or a financial risk, or both, are transferred between two parties. This note lists these risks and explains how the Group manages them.

1. INSURANCE RISK

The risk inherent in each insurance contract is the possibility of the insured event materialising and the uncertainty surrounding the amount which will have to be paid out upon settlement of the event.

For an insurance portfolio, the main risk is the actual claims expense being higher than the anticipated premium income. The occurrence of the insured event is essentially random, the rate is based on assumptions of frequency and average cost of damage. If these assumptions underestimate the actual risk, the risk of loss is real.

Nevertheless, the statistical law shows that, for risks that can be shared, bigger the portfolio is, the less the deviation from the basic statistics. On the other hand, a more diversified portfolio is less exposed to the consequences of a deviation of actual results compared to the basic assumptions. Indeed, when the products cover independent risks, the hazard of a product is partially offset by the hazard on other products.

Due to:

- the strong diversification of Group's activities, both geographically and in the type of products offered,
- the high penetration in its markets for mutualisable risks,

the Group Foyer has an excellent knowledge of insurance risk management.

1.1 Non-Life insurance

1.1.1 General

The Group sells non-life insurance products mainly in the Grand-Duchy of Luxembourg but also in Belgium under the freedom of services directive. These activities expose the Group to three types of insurance risk. The first two types of risk related to current and future activities which carry a tariff risk and a risk of extreme claims. The third risk relates to past activities which carry a provisioning risk.

1.1.2 Risk pricing

1.1.2.1 Definition of price risk

For each insurance contract, in return for payment of a premium by the customer, the Group agrees to indemnify it in the event that the insured event occurs In other words, for every insurance product or insurance risk, the tariff risk is the risk that the total amount of premiums received, less administration and distribution costs, are insufficient to cover the total amount of claims incurred during the year.

1.1.2.2 Price risk management

To manage this risk, the Group has several ways.

a) Technical methods

As a major player on the domestic market, the Group has a large statistical database which enables it to reduce volatility when calculating the probability of occurrence of the insured event and average anticipated costs.

The Group's actuaries use this statistical database to calculate tariffs.

When designing the products, the Group carries out tests related to technical, commercial and management assumptions in order to test the sensitivity of the anticipated level of profitability.

Each year, these assumptions are adjusted in line with management reporting or supplementary analyses and tariffs are changed if necessary.

b) Legal framework

The majority of contracts is concluded for a period of one year and renewable tacitly. Thanks to the steering tools described in paragraph a), if the Group observes that tariffs are too low, it can take action and change the tariffs not only of new contracts but also of existing contracts, notifying the policyholder 30 days prior to expiry of the contract.

c) Possible resort to external expertise

For major technical risks (large building sites, industrial risks, etc.), the Group can avail itself of the global underwriting and pricing experience of its reinsurance partners.

1.1.3 Risk of extreme claims

1.1.3.1 Definition of risk of extreme claims

When actuaries calculate the premium of an insurance cover, they remove extreme claims from their statistical database. Extreme claims are events where the likelihood of occurrence is low (less than 0.5%), but the cost is high in comparison with the annual volume of premiums written in that particular insurance business line. To compensate for the exclusion of "extreme" claims, the cost of funding this risk is added to the calculated premium. This cost is usually financed by a reinsurance program that covers such claims. The main characteristics of which are described in the following paragraph.

For instance, the Group would currently define the following claims as "extreme":

- a storm where the total accumulated cost per event exceeds €3.0 million;
- a civil liability claim costing in excess of €2.5 million;
- a fire or explosion claim exceeding €2.0 million.

1.1.3.2 Risk management of extreme claims

Each year, to protect against the risk of extreme claims, the Group entered into a reinsurance program composed of different contracts and different reinsurers. The global cost of this reinsurance program is included in the insurance contract pricing.

The main reinsurance contracts are:

Reinsurance contracts	Type of reinsurance
Civil motor liability	Excess of loss
General Civil liability	Excess of loss
Fire	Excess of loss
Natural disasters	Excess of loss

1.1.3.3 Particular case concerning high risk concentration

The risks of extreme claims can be decomposed between, on one hand, claims of very high intensity affecting a single contract and one third, on the other hand, claims low and medium intensity but involving a significant number of contracts or third parties. The latter of this type of claims qualifies as high risk concentration. Taking into account the structure of the contract portfolio and contractual commitments toward the insured, high concentration risk occurs mainly in the damage insurance portfolio. Liability contract portfolios are also concerned but probability of occurrence is low. Theoretically the accident contract portfolio could also be concerned; however the probability is very low and the cost remains reasonable because since the insured sums are limited. Reinsurance plays a vital role in the management of the high concentration risk.

a) Business line of civil liability

The risk of high concentration is found as well in Civil Motor Liability (tunnel, pile-up) as in other than car insurance risks (faulty products). In order to safeguard itself against the different types of civil liability risks, the Group has written a non-proportional reinsurance cover covering individual events for which cover is limited in the motor vehicle business line.

In order to measure the impact of possible claims linked to high concentration and the efficiency of the corresponding reinsurance program, the following table shows the cost per year of occurrence.

Claims cost (€ million) (payment + provisions on 31.12.2013)	Year of occurence		
	2013	2012	2011
Before reinsurance	69,8	64,7	53,7
After reinsurance	67,1	61,8	50,9

During the period under review, the Group did not suffer from major claims resulting from concentration risk.

b) Business lines of property damage
Taking into account the importance of the market share of the Group in the motor vehicle sector and climate changes observed these last years, the risk of hail to which an open air parking lot is exposed is considered a major high concentration risk. Other risks (explosion on an industrial site, air crash, fire in an underground parking lot) are also considered to be fairly important. In order to safeguard itself against these high concentration risks, the Group has written two non-proportional reinsurance treaties covering individually occurring events. The first treaty covers the storm and hail risk with a cover of an amount twice the maximum possible claim expenditure occurring once every two hundred and fifty years. The second treaty covers fire and explosion risks with a reinsurance cover adapted to the profile of our portfolio. In addition to these, and in order to limit highest exposure on industrial sites and large buildings, the Group has also written a proportional reinsurance treaty and case by case reinsurance cover for individual risks.

In order to measure the impact of possible claims linked to high concentration and the efficiency of the corresponding reinsurance program, the following table shows the cost per year of occurrence.

Claims cost (€ million)	**Year of occurrence**		
(payment + provisions on 31.12.2013)	**2013**	**2012**	**2011**
Before reinsurance	87,6	85,1	83,7
After reinsurance	86,7	83,3	80,3

c) Accident business line
The concentration risk concerns the catastrophic (air crash, terrorism, bus or train accident, fire or explosion on the site of an insured entity in connection with a group contract). Given the generally very low capital risk exposure in this sector (portfolio of small, low capital insured), the Group did not consider it appropriate to reinsure this risk, except in special cases.

To measure the impact of potential claims related to this concentration risk, the table below shows the total annual charges per year of occurrence.

Claims cost (€ million)	**Year of occurrence**		
(payment + provisions on 31.12.2013)	**2013**	**2012**	**2011**
Before reinsurance	2,6	1,3	1,0
After reinsurance	2,6	1,3	1,0

Over the analysed period, the Group did not have to support a major claim resulting from concentration risk.

1.1.3.4 Sensitivity analysis

As mentioned in previous paragraphs, the annual result is very sensitive to the risk of extreme claims.

The sensitivity analysis is to simulate the impact of extreme damage through various extreme stress tests.

Definition of stress test

1	A civil motor liability claim in respect of a tunnel accident or pile-up of €50.0 million
2	Five civil motor liability claims each of €1.5 million
3	A storm claim where the total accumulated cost exceeds €25.0 million
4	A fire claim of €25.0 million in a factory
5	An explosion claim of €50.0 million in a factory. Above this amount, the explosion damages in the surrounding area some 50 buildings within our insurance portfolio carrying a claims expenses of €250.0 thousand per building, giving a total claims expense of €62.5 million

Impact on profit before tax (€ thousand)	Stress test 1	Stress test 2	Stress test 3	Stress test 4	Stress test 5
Impact before reinsurance	- 50 000	- 7 500	-25 000	-25 000	-62 500
Claims expense ceded to the reinsurer	47 500	-	22 000	23 000	60 500
Impact after reinsurance	**- 2 500**	**- 7 500**	**- 3 000**	**- 2 000**	**- 2 000**

As shown the result of "stress test", the most catastrophic scenario would have a maximum negative impact of €7.5 million (before tax) on profit after reinsurance, i.e. less than 1.0% of consolidated shareholders' equity at 31 December 2013. This shows the efficiency of our reinsurance program in the light of potential high claims risk. However, it does not include a potential impact on the cost of reinsurance in the event of achieving one or other of the extreme events.

1.1.4 The provisioning risk

1.1.4.1 Definition of the provisioning risk

The provisioning risk reflects the uncertainty of the claims provision appearing in the balance sheet. This provision is the sum of the following three amounts:

- The provision for reported outstanding claims;
- The provision for claims incurred but not reported (IBNR) or incurred but not enough reported (IBNER);
- The provision for internal claims administration expense in case the company would cease all activity.

1.1.4.2 Managing the provisioning risk

a) The provision for indemnities for claims reported and not settled

It is the sum of provisions estimated on a case-by-case basis by our claims managers based on their expertise and information available to them at the time of the estimate.

- Concerning more in particular damage business lines

Insufficient outstanding provisions for claims declared in the field of damage insurance is very low. Indeed, the cost estimate for the claim is done either on the grounds of the insured sum or on the grounds of a cost budget made by an expert or by the person that will be in charge of repairing the damage. Furthermore the time elapsed until payment of the damage is very short, such as to exclude any "inflationary "risk at large.

- Concerning more in particular civil liability business lines

The outstanding provision for claims declared in the field of civil liability business lines present a risk of provision insufficiency far higher than for damage business lines, and more particularly in the field of bodily injuries arising in motor vehicle accidents. Indeed in this type of claim, there are numerous items to be evaluated on the grounds of medical conclusions concerning future evolution such as economic losses, aesthetic prejudice, moral prejudice, present and future costs of medical treatments… On the other side payment can be delayed over an important number of years and the cost estimate need taking into account legal interest expense. Finally, in order to hold at any time a correct estimate, unsettled claims files are periodically actualised.

The following table shows an overall positive development of the year to year claims expense which corroborates the adequacy of applied provisioning methods claim by claim.

Gross of reinsurance:

(€ thousand)		Year of development					
		0	1	2	3	4	5
Year of occurence	2008	120 951,8	124 873,2	116 429,5	113 827,0	113 524,9	111 636,5
	2009	120 621,1	123 072,5	123 263,9	120 689,8	119 756,8	
	2010	134 115,6	133 302,6	127 964,0	123 720,7		
	2011	145 315,9	140 041,5	132 473,5			
	2012	144 281,1	147 840,2				
	2013	155 522,4					

Net of reinsurance (Group vision excluding internal Group reinsurance):

(€ thousand)		Year of development					
		0	1	2	3	4	5
Year of occurence	2008	118 069,5	119 574,2	111 302,8	107 416,2	107 253,7	105 515,6
	2009	117 674,7	119 829,5	120 034,4	117 908,4	116 962,5	
	2010	129 638,9	129 033,7	123 766,7	122 553,9		
	2011	139 882,5	134 988,5	127 492,9			
	2012	142 840,0	143 493,1				
	2013	153 131,5					

In order to provide the most objective view of the evolution of claims expense per year of occurrence, it was necessary to remove all claims reported in connection with the fronting activities carried out by the entities on behalf of captive reinsurance companies (balance of provisions net of payments as at 31 December 2013: €86,889.6 thousand). In addition, the claims expense as at 31 December 2013 does not include claims where the Group is not responsible for administration of the claim but where it is involved through national agreements, such as claims managed by the "Bureau Luxembourgeois" and the "Fonds commun de garantie automobile" (provision gross of reinsurance and net of payments €1,382.1 thousand). Finally, with respect to the small size of Luxembourg and the impact a major claim could have on the claims expense in a year of occurrence, all events where cost exceeds the first risk limit set in the reinsurance treaty of €1.5 million for a single claim have been eliminated (provision gross of reinsurance and net of payments as of 31 December 2013 €20,572.2 thousand). The claims expense gross of reinsurance for the years of occurrence prior to 2008 is €112,089.5 thousand, net of payments, and the payments for the years of occurrence 2008 to 2013 is €596,160.1 thousand. Taking into account all these factors, the gross claims provision was €475,233.9 thousand as at 31 December 2013.

b) Provision for claims occurred but not declared or claims insufficiently provisioned (IBNR and IBNER)

- Provisioning for claims occurred but not declared

This provision is calculated insurance risk per insurance risk according to a probability method, the parameters of which are estimated according to past years experience. However in order to allow for the effect of business line pluralism, the provision is calculated as a global estimate while trying to reach a confidence level of 95%. Maybe, than certain years, an exceptional provision has to be add on a policy or group of policies, due to the existence of a specific risk of late declaration.

- The provision for claims incurred but not enough reported (IBNER)

The first step involves estimating the final claims expense for each year of insurance and each insurance business line on the basis of historical data. The classic "chain ladder "actuarial method is applied to obtain an estimate for each business line of insurance. In the second step the Group takes account of the volatility of the result obtained by recalculating an estimate such as to ensure a confidence level of 95%. Then the Group considers the level of provision shown in the balance sheet and described under 1.1.4.2 compared to the confidence level of 95%. If the result of the hypothesis were to be below that level, the Group would then determine a complementary provision to be added to the provision for claims incurred bet not enough reported. Finally, in the same way as for IBNR, it may be added certain years, an exceptional provision to reflect a future different from the past. This may be particularly the case for the risk of medical hyperinflation and / or case law, or a very low level of long term interest rates.

c) Provision for internal claims administration

This provision is calculated on the basis of a model which takes the following parameters into account:

- global annual estimated amounts of run-offs of the claims portfolio;
- variable costs (personnel and material);
- fixed costs (IT maintenance, rent expenditure);
- hypothesis of inflation to future costs.

1.2 Life insurance

1.2.1 General

In life insurance, an essential distinction is made between contracts intended to cover only the risks of death and disability, such as insurance contracts "temporary outstanding loan annuities", the savings contracts or contracts combining aspects of risk and savings.

a) Frequency and accumulation risk

For contracts providing death and invalidity cover, the biggest factor likely to impact frequency of occurrence are disasters or significant lifestyle changes in eating, drinking and smoking habits and physical exercise. For contracts covering survival risk, the most important factor is progress in medical and social science improving life expectancy. As regards long-term mortality and longevity trends, we regularly review the assumptions on which our pricing policy is based.

b) Concentration of risks

The reinsurance policy which provides cover for catastrophe risks also covers any risk concentration. This agreement covers all single disaster claims affecting at least five people.

c) Sources of uncertainty in estimating payments on maturity and future premiums

The sources of uncertainty are unforeseeable events which influence estimates, such as a shift in long-term longevity and changes in the social behaviour of the insured parties. The Group uses mortality tables which are recognised as appropriate for the local market. The performance of the portfolio and the general mortality statistics are systematically checked. If these checks highlight any significant deviations, the mathematical provisions for these contracts and the price of the products in question are adjusted accordingly.

1.2.2 Long-term life insurance, assumptions, changes in assumptions and sensitivity

For life insurance contracts with guaranteed return and DPF, estimates are made, taking into account the probability of death, cancellation, interest rates and general expenses, at the time these contracts are written. Using these assumptions, the Group calculates the insurance commitment for the duration of the contract. Subsequent to this, further estimates are made on a regular basis to ascertain whether the initial estimates are still adequate. If current estimates are inadequate, additional provisions are set aside.

For contracts with a DPF, the Group cannot accurately estimate the fair value of this clause in the contracts. In fact, although this clause entitles to additional benefit, the interest rate used to determine the discretionary participation is decided by the Board of Directors of the concerned entities on the basis of recommendations from Group actuaries.

The decision as to the amount of the DPF to be awarded depends on the performance of the assets invested. The rates applicable to the contracts are based on this amount.

1.2.3 Sensitivity assumptions

On regular basis and at least annually, the Life insurance portfolios are subjected to stress tests. These stress tests highlight the surplus – or possible shortfall – of cover for the Group's commitments. For both long-term and short-term contracts, these tests determine the impact of a 25.0% increase or fall in the reference bond yields.

As of 31 December 2013, compared to the surplus of assets covering technical provisions calculated according regulations in force, the rate of coverage evolves as follows:

- At the reference rate of 1.93% (2012: 1.32%), the excess cover increases by 31.0% (2012: decreased by 66.1%);
- At the rate of 2.41% (2012: 1.65%), representing an increase of 25.0%, the excess cover increases by 329.0% (2012: decreased by 43.9%);
- At the rate of 1.45% (2012: 0.99%), representing a drop of 25.0%, the excess cover decreases by 267.0% (2012: decreased by 88.5%).

The Group is using an economic model to monitor any eventual shortfalls in future returns required to meet contractual commitments.

In an economic environment of low interest rates, the shortfall has been established into a scenario of recurring return of the portfolio of 1.6% to 1.7%. The shortfall can be estimated at maximum 206.0% (2012: 84.3%) of the excess cover, in other words a current maximum fluctuation of €11.0 million, impacting directly on the shareholders' equity of the Group for an amount of €7.7 million after tax.

At the 2013 year-end, the shortfall was covered up to €11.7 million by additional provisions.

1.2.4 Short-term life insurance contracts

The Group sells individual short-term life insurance contracts in connection with the death cover it provides. These contracts back loans taken out by the policyholder to purchase consumer.

In Group insurance, these short-term contracts are subscribed by companies in connection with their pension benefit funds for their employees. In the majority of cases these contracts cover death and invalidity risk in addition to the savings facility they offer. Life risk is not exposed to any uncertainties other than the disaster and lifestyle uncertainties already mentioned.

1.2.5 Long-term life insurance contracts sold under the freedom of services act

In addition to the above contracts, the Group sells life contracts outside Luxembourg under the freedom of services act. These are classified as either investment contracts or insurance contracts, depending on whether or not there is significant insurance risk as defined by IFRS 4.

In the majority of cases, the policyholder pays a single premium in the form of a savings capital which is invested according to a pre-defined investment policy. Consequently, the financial risk is borne by the policyholder, except of course for the portion of insurance risk covered by the contract.

2. FINANCIAL RISK

The Group carries a financial risk through its financial assets, reinsurance receivables and insurance liabilities. In life insurance, there is the risk that revenue from financial assets will not be sufficient to meet the savings commitments provided for in the insurance contracts. The financial margin is exposed to the risk made up of a combination of variation possibilities of the rates of return of the technical provisions and the technical rate in the life sector and the legal interest rate to be applied to provisions for claims in the non-life sector.

On the basis of the profile of its insurance liabilities and cash flows, the Group seeks a balanced return from its asset management activities in order to meet the risks incurred. It complies with the legal framework which sets restrictions on the investment of technical provisions by asset type and issuer in order to avoid a concentration risk. Luxembourg law requires well diversified and adequately spread assets covering technical provisions. For example, for bonds and European equities listed that meet the criteria of the Grand-Ducal Regulation of 14 December 1994 as amended in particular by the Grand Ducal Regulation of 10 January 2003, the limit per issuer is 5% of technical provisions.

Beyond the legal limits, investments in financial assets are highly diversified. These are generally not hedged by derivatives. Any portfolio adjustments considered necessary are applied directly to the assets managed.

The most important risk factors are rate risks, the risk of fluctuations of the stock markets, credit risk and foreign exchange risk. The Group has identified credit risk inherent to the management of clients, brokers and reinsurers. The first two are handled by the litigation department whereas the reinsurance committee is responsible for reinsurance risk.

The other risks arise from unhedged positions from interest rates, exchange rates, equities and Investment funds which are exposed to market movements. Taking into account the structure of the securities portfolio, the most important risk is the interest rate risk. Interest rate risk is especially high for long-term contracts since the probability of fluctuations of medium and long-term rates is important. Hence, a drop in return from assets due to a long-term drop in the bond rates and/or the equities markets could reduce the financial margin if the return from assets invested is not sufficient to cover the technical rates and accumulated profit sharing. A rise in the bond rates, on the other hand, reduces the value of the bond portfolios and may lead to significant depreciation.

The stock market risk applies to the loss of capital invested in equities. A long-term fall in the equity markets and the property market may not only result in amortisation or depreciation, but will also reduce the unrealised capital gains and available surpluses.

Foreign exchange risk is marginal as the majority of the Group's assets and liabilities are in Euro.

2.1 Credit risk limiting policy

Within the scope of its activity, the Group is exposed to certain credit risks. The risk is defined as the risk that the counterparty to a financial instrument does not meet its commitments and thus makes the Group suffer a financial loss.

Considering the area of activity of the Group, the main credit risks are:

- Fixed interest bonds and accrued interest on these bond portfolios;
- Bank deposits;
- Reinsurers parts of the technical provisions and in claims payments;
- Amounts due by underwriters and intermediaries.

2.1.1 Credit risk limiting policy

In order to limit credit risk exposure to bond portfolios, the Group regularly checks the evolution of the various issuers' ratings in order to maintain a high degree of quality and to evaluate if income is adequate for the credit risk incurred. The policy is to diversify issuers according to certain imposed criteria and management considerations for each category of rating.

Risk born in relation with deposits with banks is limited through specific limits authorised by the Board of directors. These limits are reviewed periodically, at least annually, on the grounds of each bank's rating, or, if no such rating is available, on the basis of a balance sheet analysis of the bank concerned. These limits vary between €2 000.0 thousand and €100 000.0 thousand for credit institutions with best rating.

Risks born with respect to reinsurers are managed by the reinsurance committee. In the process of transferring insurance risk towards reinsurers, the reinsurance committee takes into account the insolvency risk of these reinsurance companies by diversifying risk transfer to reinsurers for which security wetting is considered sufficient. The reinsurance committee gathers periodically and analyses at least annually security wetting.

In as far as captive insurance contracts are concerned; reinsurers' credit risk is checked by analysing the financial situation of the reinsurer and its shareholders in connection with risk inherent to the contracts to be underwritten.

Clients and intermediary risks are followed on an ongoing basis materialised by way of reminders and if necessary by cancellation of the contract, thus allowing the group to withdraw from the risk. The Group extends credit to clients in the form of loans against written policies. These loans are secured by the underlying savings of these life insurance contracts. The Group also extends loans to certain insurance agents; these loans are secured by the indemnity these agents would perceive in case of termination of their agents contract.

2.1.2 Maximum exposure to credit risk

31.12.2013 € thousand	Other	Unit linked	Total
Equity instruments			
- Available for sale	456 538,2	-	456 538,2
- At fair value through P&L	58,6	-	58,6
Fixed income securities			
- Available for sale	1 454 521,9	-	1 454 521,9
- At fair value through P&L	12 497,8	-	12 497,8
- Held-to-maturity	21 530,6	-	21 530,6
Financial assets relating to unit-linked contracts	-	3 241 507,5	3 241 507,5
Insurance receivables and other receivables	85 458,1	-	85 458,1
Reinsurers' share of liabilities in respect of insurance contracts	149 408,2	-	149 408,2
Cash and cash equivalents	280 092,5	-	280 092,5
Total credit risk exposition	**2 460 105,9**	**3 241 507,5**	**5 701 613,4**

31.12.2012 € thousand	Other	Unit linked	Total
Subordinated loan	300,0	-	300,0
Equity instruments			
- Available for sale	334 643,4	-	334 643,4
- At fair value through P&L	70,4	-	70,4
Fixed income securities			
- Available for sale	1 361 877,3	-	1 361 877,3
- At fair value through P&L	14 657,4	-	14 657,4
- Held-to-maturity	20 678,8	-	20 678,8
Financial assets relating to unit-linked contracts	-	3 108 300,3	3 108 300,3
Insurance receivables and other receivables	65 932,2	-	65 932,2
Reinsurers' share of liabilities in respect of insurance contracts	78 076,6	-	78 076,6
Cash and cash equivalents	250 566,8	-	250 566,8
Total credit risk exposition	**2 126 802,9**	**3 108 300,3**	**5 235 103,2**

2.1.3 Credit risk evaluation according to the credit rating of counterparties

a) Bond portfolio

The following table gives the split per rating of the bonds held by the Group (rating by Standard & Poor's or equivalent).

€ thousand	31.12.2013	31.12.2012
AAA / AA-	175 666,9	268 000,1
A+ / BBB-	1 003 810,6	928 363,3
Lower than BBB-	172 842,4	94 311,4
Non-rated	136 230,4	106 538,7
Total	**1 488 550,3**	**1 397 213,5**

Credit risk exposure was the following:

€ thousand	31.12.2013	31.12.2012
Sovereign or debt guaranteed by government institution		
- of wich Euro area - GIIPS	*109 903,8*	*54 162,8*
- of wich Euro area - other countries	*61 772,0*	*51 737,9*
- of wich other countries of EEA	*35 780,8*	*29 998,7*
- of wich other countries of OECD	*12 012,9*	*12 133,3*
- of wich rest of the world	*2 516,2*	*9 573,0*
Supranational bodies	35 248,8	61 608,6
Hedged bonds	94 329,1	131 935,8
Corporate issuers, financial sector	334 082,5	364 408,5
Corporate issuers, non-financial sector	802 904,2	681 654,9
Total	**1 488 550,3**	**1 397 213,5**

On 31 December 2013, maturities of the bond portfolio were the following:

€ thousand	< 1 year	1 - 5 years	5 - 10 years	> 10 years
Sovereign or debt guaranteed by government institution	3 955,2	48 865,9	101 327,0	67 837,6
Supranational bodies	-	-	30 445,2	4 803,6
Hedged bonds	2 454,4	47 074,8	44 799,9	-
Corporate issuers, financial sector	11 297,7	115 884,9	110 138,7	96 761,2
Corporate issuers, non-financial sector	20 223,6	339 229,9	359 411,2	84 039,5
Total	**37 930,9**	**551 055,5**	**646 122,0**	**253 441,9**

b) Reinsurers' share of liabilities relating to insurance contracts

Reinsurers part within these liabilities amounted to €149 408.2 thousand (2012 €78 076.6 thousand). Non-captive contracts represent €67 103.5 thousand (2012: €58 422.0 thousand) and the reserve for claims incurred but not yet reported (IBNR) amounted to €4 600.0 thousand. On 31 December 2013 more than 25.2% (2012: 31.1%) of provisions in relation with these non-captive reinsurance contracts and out of IBNR are ceded to reinsurers whose S&P rating is at least AA and 47.2% (2012: 42.7%) to reinsurers whose rating is at least A.

c) Cash and cash equivalents

€ thousand	31.12.2013	31.12.2012
AAA / AA-	138 745,3	130 794,0
A+ / BBB-	111 343,1	94 350,4
A (by company)	20 120,5	20 385,4
Unrated	9 883,6	5 037,0
Total	**280 092,5**	**250 566,8**

With the same objective of caution for the bond management, the Group's cash is deposited mainly with banks of good quality having a high credit rating. In case where the bank has no rating, a complete analysis is made in order to attribute an internal rating and thereby establishing if the counterpart is solid.

2.1.4 Other information

On closing the Group holds no assets pending and which are not depreciated, without having been impaired.

The Group recorded an impairment loss of €427.4 thousand (2012: €427.4 thousand) on claims against policyholders (cf. note 15).

As part of its reinsurance business, the Group has received deposits from reinsurance companies. Deposits in cash or cash equivalent amount to €15 940.5 thousand (2012: €13 918.4 thousand). The Group has also received deposits in securities (cf. note 35).

The Group also recognised impairment losses on securities available for sale (cf. note 14), for an amount of €4 411.0 thousand on equity instruments (2012: €6 782.0 thousand) and €284.8 thousand on fixed income securities (2012: €699.1 thousand).

2.2 Liquidity risk

Liquidity risk is the risk the Group supports on maturity, to meet financial commitments linked to instruments or financial liabilities.

2.2.1 Liquidity risk limiting policy

The principal source of liquid assets is premium income and deposits made by clients. In order to limit the liquidity risk, and at the same time optimise financial yield, the Group uses a liquidity management tool. This tool takes into account the maturity of financial assets as well as treasury flows which are derived thereof.

Liquidity risk is also limited by an investment policy giving preference to financial assets considered to be very liquid and through lines of credit.

Liquidity risk of liabilities linked investment contracts and insurance liabilities related to unit-linked contracts are supported by the clients.

2.2.2 Maturity profile of liabilities and assets

The following table shows the maturity calendar of liabilities:

31.12.2013 € thousand	< 1 year	1 - 3 years	> 3 years	Unit linked	Total
Subordinated loan	-	-	600,0	-	600,0
Other technical provisions	271 607,8	179 124,6	1 018 889,8	-	1 469 622,2
Provisions relating to unit-linked insurance contracts	-	-	-	518 505,7	518 505,7
Retirement benefit obligations	-	-	30 009,7	5 398,1	35 407,8
Provisions for other liabilities and charges	4 182,0	-	484,9	-	4 666,9
Liabilities in respect of investment contracts	15,0	-	-	2 717 603,7	2 717 618,7
Loans and deposits from reinsures	15 940,5	-	-	-	15 940,5
Debts to credit institutions	66 446,3	285,5	335,2	-	67 067,0
Insurance debts and other liabilities	56 293,8	-	-	-	56 293,8
Income tax payable	77 750,5	-	-	-	77 750,5
Total	**492 235,9**	**179 410,1**	**1 050 319,6**	**3 241 507,5**	**4 963 473,1**

31.12.2012 € thousand	< 1 year	1 - 3 years	> 3 years	Unit linked	Total
Subordinated loan	-	-	300,0	-	300,0
Other technical provisions	221 424,8	164 747,6	842 062,4	-	1 228 234,9
Provisions relating to unit-linked insurance contracts	-	-	-	536 467,3	536 467,3
Retirement benefit obligations	-	-	33 062,7	4 641,1	37 703,8
Provisions for other liabilities and charges	1 842,8	943,9	507,3	-	3 294,0
Liabilities in respect of investment contracts	859,5	-	-	2 567 191,8	2 568 051,3
Loans and deposits from reinsures	13 918,4	-	-	-	13 918,4
Debts to credit institutions	62 325,5	280,9	555,7	-	63 162,1
Insurance debts and other liabilities	58 729,5	-	-	-	58 729,5
Income tax payable	63 323,3	-	-	-	63 323,3
Total	**422 423,8**	**165 972,4**	**876 488,1**	**3 108 300,2**	**4 573 184,6**

The following table shows the maturity of assets:

31.12.2013 € thousand	Current	Non-current	Total
Equity instruments			
- Available for sale	-	456 538,2	456 538,2
- At fair value through P&L	58,6	-	58,6
Fixed income securities			
- Available for sale	-	1 454 521,9	1 454 521,9
- At fair value through P&L	12 497,8	-	12 497,8
- Held to maturity	-	21 530,6	21 530,6
Financial assets relating to unit-linked contracts	-	3 241 507,5	3 241 507,5
Insurance receivables and other receivables	71 301,8	14 156,3	85 458,1
Reinsurers' share of liabilities in respect of insurance contracts	36 668,2	112 740,0	149 408,2
Cash and cash equivalents	280 092,5	-	280 092,5
Total	**400 618,9**	**5 300 994,5**	**5 701 613,4**

31.12.2012 € thousand	Current	Non-current	Total
Equity instruments			
- Available for sale	-	334 643,4	334 643,4
- At fair value through P&L	70,4	-	70,4
Fixed income securities			
- Available for sale	-	1 361 877,3	1 361 877,3
- At fair value through P&L	14 657,4	-	14 657,4
- Held to maturity	-	20 678,8	20 678,8
Financial assets relating to unit-linked contracts	-	3 108 300,3	3 108 300,3
Insurance receivables and other receivables	56 712,4	9 219,8	65 932,2
Reinsurers' share of liabilities in respect of insurance contracts	24 601,0	53 475,6	78 076,6
Cash and cash equivalents	250 566,8	-	250 566,8
Total	**346 608,0**	**4 888 195,2**	**5 234 803,2**

Current assets are assets which:

- have been acquired in view of a sale in the short term;
- which the entity would expect to be cashed in in the short term;
- which is readily disposable off in the short term.

2.3 Market risk

Market risk is defined as the fluctuations to which fair value and treasury cash-flows are exposed because of market variations.

Market risks are made up by three types of risks: exchange risk, interest rate risk and price risk.

Assumptions adopted for the sensitivity analysis are considered as reasonably possible changes. Definition of these assumptions is done taking into account historical analysis and projections.

Assets held for unit linked contracts were excluded from the sensitivity analysis presented in the following paragraphs in as far as the clients support entirely markets risks which could affect those assets.

2.3.1 Market risk limiting policy

Market risk is analysed and followed on a daily basis by the Chief Investment Officer as well as by the asset managers. On a regular basis, and at least monthly, the Finance committee meets to analyse market events and possible impacts on the Groups assets. On the grounds of its findings, it determines the investment policy for the coming period.

2.3.2 Rate risk

In light of recent market developments, the impact of the rate risk for the valuation of the bond portfolio was calculated considering a variance of 100 basis points during one week, phenomenon which has not been observed during the 390 weeks selected for the study, on maturities of 1 and 20 years of the Euro Swap Curve.

The following analysis shows pre-tax impacts of possible interest rate fluctuations on group results and Groups capital funds leaving unchanged all other variables.

On 31 December 2013, an upwards variation of 100 basis points would have generated a decrease in value of €83 316.6 thousand. At the same moment in time, a downwards variation of 100 basis points would have generated an increase in value of €83 316.6 thousand.

2.3.3 Exchange risk

Generally, the Group does not take exchange risk by investing in securities. Thus, the acquisition of securities in currency other than Euro is usually done by borrowing the currency as the way to hedge the exchange risk. Alternatively, the hedging of exchange risk may be done by forward exchange.

The Group may, marginally (compared to its equity and in compliance with the regulatory standards) maintain an open foreign currency position if it considers that such an operation is financially justified.

The following table shows Groups' exposure to the currency risk by category of assets and liabilities in all major currencies:

31.12.2013 € thousand	AUD Currency	AUD EUR	USD Currency	USD EUR	CHF Currency	CHF EUR
Assets						
Equity instruments	-	-	52 126,6	37 797,5	6 803,5	5 542,1
Fixed income securities	25 993,8	16 853,9	45 207,7	32 780,6	-	-
Reinsurers' share of liabilities in respect of insurance contracts	0,9	0,6	257,4	185,2	-	-
Cash and cash equivalents	376,4	244,1	1 108,2	803,6	792,4	645,5
Total assets	**26 371,1**	**17 098,6**	**98 699,9**	**71 566,9**	**7 595,9**	**6 187,6**
Liabilities						
Debt to credit institutions	-15 327,0	-9 937,8	-74 255,0	-53 843,1	-2 412,0	-1 964,8
Insurance debts and other liabilities	-22,8	-14,8	-21,6	-15,5	-46,6	-33,9
Total liabilities	**-15 349,8**	**-9 952,6**	**-74 276,6**	**-53 858,6**	**-2 458,6**	**-1 998,7**
Net exposure	**11 021,3**	**7 146,0**	**24 423,3**	**17 708,3**	**5 137,3**	**4 188,9**

31.12.2012 € thousand	AUD Currency	AUD EUR	USD Currency	USD EUR	CHF Currency	CHF EUR
Assets						
Equity instruments	-	-	48 579,1	36 819,1	2 503,8	2 074,1
Fixed income securities	21 698,2	17 069,1	29 805,9	22 590,5	-	-
Reinsurers' share of liabilities in respect of insurance contracts	342,3	269,3	584,5	441,1	6,7	5,6
Cash and cash equivalents	294,8	231,9	626,8	475,1	482,1	399,3
Total assets	**22 335,3**	**17 570,3**	**79 596,3**	**60 325,8**	**2 992,6**	**2 479,0**
Liabilities						
Debt to credit institutions	-9 570,0	-7 528,4	-67 891,2	-51 456,1	-	-
Insurance debts and other liabilities	-10,8	-8,5	-14,3	-10,9	-33,9	-23,5
Total liabilities	**-9 580,8**	**-7 536,9**	**-67 905,5**	**-51 467,0**	**-33,9**	**-23,5**
Net exposure	**12 754,5**	**10 033,4**	**11 690,8**	**8 858,8**	**2 958,7**	**2 455,5**

Exchange rate	AUD	USD	CHF
At opening	1,27	1,32	1,21
At closing	1,54	1,38	1,23

The analysis below shows the pre-tax impact of potential changes in exchange rates on the Group's results, while all other variables remain constant.

On 31 December 2013, an upwards variation of 20% on foreign currencies would have generated a profit of €9 270.65 thousand. At the same moment in time, a downwards variation of 20% would have generated a loss of €9 270.65 thousand.

2.3.4 Price and concentration risk

The impact of price risk on the share portfolio was estimated on the basis of a variation of 10.0% both upwards and downwards for one week at the trading close of the DJ Eurostoxx 50 index. This scenario stands the possibility of occurring of about 1.43% over the review period (1 January 2002 till 31 December 2013). The "look back statistic" method will continue to be applied in the future unless there occurs a drastic change of the environment.

The following analysis shows impacts before tax in the case of possible increase or decrease of the fair value of stocks on income and on the Groups' reserves while considering other variables remaining unchanged.

On 31 December 2013, a variation of 10.0% increase in value on one week and on the basis of trading close of the DJ Eurostoxx 50 index, generates an increase in the value of the share portfolio of €30 053.3 thousand. This gain would have increased the revaluation reserve of €30 052.0 thousand and the net income of €1.3 thousand (net of deferred tax). At the same date a downward variation would have generated a decrease in the value of the same portfolio of €30 053.3 thousand. This loss would have decreased the revaluation reserve of €30 052.0 thousand and the net income of €1.3 thousand (net of deferred tax).

The largest position of shares represents 0.59% of equity instruments.

2.4 Determining the fair value of financial instruments

Financial instruments measured at fair value consist of the following:

- On the assets side: financial instruments available for sale and at fair value through P&L ;
- On the assets and liabilities sides: financial instruments related to unit linked contracts of Life insurance, liabilities being recorded either as technical provisions for insurance contracts or as financial liabilities for investment contracts (see note 4).

In order to minimise accounting mismatches, the Group decided to include certain technical provisions in this analysis of fair value.

The way the Group determines the fair value of these financial instruments is summarised by the following hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities ;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (ie prices) or indirectly (ie derived from prices);
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The table below presents the financial instruments measured at fair value according to this hierarchy.

31.12.2013 **€ thousand**	**Level 1**	**Level 2**	**Level 3**
ASSETS			
Equity instruments			
- Available for sale	263 294,0	164 884,3	28 359,9
- At fair value through P&L	18,4	-	40,2
Fixed income securities			
- Available for sale	1 445 846,5	3 591,9	5 083,5
- At fair value through P&L	7 751,9	4 745,5	0,4
Financial assets relating to unit-linked contracts	320 116,5	2 920 821,4	569,6
LIABILITIES			
Provisions relating to unit-linked insurance contracts	-67 327,5	-451 178,2	-
Liabilities for unit-linked investment contracts	-252 789,0	-2 464 245,1	-569,6
Net position of instruments at fair value	**1 716 910,8**	**178 619,8**	**33 484,0**

31.12.2012 **€ thousand**	**Level 1**	**Level 2**	**Level 3**
ASSETS			
Equity instruments			
- Available for sale	178 212,7	135 945,2	20 485,5
- At fair value through P&L	6,7	-	63,7
Fixed income securities			
- Available for sale	1 353 377,3	3 500,0	5 000,0
- At fair value through P&L	10 401,2	4 256,2	-
Financial assets relating to unit-linked contracts	284 247,6	2 823 125,6	927,1
LIABILITIES			
Provisions relating to unit-linked insurance contracts	-67 762,4	-468 704,9	-
Liabilities for unit-linked investment contracts	-216 485,2	-2 349 779,5	-927,1
Net position of instruments at fair value	**1 541 997,9**	**148 342,6**	**25 549,2**

Securities available for sale and securities at fair value through P&L are composed primarily of bonds, fund units and shares (cf. note 14).

- Bonds are quoted in active markets (level 1), with the exception of some structured bonds (level 2).
- Fund units are generally quoted in active markets (level 1). For funds that are not quoted in an active market, fair value is determined by the net asset value (level 2).
- The shares are traded in active markets (European stock exchanges, in particular), with the exception of a few investments in Luxembourg companies: fair value is determined by the method of discounted cash flow and adjusted value of net assets, valuation of major investments is published by the Luxembourg Stock Exchange (level 3).

Financial assets held under unit-linked investment contracts are designated by the Group as assets at fair value through income. These are funds that can be quoted in an active market, quoted in an inactive market, quoted but closed or not yet listed. The valuation of the units is performed using different techniques. However, the holders of these contracts bear the financial risks of these instruments, the fair value hierarchy is similar to the assets and liabilities (technical provisions and financial liabilities).

Each of the funds is classified within one of 3 levels and is not broken down according to its underlying. They are classified as follows:

- The funds traded in active markets are classified as level 1, as well as liabilities relating thereto. These financial instruments correspond to collective contracts and individual multi support contracts.
- Other funds (not quoted or quotes in inactive markets) are classified as level 2, as well as liabilities relating thereto, when invested almost entirely in securities quoted in active markets and valued at their net asset value. They correspond to contracts invested in dedicated funds.
- Where appropriate, funds in liquidation (in the context of contacts multi support) and the funds invested significantly in unlisted securities (through dedicated funds) are classified as level 3 and valued by others on the basis of their equity, as well as liabilities related.

2.4.1 Transfers between level 1 and 2 of financial instruments at fair value

During 2013, there was no change in determining the fair value of financial instruments which would correspond to a transfer between levels 1 and 2 of the fair value hierarchy.

2.4.2 Variations in the level 3 of financial instrument at fair value

Changes in fair value recorded on securities classified as level 3 of the hierarchy are presented in the table below.

2013 € thousand	At 01.01.	Change through P&L	Change through equity	Acqui-sition	Disposal	At 31.12.
Financial assets						
Securities available for sale	25 485,5	-21,3	1 036,7	6 977,1	-34,6	33 443,4
Securities at fair value through P&L	63,7	5,9	-	11,2	-40,2	40,6
Financial assets relating to unit-linked contracts	927,1	-	-	-	-357,5	569,6
Financial liabilities						
Liabilities for unit-linked investment contracts	927,1	-	-	-	-357,5	569,6

2012 € thousand	At 01.01.	Change through P&L	Change through equity	Acquisition	Disposal	At 31.12.
Financial assets						
Securities available for sale	15 261,7	-	79,8	10 202,9	-58,9	25 485,5
Securities at fair value through P&L	2 185,3	-	-	63,5	-2 185,1	63,7
Financial assets relating to unit-linked contracts	445,0	-	-	621,4	-139,3	927,1
Financial liabilities						
Liabilities for unit-linked investment contracts	445,0	-	-	621,4	-139,3	927,1

2.4.3 Sensitivity to changes in assumptions of financial instruments for level 3

The table below shows the sensitivity of the fair value of Group's financial instruments to changes in assumptions.

€ thousand	Fair value at 31.12.2013	Impact of alternative hypotheses (+/-)
Securities avaible for sale	33 443,4	-6 688,7
Securities at fair value through P&L	40,6	-8,1

The alternative hypotheses have been set according to the valuations provided by third parties or, in the absence of such information, based on standard discounts.

Assets and liabilities of unit-linked contracts are not presented. Information is even less significant than the assessment and liquidity risk are supported by subscribers.

Note 8. Segment reporting

1. INFORMATION BY OPERATING SEGMENT

The Group is organised around three business activities as determined by management to evaluate performance, given the nature of products or services and regulatory constraints:

- Non-life insurance covering all civil liability, damage to property, health and accident, legal protection and reinsurance risks.
- Life insurance covering all death risks, savings contracts with death cover guarantee and pension benefit contracts. Cover for all these risks are available in individual contracts and Group insurance. The life insurance also offers investment contracts.
- Asset management services for individuals and Group companies as well as trading for own account and brokerage business. The Company belongs to this sector (cf. note 2 for affiliates).

Consolidated profit and loss 2013 € thousand	**Non-Life**	**Life**	**Asset management**	**Total**
Net earned premiums, external customers	266 790,5	157 515,8	-	424 306,3
Net operating income, external customers	39 871,1	101 400,0	43 087,5	184 358,6
Net operating income, inter-segment	-1 466,2	-2 961,6	4 427,8	-
Net insurance benefits and claims	-180 181,7	-205 277,1	-	-385 458,8
Expenses	-71 308,7	-28 243,3	-27 998,9	-127 550,9
Profit before taxes	**53 705,0**	**22 433,8**	**19 516,4**	**95 655,2**
o/w recurring income	*43 587,1*	*21 226,3*	*11 505,6*	*76 319,0*
o/w non-recurring income	*10 117,9*	*1 207,5*	*8 010,8*	*19 336,2*
Taxes	-16 047,3	-6 237,1	-3 467,2	-25 751,6
Profit	**37 657,7**	**16 196,7**	**16 049,2**	**69 903,6**

Consolidated profit and loss 2012 € thousand	**Non-Life**	**Life**	**Asset management**	**Total**
Net earned premiums, external customers	249 772,5	120 572,5	-	370 345,0
Net operating income, external customers	35 951,7	100 627,2	26 580,1	163 159,0
Net operating income, inter-segment	-1 421,8	-2 899,2	4 321,0	-
Net insurance benefits and claims	-152 959,3	-173 973,8	-	-326 933,1
Expenses	-68 626,1	-26 025,6	-27 443,5	-122 095,2
Profit before taxes	**62 717,0**	**18 301,1**	**3 457,6**	**84 475,7**
o/w recurring income	*54 113,2*	*17 374,8*	*5 338,4*	*76 826,4*
o/w non-recurring income	*8 603,8*	*926,3*	*-1 880,8*	*7 649,3*
Taxes	-18 329,3	-4 971,6	276,4	-23 024,5
Profit	**44 387,7**	**13 329,5**	**3 734,0**	**61 451,2**

Non-recurring income comprises gains and losses realised and unrealised on financial instruments, which are recorded through the income statement under IFRS, as well as some exceptional provision allowances. The recurrent income comprises other income and expenses which are recorded in the profit before taxes.

Revenues and interest charges are included in net operating income. They are presented according to IFRS 8, although they are not provided to management.

2013 € thousand	**Non-Life**	**Life**	**Asset management**	**Total**
Interest expense	-2 133,6	-3 139,8	-704,9	-5 978,3
Interest income	23 990,7	33 474,0	7 862,2	65 326,9

2012 € thousand	**Non-Life**	**Life**	**Asset management**	**Total**
Interest expense	-2 064,8	-3 446,8	-1 284,5	-6 796,2
Interest income	24 686,3	30 320,1	4 974,4	59 980,8

No impairment was recorded on tangible and intangible fixed assets. Amortisation and acquisition of non-financial assets are as follows:

Amortisation and investment 2013 € thousand	**Non-Life**	**Life**	**Asset management**	**Total**
Net at 01.01.2013	**41 936,1**	**1 002,2**	**59 971,8**	**102 910,1**
Amortisation of intangible assets	-951,1	-558,1	-1 101,2	-2 610,4
Amortisation of tangible assets	-3 421,5	-72,5	-640,8	-4 134,8
Purchase of tangible and intangible assets	5 345,3	311,7	379,9	6 036,9
Sale of tangible and intangible assets	-19,7	-7,4	-0,1	-27,2
Scope variation	1 992,1	-	-	1 992,1
Net at 31.12.2013	**44 881,2**	**675,9**	**58 609,6**	**104 166,7**

Amortisation and investment 2012 € thousand	**Non-Life**	**Life**	**Asset management**	**Total**
Net at 01.01.2012	**43 311,8**	**1 406,8**	**63 846,5**	**108 565,1**
Amortisation of intangible assets	-533,4	-594,8	-1 382,4	-2 510,6
Amortisation of tangible assets	-3 367,5	-73,6	-727,0	-4 168,1
Purchase of tangible and intangible assets	2 980,1	282,4	36,6	3 299,1
Sale of tangible and intangible assets	-454,9	-18,6	-72,9	-546,4
Scope variation	-	-	-1 729,0	-1 729,0
Net at 31.12.2012	**41 936,1**	**1 002,2**	**59 971,8**	**102 910,1**

The balance sheet indicators are as follows:

Assets and liabilities 31.12.2013 **€ thousand**	**Non-Life**	**Life**	**Asset management**	**Total**
Total assets	1 039 406,1	4 431 686,6	334 707,8	5 805 800,5
o/w				
Equity securities	175 564,3	228 819,8	52 212,7	456 596,8
Debt securities	519 136,3	783 540,8	185 873,2	1 488 550,3
Share of reinsurers	146 237,6	3 170,6	-	149 408,2
Cash and cash equivalents	92 459,3	158 922,8	28 710,4	280 092,5
Other technical provisions	612 510,2	857 112,0	-	1 469 622,2
Loans and deposits remitted by reinsurers	13 843,3	2 097,2	-	15 940,5

Assets and liabilities 31.12.2012 **€ thousand**	**Non-Life**	**Life**	**Asset management**	**Total**
Total assets	888 296,5	4 157 683,8	292 309,7	5 338 290,0
o/w				
Equity securities	135 916,9	163 873,1	34 923,8	334 713,8
Debt securities	491 838,5	735 887,6	169 487,4	1 397 213,5
Share of reinsurers	75 261,7	2 814,9	-	78 076,6
Cash and cash equivalents	97 609,7	128 637,8	24 319,3	250 566,8
Other technical provisions	482 755,7	745 479,2	-	1 228 234,9
Loans and deposits remitted by reinsurers	12 193,5	1 724,9	-	13 918,4

The Group does not bear significant risk on the assets covering investment contracts in units of account. These assets are specific to the Life Insurance sector. They are balanced on the one hand with the technical provisions relating to these contracts and on the other hand with liabilities of investment contracts (cf. notes 17 and 18).

2. INFORMATION BY GEOGRAPHICAL SECTOR

The three operational segments operate in different geographical areas (cf. note 4, paragraph 13). The table below shows the geographical distribution of gross earned premiums.

€ thousand	2013	2012
Captive insurance contracts	47 245,9	48 523,3
Luxembourg (out of captive insurance)	420 494,2	367 565,2
Rest of Europe	16 850,4	14 977,6
Total	**484 590,5**	**431 066,1**

The following table shows the geographical distribution of tangible fixed assets.

€ thousand	2013	2012
Luxembourg	38 158,0	40 041,2
Rest of Europe	7 428,6	7 898,9
Total	**45 586,6**	**47 940,1**

Note 9. Capital and share premium

The subscribed capital amounts to € 44 994 210.00 represented by 8 998 842 fully paid ordinary shares without par value. There are no other classes of shares or options or preferential rights entitling to preferential issue of shares of another class that could have a dilutive effect on the number of issued shares. The issued shares have all the same rights as regarding their right to vote at ordinary and extraordinary general meetings and entitle to the dividend approved by shareholders at Annual General Meeting. The authorised capital amounts to € 74 350 000.00.

At the beginning of 2013, Foyer S.A. held 139 723 issued shares. During the year, the Company purchased 8 668 outstanding shares for a total price of € 459.4 thousand. At 31 December 2013, there were 8 850 451 outstanding shares (2012: 8 859 119 outstanding shares).

The share premiums are constituted as follows:

Evolution of share premiums	€
2000	2 251 684,0
2001	466 617,7
2002	387 700,7
Total	**3 106 002,4**

A dividend to be paid in 2014 with reference to the financial year 2013 of € 1.976471 gross per share will be proposed to the Annual General Meeting of the Shareholders, against € 2.152941 per share a year earlier. The 2013 financial year accounts do not include the dividend to be proposed at the Annual General Meeting of Shareholders of 15 April 2014.

Basic earnings per share is calculated by dividing the net result for the year attributable to the ordinary shareholders of the parent company, by the weighted average number of common shares outstanding during the year. For the calculation of diluted earnings per share, the number of shares is increased, including options that were granted under the compensation plan based on shares for executives and management (cf. note 33).

	2013	2012
Net result attributable to the ordinary shareholders (€ thousand)	69 572,3	61 195,3
Weighted average number of ordinary shares	8 854 782,8	8 862 139,3
Weighted average number of dilutive potential ordinary shares	165 737,5	145 377,3
Basic earnings per share (€)	7,86	6,91
Diluted earnings per share (€)	7,71	6,79

Note 10. Reserves and retained earnings

The reserves attributable to the shareholders of the Group are as follows:

€ thousand	31.12.2013	31.12.2012
Legal reserve	4 499,4	4 499,4
Special reserve (wealth tax)	39 034,6	25 558,5
Revaluation reserve of securities - gross amount	153 245,9	135 968,0
Revaluation reserve of securities - differed tax	-45 666,6	-40 481,3
Reserve for actuarial differences - gross amount	-3 949,0	-5 700,0
Reserve for actuarial differences - differed tax	1 183,5	1 708,3
Other reserves and retained earnings	502 179,3	473 494,6
Reserves and retained earnings	**650 527,1**	**595 047,5**

a) Legal reserve

This is the statutory reserve of the parent company Foyer S.A. to which at least 5.0% of the year's net profit have to be allocated in accordance with LuxGAAP, until the reserve has reached the equivalent of 10.0% of subscribed capital. This reserve is not available.

b) Special reserve

In agreement with the tax laws, the Group companies have reduced the wealth tax liability. Thus, the Group companies have decided to allocate to unavailable reserves an amount corresponding to five times the reduced wealth tax liability. This reserve may not be disposed off for five years starting the year following the one in which the wealth tax liability was reduced.

c) Revaluation reserve of securities

This reserve records the change in fair value of available-for-sale financial assets in accordance with IAS 39.

€ thousand	2013	2012
Reserve at 01.01. - net of deferred tax	**95 486,7**	**-11 567,1**
Scope variation	203,1	-
Realised gains and losses	-18 102,2	-3 278,2
Impairment recognised through profit and loss	8,0	765,7
Allocation (changes in fair value)	29 983,7	109 566,3
Reserve at 31.12. - net of deferred tax	**107 579,3**	**95 486,7**

d) Reserve for actuarial differences

The reserve for actuarial differences includes all gains or losses related to provisions for pensions and similar obligations. Actuarial gains and losses are primarily related to the changes in the discount rate (cf. note 19).

e) Other reserves and retained earnings

"Other reserves" include the Group's share in reserves and retained earnings of entities which are part of the Group.

These reserves include an amount unavailable for own shares of € 6 447.9 thousand (2012: € 5 988.4 thousand).

Note 11. Intangible fixed assets

Movements in intangible assets were as follows:

2013 € thousand	Purchased software	Internally generated software	Acquired customer list	Goodwill	Total
Gross amount at 01.01.	**20 650,5**	**4 304,8**	**-**	**49 610,1**	**74 565,4**
Additions of the year	1 578,3	2 065,3	590,3	-	4 233,9
Scope variation	-	1 113,3	-	912,8	2 026,1
Disposals of the year	-536,9	-	-	-	-536,9
Gross amount at 31.12.	**21 691,9**	**7 483,4**	**590,3**	**50 522,9**	**80 288,5**
Accumulated amortisation at 01.01.	**-16 360,7**	**-3 234,7**	**-**	**-**	**-19 595,4**
Amortisation of the year	-2 123,0	-442,8	-44,6	-	-2 610,4
Scope variation	-	-39,5	-	-	-39,5
Disposals of the year	536,9	-	-	-	536,9
Accumulated amortisation at 31.12.	**-17 946,8**	**-3 717,0**	**-44,6**	**-**	**-21 708,4**
Carrying value at 31.12.	**3 745,1**	**3 766,4**	**545,7**	**50 522,9**	**58 580,1**

Amortisation of the year is recognised in the income statement and a broken down by function with all overheads, included under heading "Acquisition expense".

Main software items are recognised at net carrying value as follows:

€ thousand	31.12.2013	31.12.2012
Insurance of persons	1 697,3	1 070,1
Web services	1 920,7	-
Financial assets management	1 511,5	2 585,5

The item "acquired customer list" is the valuation of the rights to commissions from the management of client portfolios which was acquired from some agents who retired. Portfolios, whatever person in charge of their management, belong to Foyer Group. They can be managed directly by the Group until they are again entrusted to a buyer agent.

2012 € thousand	Purchased software	Internally generated software	Acquired customer list	Goodwill	Total
Gross amount at 01.01.	**20 120,3**	**3 197,8**	**531,9**	**51 328,4**	**75 178,4**
Additions of the year	628,4	1 013,9	27,4	-	1 669,7
Scope variation	-	-	-	-1 718,3	-1 718,3
Transfers of the year	-93,1	93,1	-	-	-
Disposals of the year	-5,1	-	-559,3	-	-564,4
Gross amount at 31.12.	**20 650,5**	**4 304,8**	**-**	**49 610,1**	**74 565,4**
Accumulated amortisation at 01.01.	**-13 992,9**	**-3 197,8**	**-17,8**	**-**	**-17 208,5**
Amortisation of the year	-2 372,9	-36,9	-100,9	-	-2 510,7
Disposals of the year	5,1	-	118,7	-	123,8
Accumulated amortisation at 31.12.	**-16 360,7**	**-3 234,7**	**-**	**-**	**-19 595,4**
Carrying value at 31.12.	**4 289,8**	**1 070,1**	**-**	**49 610,1**	**54 970,0**

The goodwill recognised on the acquisition of Capital*at*Work Group S.A. is composed primarily of benefit to obtain a critical size, synergistic effects and know-how. The goodwill is assigned to a cash-generating unit which is included in the operating segment Asset management. The recoverable amount of unit is based on fair value less costs to sell. This fair value is based on management assumptions, namely unit's net assets increased by a valorisation factor of assets under management (AUM), distinguishing private of institutional clients. This valuation belongs to the level 3 of the fair value hierarchy as defined by IFRS 13 (cf. note 7, section 2.4). It doesn't use projected cash flows. A reasonably possible change in a key assumption would not change the impairment test.

The goodwill recognised on the acquisition of 25% of the capital of Foyer Santé S.A. on the 1st May 2013, includes essentially prospects in medium and long term (cf. note 3). The goodwill is assigned to a cash generating unit which is included in the operating segment "Non-Life Insurance". It's not subject for impairment.

The goodwill recognised on the acquisition of 40% of Foyer ARAG S.A. is not impaired.

Cash-generating unit	Operational segment	Acquisition date	Goodwill
Foyer ARAG	Non-life	2006	251,2
Core business Capital*at*Work	Asset Management	2009	49 358,9
Foyer Santé	Non-life	2013	912,8
Total			**50 522,9**

Note 12. Investment properties

Changes recognised in the item "Investment properties" were as follows:

€ thousand	Land and buildings 2013	Land and buildings 2012
Gross amount at 01.01.	**5 980,1**	**5 980,1**
Changes	-	-
Gross amount at 31.12.	**5 980,1**	**5 980,1**
Accumulated amortisation at 01.01.	**-2 049,9**	**-1 821,4**
Amortisation	-223,4	-228,5
Accumulated amortisation at 31.12.	**-2 273,3**	**-2 049,9**
Carrying value at 31.12.	**3 706,8**	**3 930,2**

The fair value of the building located in Brussels has been estimated in 2013 by an independent valuer. The share recognised under this item "Investment properties" amounts to €4 693.4 thousand (2012: €4 837.0 thousand). This valuation belongs to the level 3 of the fair value hierarchy as defined by IFRS 13 (cf. note 7, section 2.4).

At the end of the amortisation period, the residual value of these buildings, land value off, is assumed to be zero.

Rental income of investment property amounted in 2013 to €642.8 thousand (2012: €620.5 thousand). Expenses arising from these investment properties amounted in 2013 to €386.6 thousand (2012: €415.5 thousand). Rental income, expenses including amortisation of for the year, is recognised in the income statement in the line "Other Investment income" (cf. note 30).

Note 13. Business premises, plant and equipment

Changes recognised in the item "Business premises, plant and equipment", were as follows:

2013 € thousand	Land and Buildings	Materials, furniture and equipment	Total
Gross amount at 01.01.	**56 143,6**	**19 117,3**	**75 260,9**
Additions	299,2	1 503,8	1 803,0
Scope variation	-	30,1	30,1
Disposals	-31,4	-1 854,0	-1 885,4
Gross amount at 31.12.	**56 411,4**	**18 797,2**	**75 208,6**
Accumulated amortisation at 01.01.	**-15 777,3**	**-15 473,7**	**-31 251,0**
Amortisation	-2 447,5	-1 463,9	-3 911,4
Scope variation	-	-24,6	-24,6
Disposals	6,9	1 851,3	1 858,2
Accumulated amortisation at 31.12.	**-18 217,9**	**-15 110,9**	**-33 328,8**
Carrying value at 31.12.	**38 193,5**	**3 686,3**	**41 879,8**

The fair value of the building in Leudelange, the main component of the item "Land and buildings", was estimated in 2012 by an independent valuer. The fair value of the building in Brussels was determined in 2013 by another professionally qualified valuer. These valuations belong to the level 3 of the fair value hierarchy as defined by IFRS 13 (cf. note 7, section 2.4). The fair value of "Business premises" include in the column "Land and buildings" amounts to €53 276.6 thousand (2012: €55 951.2 thousand).

In 2007, in accordance with legal regulations, the building in Leudelange was pledged to the Commissariat aux Assurances as guaranty for the technical commitments of Foyer Assurances S.A.

Amortisation of the year is recognised in the income statement and a broken down by function with all overheads, included under heading "Administration expense".

2012 € thousand	Land and Buildings	Materials, furniture and equipment	Total
Gross amount at 01.01.	**55 973,4**	**18 025,1**	**73 998,5**
Additions	177,7	1 451,7	1 629,4
Transfers	-7,5	7,5	-
Scope variation	-	-23,0	-23,0
Disposals	-	-344,0	-344,0
Gross amount at 31.12.	**56 143,6**	**19 117,3**	**75 260,9**
Accumulated amortisation at 01.01.	**-13 329,1**	**-14 232,8**	**-27 561,9**
Amortisation	-2 451,3	-1 488,3	-3 939,6
Transfers	3,1	-3,1	-
Scope variation	-	12,3	12,3
Disposals	-	238,2	238,2
Accumulated amortisation at 31.12.	**-15 777,3**	**-15 473,7**	**-31 251,0**
Carrying value at 31.12.	**40 366,3**	**3 643,6**	**44 009,9**

Note 14. Equity and debt securities

These financial assets do not include assets representing unit-linked contracts (contracts where the investment risk is borne by the policyholder) which are detailed in note 18.

The financial assets representing the technical commitments related to insurance and investment contracts issued by the Group constitute a separate patrimony and are used first and foremost as guaranty for the payment of these commitments.

As from 2013, the accrued coupon interests are included in the valuation of the bonds and the comparative information has been adjusted accordingly (cf. note 4). Previously, there were recognised under accruals assets (cf. note 15). At 31 December 2013, the accrued coupon interest amount to €31 379.1 thousand (2012: €30 716.4 thousand).

31.12.2013 € thousand	**Carrying value**	**Fair value**	**of which impaired assets**	**Cumulated impairment**
Equity securities				
Available for sale	456 538,2	456 538,2	20 032,6	4 411,0
At fair value through P&L	58,6	58,6	-	-
Total	**456 596,8**	**456 596,8**	**20 032,6**	**4 411,0**
Debt securities				
Available for sale	1 454 521,9	1 454 521,9	2 489,5	284,8
At fair value through P&L	12 497,8	12 497,8	-	-
Held to maturity	21 530,6	26 869,4	-	-
Total	**1 488 550,3**	**1 493 889,1**	**2 489,5**	**284,8**

31.12.2012 € thousand	**Carrying value**	**Fair value**	**of which impaired assets**	**Cumulated impairment**
Equity securities				
Available for sale	334 643,4	334 643,4	16 370,4	6 782,0
At fair value through P&L	70,4	70,4	-	-
Total	**334 713,8**	**334 713,8**	**16 370,4**	**6 782,0**
Debt securities				
Available for sale	1 361 877,3	1 361 877,3	2 065,9	699,1
At fair value through P&L	14 657,4	14 657,4	-	-
Held to maturity	20 678,8	26 864,8	-	-
Total	**1 397 213,5**	**1 403 399,5**	**2 065,9**	**699,1**

Note 15. Insurance receivables and other receivables

The table below shows a breakdown of insurance and reinsurance receivables, other receivables and accruals:

€ thousand	31.12.2013	31.12.2012
Insurance receivables	51 028,1	45 243,2
Subrogation and recoveries	4 783,1	4 374,2
Loans	9 230,9	6 053,7
Accrued assets	4 927,2	3 167,0
Other receivables	15 488,8	7 094,1
Total	**85 458,1**	**65 932,2**

Accrued coupon interest, which were recognised previously among "Accrued assets", are now disclosed in the valuation of bonds (cf. note 14). The comparative information has been adjusted accordingly (cf. note 4).

1. INSURANCE RECEIVABLES

Insurance receivables consist of the following:

€ thousand	31.12.2013	31.12.2012
Receivables from policyholders	44 928,4	34 411,6
Impairment of receivables	-427,4	-427,4
Receivables from intermediaries	4 796,3	6 110,9
Receivables from reinsurers	1 730,8	5 148,1
Insurance receivables	**51 028,1**	**45 243,2**

2. LOANS

The following table shows loans granted by the Group to third parties, intermediaries or related parties. The latter loans are also described in note 34 "Information on related parties' transactions".

31.12.2013	Amortised cost (€ thousand)	Average life (in years)	Average rate
Advances on policies	996,1	11,5	5,7%
Loans to agents	7 600,3	0,0	2,1%
Loans to related parties and others	634,5	6,7	0,0%
Total	**9 230,9**	**-**	**-**

The credit risk on these loans is negligible since they are all secured adequately, either by saving underlying Mixed Life contracts, the compensation indemnity of insurance portfolios in the case of loans to agents or mortgages in the case of loans to senior management. As the actual repayment rates are essentially the same as the market rates for this type of loan, their original value is maintained.

3. ACCRUED ASSETS

€ thousand	31.12.2013	31.12.2012
Deferred acquisition costs	4 925,4	3 166,1
Other accruals	1,8	0,9
Total	**4 927,2**	**3 167,0**

4. OTHER RECEIVABLES

€ thousand	31.12.2013	31.12.2012
Sundry receivables	15 402,2	6 233,3
Receivables from related parties	86,6	860,8
Total	**15 488,8**	**7 094,1**

Due from related parties represent the current account balances with joint ventures consolidated by proportional integration and with Foyer Finance S.A.

5. ANALYSES BY MATURITY

The share of current and non-current financial assets can be estimated as follows:

€ thousand	31.12.2013		31.12.2012	
	Current	Non current	Current	Non current
Insurance receivables	51 028,1	-	45 243,2	-
Subrogation and recoveries	4 783,1	-	4 374,2	-
Loans	-	9 230,9	-	6 053,7
Accrued assets	1,8	4 925,4	0,9	3 166,1
Other receivables	15 488,8	-	7 094,1	-
Total	**71 301,8**	**14 156,3**	**56 712,4**	**9 219,8**

The share of current assets is determined by contractual maturity in all cases is less than 1 year. When the maturity of the receivable is not fixed and depends on factors beyond the control of the Group, the Group considers these claims as non-current. The share of these non-current assets is due within a period of 1 to 5 years after the balance sheet date.

After initial recognition, loans and receivables mentioned above are valued at amortised cost using the effective interest rate method. The fair value of these assets is the amount of expected future cash flows receivable. These flows are discounted at market rates and give the fair value of these financial assets. The fair value of these assets has not been confirmed because the effect of discounting on the original amounts is negligible.

Note 16. Cash and cash equivalents

The items "Cash and cash equivalents" on the assets side and "Debts to credit institutions" on the liabilities side are composed as follows:

€ thousand	31.12.2013	31.12.2012
Term deposits	21 176,3	54 665,7
Cash in hand, current and short term call accounts	258 916,2	195 901,1
Total assets	**280 092,5**	**250 566,8**
Short term debts to credit institutions	-66 303,6	-62 185,0
Net cash	**213 788,9**	**188 381,8**
Other financial liabilities to credit institutions	-763,4	-977,1
Total liabilities	**-67 067,0**	**-63 162,1**

The term deposits have maturities varying from 13 and 59 days and the interest rates of deposits depend on the financial market in the short term. At 31 December 2013, the average interest rates were 0.38%. The fair value of these assets has not been recognised because the effect of discounting on the original amount is negligible.

Debts to credit institutions consist primarily of borrowing in currencies other than Euro, in order to hedge our exchange risk on securities (cf. note 7), and casual bank overdrafts. These credit facilities on current account are non-contractual and unconfirmed, granted by these financial institutions with which the Group usually deals.

Note 17. Technical provisions and reinsurers' share in liabilities related to insurance contracts

1. TECHNICAL PROVISIONS NET OF REINSURANCE

€ thousand	2013	2012
Gross amounts		
Claim provision	497 545,1	386 553,2
Provision for unearned premiums	126 427,2	118 519,3
Provision for Life insurance	1 352 148,3	1 254 787,5
- o/w investment contracts with DPF	*349 819,3*	*276 708,2*
Provision for aging	12 007,3	4 842,2
Total gross technical provisions	**1 988 127,9**	**1 764 702,2**
Reinsurers' share		
Claim provision	135 262,4	64 168,1
Provision for unearned premiums	11 946,5	12 002,5
Provision for Life insurance	2 199,3	1 906,0
Total technical provisions - reinsurers' share	**149 408,2**	**78 076,6**
Net amounts		
Claim provision	362 282,7	322 385,1
Provision for unearned premiums	114 480,7	106 516,8
Provision for Life insurance	1 349 949,0	1 252 881,5
Provision for aging	12 007,3	4 842,2
Total net technical provisions	**1 838 719,7**	**1 686 625,6**

The provision for non-life claims includes an estimate for late reported claims of €37 384.2 thousand (2012: €22 487.5 thousand). The amount of this provision is determined based on historical data as frequency and average cost. The claims provision also contains a provision for administration expense of €19 910.0 thousand (2012: €19 172.3 thousand) aimed at providing the Group with the necessary funding to meet run-off costs of outstanding claims should the Group cease to underwrite insurance contracts.

In the life sector, the provision of life insurance includes additional provisions designed to cope with interest rate risks.

2. VARIATION OF GROSS INSURANCE LIABILITIES AND REINSURANCE ASSETS

The reconciliations of changes in insurance liabilities and reinsurance assets are impracticable.

2.1 Variation of provision for claims (excluding subrogation and salvage)

			2013			2012
€ thousand	**Gross**	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Provision 01.01.	386 553,2	64 168,1	322 385,1	371 058,5	66 608,1	304 450,4
Scope variation	1 325,0	-	1 325,0	-	-	-
Current year variation	109 666,9	71 094,3	38 572,6	15 494,7	-2 440,0	17 934,7
Provision 31.12.	**497 545,1**	**135 262,4**	**362 282,7**	**386 553,2**	**64 168,1**	**322 385,1**

2.2 Variation of provision for unearned premiums

			2013			2012
€ thousand	**Gross**	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Provision 01.01.	118 519,3	12 002,5	106 516,8	106 571,2	11 454,5	95 116,7
Scope variation	2 258,2	-	2 258,2	-	-	-
Current year variation	5 649,7	-56,0	5 705,7	11 948,1	548,0	11 400,1
Provision 31.12.	**126 427,2**	**11 946,5**	**114 480,7**	**118 519,3**	**12 002,5**	**106 516,8**

2.3 Variation of Life insurance provision

2.3.1 Variation of Life insurance provision

€ thousand	Gross	Reinsurance	2013 Net	Gross	Reinsurance	2012 Net
Provision 01.01.	683 918,2	1 906,0	682 012,1	628 496,7	1 708,9	626 787,8
Current year variation	98 096,6	293,3	97 803,4	55 421,5	197,1	55 224,4
Provision 31.12.	**782 014,8**	**2 199,3**	**779 815,5**	**683 918,2**	**1 906,0**	**682 012,1**

2.3.2 Variation of the provision related to unit linked contracts

€ thousand	Gross	Reinsurance	2013 Net	Gross	Reinsurance	2012 Net
Provision 01.01.	536 467,4	-	536 467,4	518 350,7	-	518 350,7
Current year variation	-17 961,8	-	-17 961,8	18 116,7	-	18 116,7
Provision 31.12.	**518 505,6**	**-**	**518 505,6**	**536 467,4**	**-**	**536 467,4**

2.3.3 Variation of the provision for DPF

€ thousand	Gross	Reinsurance	2013 Net	Gross	Reinsurance	2012 Net
Provision 01.01.	34 401,9	-	34 401,9	27 054,5	-	27 054,5
Current year variation	17 226,0	-	17 226,0	7 347,4	-	7 347,4
Provision 31.12.	**51 627,9**	**-**	**51 627,9**	**34 401,9**	**-**	**34 401,9**

2.4 Variation of the provision for aging

€ thousand	Gross	Reinsurance	2013 Net	Gross	Reinsurance	2012 Net
Provision 01.01.	4 842,2	-	4 842,2	4 148,3	-	4 148,3
Scope variation	5 392,8	-	5 392,8	-	-	-
Current year variation	1 772,3	-	1 772,3	693,9	-	693,9
Provision 31.12.	**12 007,3**	**-**	**12 007,3**	**4 842,2**	**-**	**4 842,2**

3. LOANS AND DEPOSITS RECEIVED FROM RE-INSURERS

Under the signed contracts of reinsurance, the reinsurers are required to cover their reinsurance commitments fully or partially according to the wishes of the ceding company by cash deposits. The remuneration of these deposits varies according to the treaties between 75.0% and 90.0% rate Euribor 6 months or yield of linear bonds issued by the Belgian state. These rates are fixed on 1st January of the year following that for which the cash deposits are counted. The Group has not required the reinsurers to deposit the full amount of deposits to which it is entitled.

The table bellow shows the value of the deposits as at 31 December of each year.

€ thousand	2013	2012
Non-life insurance contracts	13 843,3	12 193,5
Life insurance contracts	2 097,2	1 724,9
Total	**15 940,5**	**13 918,4**

The fair value of these assets has not been recognised because the effect of the discount rate on the actual amount is negligible.

Note 18. Investment contract liabilities and financial assets relating to unit-linked contracts

1. LIABILITIES FOR UNITED LINKS INVESTMENT CONTRACTS

Financial liabilities whose cash flows are contractually linked to the performance of assets at fair value through income (unit-linked investment contracts) are detailed in the table below according to the origin of the contract holders.

€ thousand	2013	2012
Luxembourg	31 507,0	30 812,5
EU	2 458 206,9	2 352 314,5
Outside EU	227 889,8	184 064,8
Total	**2 717 603,7**	**2 567 191,8**

All these amounts are financial liabilities designated by the Group as financial liabilities at fair value through income (cf. note 4 § 6.4.2). The value at maturity of these financial liabilities is the fair value of the underlying investment units of these contracts at maturity. There will be no difference between the carrying amount and the amount that the Group will be contractually obligated to pay at maturity. The credit and market risk of liabilities inherent to these investment contracts is supported by the subscribers of these unit-linked contracts.

2. LIABILITIES FOR OTHER INVESTMENT CONTRACTS

Liabilities for investment contracts include an amount of €15.0 thousand corresponding to the claim provision former unit-linked contracts (2012: €859.5 thousand).

3. FINANCIAL ASSETS RELATING TO UNIT-LINKED CONTRACTS

€ thousand	2013	2012
Value of the investment units valued at fair value through income	3 241 507,5	3 108 300,3

Note 19. Pension benefit obligation

1. EMPLOYEES' POST EMPLOYMENT BENEFITS

The Group provides the active staff and the retired employees with post employment benefits. Calculations required under IAS 19 for these obligations were made at 31 December 2013. These obligations for employee benefits are not funded outside the Group, they reflect the net liability.

1.1 Description of plans

1.1.1 External scheme

Employees benefit from a provident and pension plan financed through Foyer Vie S.A. This is an external plan with defined contributions; the Group entities pay an annual premium to Foyer Vie S.A.
The contributions are invested in investment funds with no guaranteed rate of return. However, employees have the opportunity to choose a form of a classic savings insurance scheme with a guaranteed interest rate of 2.5% and DPF.

As through its subsidiary, the Group keeps commitments internally, the retirement plan is considered as a defined benefit scheme.

1.1.2 Internal scheme

The plan is an internal scheme which is closed. It only concerns pensioners whose benefits comprise retirement, invalidity, survivor and orphan annuities paid in respect of previous commitments. These annuities are indexed.

1.2 Assumptions

The discount rate is based on bond market data.

	2013	2012
Discount rate	2,1%	1,6%
Inflation rate	2,0%	2,0%
Salary increase rate	0,5%	0,5%
Mortality tables for active employees	GMB 90-95	GMB 90-95
Increase rate of current pensions	2,0%	2,0%
Mortality tables for pensioners	ERF (1990) Switzerland	ERF (1990) Switzerland

Following factors have to be included:
- Personnel turnover rate ;
- The investments selected by the staff are considered to be constant in the projection;
- Taxes under article 142 LIR (20%) as well as the "taxe rémunératoire" of 0.9% are born by the employer. This tax has been included in the calculations.

1.3 Method of recognition

Actuarial gains or losses of the financial year are entirely recognised in equity during the same period.

1.4 Data

a) External pension scheme

	2013	2012
Number of active employees	540	517
Average age	42 years	42 years
Annual payroll for pension calculations	€ 37 662,3 thousand	€ 35 152,2 thousand

b) Internal pension scheme

	2013	2012
Number of beneficiaries	52	54
Average age	73 years	73 years
Annual benefits	€ 870,3 thousand	€ 863,9 thousand

1.5 Calculation of commitments

a) Year 2013

Variation of the present value of commitments in connection with defined benefits

€ thousand	Employed	Retired	Total
Present value of funded commitments at 01.01.2013	15 097,0	15 085,0	30 182,0
Cost of services rendered during the period	1 781,7	-	1 781,7
Financial cost	728,6	212,5	941,1
Actuarial (Gain) Loss	-1 009,7	-741,3	-1 751,0
Benefits paid	-522,0	-861,5	-1 383,5
Present value of commitments at 31.12.2013	**16 075,6**	**13 694,7**	**29 770,3**

Amounts recognised in the balance sheet

€ thousand	Employed	Retired	Total
Liabilities	16 075,6	13 694,7	29 770,3
Assets	-	-	-
Net liabilities (assets)	**16 075,6**	**13 694,7**	**29 770,3**

Liabilities include an amount of €5 398.1 thousand invested in unit linked contracts; the corresponding accounting is included as assets in financial assets relating to unit-linked contracts.

The increase of 50 basis points of discount rate would reduce the present value of commitments for an amount of €1 052.0 thousand. The decrease of 50 basis points would increase them for an amount of €1 133.0 thousand.

Amounts recognised in equity

€ thousand	Employed	Retired	Total
Actuarial gain (loss) at 01.01.2013	-2 461,3	-3 238,3	-5 699,6
Actuarial gain (loss) recognised during the period	1 009,7	741,3	1 751,0
Actuarial gain (loss) at 31.12.2013	**-1 451,6**	**-2 497,0**	**-3 948,6**

The statement of comprehensive income includes the actuarial gains recorded in equity during the period net of deferred tax.

Amounts recognised in profit and loss

€ thousand	Employed	Retired	Total
Cost of services rendered during the period	1 781,7	-	1 781,7
Financial cost	728,6	212,5	941,1
Total cost	**2 510,3**	**212,5**	**2 722,8**

Contribution to the plan for year 2014 is estimated to be €2 305.1 thousand.

Evolution

Present value of commitments € thousand	Commitments	Assets	Deficit
2013	29 770,3	-	29 770,3
2012	30 182,0	-	30 182,0
2011	27 033,6	-	27 033,6
2010	23 334,8	-	23 334,8
2009	21 701,8	-	21 701,8

Impact of changes in assumptions on the present value of commitments in %	
2013	-6%
2012	9%
2011	12%
2010	8%
2009	7%

a) Year 2012

Variation of the present value of commitments in connection with defined benefits

€ thousand	Employed	Retired	Total
Present value of funded commitments at 01.01.2012	12 281,9	14 751,7	27 033,6
Cost of services rendered during the period	1 599,3	-	1 599,3
Financial cost	268,3	286,4	554,7
Actuarial (Gain) Loss	1 658,5	912,8	2 571,3
Benefits paid	-711,0	-865,9	-1 576,9
Present value of commitments at 31.12.2012	**15 097,0**	**15 085,0**	**30 182,0**

Amounts recognised in the balance sheet

€ thousand	Employed	Retired	Total
Liabilities	15 097,0	15 085,0	30 182,0
Assets	-	-	-
Net liabilities (assets)	**15 097,0**	**15 085,0**	**30 182,0**

Amounts recognised in equity

€ thousand	Employed	Retired	Total
Actuarial gain (loss) at 01.01.2012	-802,8	-2 325,5	-3 128,3
Actuarial gain (loss) recognised during the period	-1 658,5	-912,8	-2 571,3
Actuarial gain (loss) at 31.12.2012	**-2 461,3**	**-3 238,3**	**-5 699,6**

The statement of profit and loss includes actuarial gains recognised during the period net of deferred tax.

Amounts recognised in profit and loss

€ thousand	Employed	Retired	Total
Cost of services rendered during the period	1 599,3	-	1 599,3
Financial cost	268,3	286,4	554,7
Total cost	**1 867,6**	**286,4**	**2 154,0**

2. AGENTS' PENSION BENEFIT COMMITMENT

A lump sum benefit is promised to the Group's insurance agents managing a non-life insurance portfolio, who have, on behalf of the Group, the status of general agent or principal agent and to whom the special agency agreement clause "Partner agent – extensive clause for General/Main Agent" applies.

The annual allocations are based on an actuarial calculation taking into account:

- a fixed charge of 1.5% of total commission granted to the agent during the calendar year or portion thereof taken into account;
- a technical interest rate of 5.0%;
- a mortality table.

The annual fixed charge is limited to a maximum amount per agent of €6.5 thousand to 668.46 index at the mobile wages scale applicable in the Grand-Duchy of Luxembourg.

At 31 December, the amounts provisioned were as follows:

€ thousand	2013	2012
Provision at 31.12.	5 637,5	7 521,8

Note 20. Provisions for other liabilities and charges

1. OTHER LONG TERM EMPLOYEE BENEFITS

1.1 Jubilee awards

In Luxembourg, gifts are offered to employees under the following conditions:

- Up to €2.3 thousand for a continued occupation of 25 years working for the employer;
- Up to €3.4 thousand for a continued occupation of 40 years working for the employer.

The social security contributions for a gift exempt from tax are not tax deductible.

The present value of the obligation of such promises is calculated using the actuarial method of credit units taking into account the mortality table and employee turnover. The assumptions are based on assumptions used in pension obligations.

Changes in these provisions are as follows:

€ thousand	2013	2012
Provisions at 01.01	483,0	449,2
Movements of the year	-38,9	33,8
Scope variation	4,9	-
Provisions at 31.12.	**449,0**	**483,0**

1.2 Options to purchase funds shares

In 2008, a subsidiary of the group Capital*at*Work had assigned his staff options to purchase funds shares, exercisable in 2018. These options are covered by similar options recognised in the item "equity instruments held for trading". The fair value of these commitments is the market value of those options.

Changes in fair value are as follows:

€ thousand	2013	2012
Provision at 01.01	24,3	18,3
Change in the fair value	11,6	6,0
Provision at 31.12.	**35,9**	**24,3**

1.3 Incentive plan

At 31 December 2013, a provision of €1 662.5 thousand (2012: €943.9 thousand) is recorded under the incentive plan awarded in 2010 to certain employees of the group Capital*at*Work. This commitment is assessed according to the characteristics of this plan and has been evaluated on the basis of its intrinsic value.

2. SHORT TERM EMPLOYEE BENEFITS

The amount of the provision for paid leave is estimated by multiplying the number of days of leave not taken at 31 December of each year by the average hourly cost and the impact of social security costs. The evolution of this provision is as follows:

€ thousand	2013	2012
Provisions at 01.01	1 630,8	1 658,3
Movements of the year	149,9	-27,5
Scope variation	24,0	-
Provisions at 31.12.	**1 804,7**	**1 630,8**

3. OTHER LIABILITIES AND CHARGES

Provisions for other liabilities and charges mainly consist of provisions for litigation.

The movements are as follows:

€ thousand	2013	2012
Provisions at 01.01	212,0	112,0
Additional provisions	614,8	100,0
Release	-112,0	-
Provisions at 31.12.	**714,8**	**212,0**

Note 21. Payable and deferred taxes

1. CURRENT TAX CHARGE

The Group recorded income and wealth tax expense of all the Group companies as follows:

€ thousand	2013	2012
Income tax	-13 939,8	-22 100,2
Local tax	-5 012,4	-7 640,6
Wealth tax	844,3	30,7
Other taxes (out of Luxembourg)	-445,0	-143,3
Total allocation to current taxes provision	**-18 552,9**	**-29 853,4**

2. RECONCILIATION OF TAX EXPENSE AND NET RESULT

€ thousand	2013	2012
Profit before tax	**95 655,2**	**84 475,7**
Current tax expense	18 552,9	29 853,4
Deferred tax expense	7 198,7	-6 829,0
Total tax expense	**25 751,6**	**23 024,4**
Theoretical tax expense	28 667,9	24 962,6
Impact of loss carry	-885,2	-352,1
Impact of tax credits	-287,8	-221,2
Impact of adjusted statutory	-7,2	-5,3
Wealth tax	45,0	66,6
Impact of rate	67,1	249,7
Final taxation of previous years	32,5	-17,9
Non taxable income	-2 113,7	-1 866,6
Tax losses not recoverable	89,9	-
Other impacts	143,1	208,6
Total tax expense	**25 751,6**	**23 024,4**

The charge of income and local taxes has been calculated at an aggregate rate of 29.97% (2012: 29.55%) on the profit before tax, including minority interests. Wealth tax is calculated at the rate of 0.5% on the unit value of each entity.

3. DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes arise when a temporary difference appears between the tax base of an asset or liability and their carrying value in the consolidated balance sheet. The following table shows a breakdown of these taxes.

€ thousand	IAS 19 (A)	IAS 19 (B)	IAS 12
at 01.01.2012	**628,0**	**3 308,7**	**231,6**
Scope variation	-	-	-
Variation through profit and loss	8,1	213,1	-
Variation through valuation reserve	-	783,8	-
at 31.12.2012	**636,1**	**4 305,6**	**231,6**
Scope variation	8,6	-	-
Variation through profit and loss	32,8	-550,6	-231,6
Variation through valuation reserve	-	-524,8	-
at 31.12.2013	**677,5**	**3 230,2**	**-**

IAS 19 (A): The amount of deferred taxes stems from the recognition of a provision for holiday pay and an allowance for gifts related to seniority.

IAS 19 (B): Movement in provisions for pension benefits calculated in the consolidated accounts by applying methods prescribed by this standard but not under LuxGAAP explains the variation in of the amount of deferred tax assets.

IAS 12: Variation in the amount of deferred tax relating to IAS 12 is due to the incorporation of existing loss carryforwards in various Group entities. These loss carryforwards had been caused by accounting losses under LuxGAAP which were not absorbed by the tax integration.

IAS 39: The movement in deferred tax liabilities under IAS 39 represents the portion of deferred taxes generated by the variation in the fair value of financial assets.

IAS 39	IAS 37	IAS 1 / IAS 12	IFRS 3	Total
-8 797,3	**-4 797,1**	**-16 985,9**	**-1 410,4**	**-27 822,4**
-	-	-	-	-
13 187,3	-6 780,8	80,6	32,2	6 740,5
-45 528,4	-	-	-	-44 744,6
-41 138,4	**-11 577,9**	**-16 905,3**	**-1 378,2**	**-65 826,5**
-167,2	-	-	-	-158,6
-72,8	-6 983,5	554,0	-50,4	-7 302,1
-5 053,1	-	-	-	-5 577,9
-46 431,5	**-18 561,4**	**-16 351,3**	**-1 428,6**	**-78 865,1**

IAS 37: The recognition of this deferred tax is the result of the cancellation of the change in provision for claims fluctuation recognised as a liability under LuxGAAP and other tax deductible provisions but not permitted under IFRS.

IFRS 3: Recognition of this deferred tax arises from the revaluation of property (IAS 16) as part of allocating the cost of business combination (IFRS 3 as adopted in the EU on 3 November 2008).

IAS 1 / IAS 12: The recognition of this deferred tax at 31 December is the result of cancellation of the variation in the "special items with a share in reserves" recorded under LuxGAAP.

Furthermore, deferred taxes were recognised in the income statement in respect of stock options granted in 2013 for an amount of €103.3 thousand (IFRS 2). Their counterpart is recognised directly in equity.

Note 22. Insurance debts and other liabilities

Debts to credit institutions have been reclassified among financial liabilities (cf. note 4). They are still presented in the note 16.

€ thousand	2013	2012
Debts arising from direct insurance operations	26 262,9	25 063,4
Debts arising from reinsurance operations	4 867,8	10 681,2
Income tax payable	77 750,5	63 323,3
Other taxes and social security liabilities	9 096,7	7 996,9
Debts to related parties	164,2	554,6
Other liabilities	15 902,2	14 433,4
Total	**134 044,3**	**122 052,8**

Most of the debts from direct insurance operations arise from premiums for non-life co-insurance contracts written for own account and on behalf of other insurance companies in which the Group acts as leading insurer.

Debts arising from reinsurance operations represent the balances of accounts of reinsurance treaties with reinsurers at the end of the period under review.

Income tax payable represent amounts due to the fiscal administration under tax accounts and provisions for income and wealth taxes calculated annually in accordance with the legal tax provisions of the country of residence entities.

Other tax debts and debts towards Social Security are amounts due to the fiscal and social benefits administrations under taxes on insurance, taxes, withholding taxes on wages and social contributions.

Debts to related parties represent the current account balance with proportionally-consolidated joint ventures and with Foyer Finance S.A.

Other liabilities include staff expenses, invoices and retrocessions to pay as well as acquisition of securities at the end of the year for which the payment was made early in the next year.

After initial recognition, the above insurance debts and other liabilities (excluding tax liabilities) are valued at amortised cost using the effective interest rate method. The fair value of these insurance debts and other liabilities is the discounted value of future cash flows. These flows are discounted at market rates and give the fair value of financial liabilities. As all these debts are either payable in very short term or can be offset with a claim against the same debtor and the effect of discounting on the original amounts are negligible, the fair value of these liabilities did not been recognised.

Note 23. Earned premiums, net of reinsurance

€ thousand	2013	2012
Gross written premiums Non-life		
Fire and other damage to property	94 252,2	81 693,2
Motor: civil liability	57 218,8	55 623,9
Motor: other business lines	96 821,0	92 235,8
Civil liability	26 365,4	25 259,4
Health, accident	21 006,0	16 803,6
Pecuniary loss	16 044,5	26 719,9
Other business lines	18 772,7	18 022,3
Total gross written premiums Non-life	**330 480,6**	**316 358,1**
Change in provision for gross unearned premiums		
Fire and other damage to property	-976,0	-1 796,4
Motor: civil liability	-1 147,4	-1 706,3
Motor: other business lines	-1 960,2	-2 417,2
Civil liability	-502,1	-361,9
Health, accident	-433,8	-1 896,8
Pecuniary loss	-575,2	-762,2
Other business lines	-514,7	-60,6
Change in provision for gross unearned premiums	**-6 109,4**	**-9 001,4**
Gross earned premiums Non-life		
Fire and other damage to property	93 276,2	79 896,8
Motor: civil liability	56 071,4	53 917,6
Motor: other business lines	94 860,8	89 818,6
Civil liability	25 863,3	24 897,5
Health, accident	20 572,2	14 906,8
Pecuniary loss	15 469,3	25 957,7
Other business lines	18 258,0	17 961,7
Total gross earned premiums Non-life	**324 371,2**	**307 356,7**

€ thousand	2013	2012
Gross written premiums Life (contracts IFRS 4)		
Life without unit-linked	158 756,1	121 833,2
- o/w contracts with DFP	*88 162,7*	*58 177,3*
Life unit-linked	279,0	4 823,0
Total gross written premiums Life	**159 035,1**	**126 656,2**
Change in provision for gross unearned premiums		
Life without unit-linked	1 184,1	-2 948,2
Life unit-linked	0,1	1,4
Total change in provision for gross unearned premiums	**1 184,2**	**-2 946,8**
Gross earned premiums Life		
Life without unit-linked	159 940,2	118 885,0
Life unit-linked	279,1	4 824,4
Total gross earned premiums Life	**160 219,3**	**123 709,4**
Total gross earned premiums (Non-life and Life)	**484 590,5**	**431 066,1**
Ceded premiums Non-life		
Fire and other damage to property	-29 773,5	-20 094,2
Motor: civil liability	-925,5	-768,6
Motor: other business lines	-193,5	-158,3
Civil liability	-7 967,6	-8 267,2
Health, accident	-463,5	-284,5
Pecuniary loss	-12 661,8	-22 762,0
Other business lines	-5 539,4	-5 797,4
Total ceded premiums Non-life	**-57 524,8**	**-58 132,2**

€ thousand	2013	2012
Change in the provision for unearned premiums, reinsurers' share		
Fire and other damage to property	-765,9	-524,8
Motor: civil liability	-	-
Motor: other business lines	-	-
Civil liability	44,1	518,9
Health, accident	2,5	-7,8
Pecuniary loss	582,3	654,6
Other business lines	81,0	-92,9
Total change in the provision for unearned premiums, reinsurers' share	**-56,0**	**548,0**
Ceded earned premiums Non-life		
Fire and other damage to property	-30 539,4	-20 619,0
Motor: civil liability	-925,5	-768,6
Motor: other business lines	-193,5	-158,3
Civil liability	-7 923,5	-7 748,3
Health, accident	-461,0	-292,3
Pecuniary loss	-12 079,5	-22 107,4
Other business lines	-5 458,4	-5 890,3
Total ceded earned premiums Non-life	**-57 580,8**	**-57 584,2**
Ceded premiums Life (contracts IFRS 4)		
Life without unit-linked	-2 601,9	-3 018,3
Life unit-linked	-101,5	-118,6
Total ceded premiums Life	**-2 703,4**	**-3 136,9**
Ceded earned premiums (Non-life and Life)	**-60 284,2**	**-60 721,1**
Earned premiums, net of reinsurance (Non-life and Life)	**424 306,3**	**370 345,0**

Note 24. Insurance benefits and claims

€ thousand	2013	2012
Insurance benefits costs - gross amounts		
- Life insurance		
Claims paid	-111 300,5	-91 742,8
Change in provision for claims	2 505,6	-2 670,4
Change in provision Life insurance	-98 096,6	-55 421,0
Change in provision for discretionary participation	-17 226,0	-7 347,4
Change in provision for unit-linked contracts	17 961,7	-18 116,7
Total	**-206 155,8**	**-175 298,3**
- Non-life insurance		
Claims paid	-145 324,9	-147 173,4
Change in provision for claims	-112 172,5	-12 824,3
Change in provision for appeal (subrogation and salvage)	409,0	341,4
Change in provision for aging	-1 772,3	-693,8
Change in provision for discretionary participation	150,1	154,9
Total	**-258 710,6**	**-160 195,2**
Total insurance benefits costs - gross amounts	**-464 866,4**	**-335 493,5**
Reinsurers' share in insurance benefits costs		
- Life insurance		
Claims paid	522,9	1 622,1
Change in provision for claims	62,5	-494,7
Change in provision Life insurance	293,3	197,1
Total	**878,7**	**1 324,5**
- Non-life insurance		
Claims paid	7 497,0	9 181,2
Change in provision for claims	71 031,9	-1 945,3
Change in provision for appeal	-	-
Total	**78 528,9**	**7 235,9**
Total reinsurers' share	**79 407,6**	**8 560,4**
Insurance benefits costs - net of reinsurance	**-385 458,8**	**-326 933,1**

Claims paid in life insurance include amounts relating to the partial or total repurchase of contracts.

Note 25. Commissions earned on insurance contracts

€ thousand	2013	2012
Asset management commission	4 035,5	4 496,7
Other technical income	293,9	37,8
Total	**4 329,4**	**4 534,5**

Note 26. Commissions and profit sharing earned on reinsurance contracts

These commissions received relate to reinsurance commissions collected from reinsurers as well as profit sharing received under certain Life and Non-Life reinsurance contracts.

€ thousand	2013	2012
Non-life		
- Reinsurance commission	2 545,8	2 545,7
- Income from contracts with DFP	47,0	29,8
Life		
- Reinsurance commission	129,5	161,5
- Income from contracts with DFP	81,5	80,4
Total	**2 803,8**	**2 817,4**

Note 27. Commissions earned on investment contracts

Amounts recognised as acquisition commission represent fees collected at the underwriting investment contracts (excluding contracts with DPF) and are considered costs of setting up contracts.

Furthermore the Group charges commission for investment management as services are rendered, which is regularly during the life time of these contracts and not on the issue of contracts.

€ thousand	2013	2012
Acquisition commission	716,6	700,4
Management commission of the contracts	14 394,0	12 347,5
Total	**15 110,6**	**13 047,9**

Note 28. Commissions earned by the Asset management segment

Commission income includes commissions earned by the Asset Management segment.
These revenues are as follows:

€ thousand	2013	2012
Intermediary fees	1 084,9	1 017,8
Performance fees on investment funds	6 110,7	936,4
Other management fees on investment funds	20 526,4	13 545,9
Asset management fees	3 361,6	3 386,9
Brokerage, lending	7 496,8	9 578,8
Total	**38 580,4**	**28 465,8**

Note 29. Profit from sale of financial assets

During the year, the Group sold securities from various portfolios.
The following table details the results:

€ thousand	2013	2012
Equity securities		
Available for sale	18 949,1	-680,9
At fair value through P&L	137,7	1 179,1
Debt securities		
Available for sale	20 297,5	20 093,2
At fair value through P&L	386,4	-
Participations	-	-1 718,3
Total	**39 770,7**	**18 873,1**

Note 30. Other net investment income

Other investment income includes all revenue generated from rental of buildings, dividends, interest on bonds and interest on cash and cash equivalent assets. "Other financial costs" include expenses incurred in the management of financial assets.

Other financial income is detailed in the table below:

€ thousand	**2013**	**2012**
Income		
Net financial revenue on land and buildings	308,7	257,6
Dividends received on shares	9 960,9	5 458,1
Interest on bonds	60 695,8	56 720,0
Interest received on deposits	397,8	656,4
Total	**71 363,2**	**63 092,1**

Expenses		
Interest paid on loans	-1 337,3	-996,3
Foreign exchange on deposits and securities	-3 745,8	1 315,5
Depreciation on equity instruments available for sale	-350,9	-1 757,0
Depreciation on fixed income securities available for sale	414,3	-318,2
Other financial costs	-9 782,8	-9 233,9
Total	**-14 802,5**	**-10 989,9**

Note 31. Change in fair value of assets / liabilities at fair value through profit and loss

1. ASSETS / LIABILITIES RELATING TO UNIT-LINKED CONTRACTS

€ thousand	2013	2012
Change in gains or losses on financial assets		
- local market	1 476,1	2 757,1
- international market	161 686,9	206 738,3
Change in gains or losses on financial liabilities		
- local market	-548,6	-1 689,8
- international market	-134 795,4	-164 075,7
Total	**27 819,0**	**43 729,9**

2. SECURITIES HELD FOR TRADING

€ thousand	2013	2012
Change in unrealised gains or losses		
- Equity securities	21,1	243,5
- Debt securities	-637,1	-655,3
Total	**-616,0**	**-411,8**

Note 32. Expenses

1. ACQUISITION COSTS

Acquisition costs include commissions granted to intermediaries as acquisition commission, incentive or collection commission and the recovery of deferred acquisition expenses. The acquisition costs include also the other administrative costs incurred in relation with the acquisition and administration of the contracts.

€ thousand	2013	2012
Intermediaries commission	-43 053,1	-40 151,7
Other acquisition costs	-37 052,6	-36 677,5
Deferred acquisition cost	79,0	458,5
Total	**-80 026,7**	**-76 370,7**

Intermediaries commission includes commissions on investment contracts with DPF of €1 299.3 thousand (2012: €1 397.1 thousand).

2. ADMINISTRATION COSTS

This item includes all the overhead costs related to the administration of the Group other than those incurred in issuing contracts, claims and financial management and collection of commissions of periodic premiums related to Life contracts.

€ thousand	2013	2012
Administration costs	-36 989,5	-35 892,9
Total	**-36 989,5**	**-35 892,9**

3. COSTS RELATED TO INVESTMENT AND INSURANCE CONTRACTS

These are costs incurred by Foyer International S.A. in its portfolio management of investment and insurance contracts.

€ thousand	2013	2012
Costs related to investment and insurance contracts	-6 864,8	-6 348,7
Total	**-6 864,8**	**-6 348,7**

4. OTHER OPERATING COSTS

This item records all operating expenses which have not been recognised in other categories.

€ thousand	2013	2012
Other costs	-3 669,9	-3 482,9
Total	**-3 669,9**	**-3 482,9**

Note 33. Staff expenses

1. HEADCOUNT AND STAFF COSTS

The average number of employees during fiscal year 2013 amounted to 562.9 (2012: 535.2), represented by the following categories:

Categories	2013	2012
Senior managers	32,3	32,8
Staff	67,8	67,8
Employees	462,8	434,6
Total	**562,9**	**535,2**

Staff costs below include the allocation for the incentive plan (cf. note 20) and the cost of stock options plan (cf. below).

€ thousand	2013	2012
Wages and salaries	43 812,1	45 465,7
Social charges	5 325,0	5 084,0
Other staff costs	11 590,5	5 546,0
Total	**60 727,6**	**56 095,7**

2. FAIR VALUE OF SHARE-BASED PAYMENTS

In 2009, the Company has established in favour of executive managers and a plan to award options to purchase shares of the Company. The plan provides a settlement only in shares. It does not give rise to the issuance of new shares and the Company buys on the stock-exchange shares necessary for such compensation. The options cover the same number of shares and the exercise price is equal to the share price at grant date.

	Number of options 2013	Average exercise price 2013	Number of options 2012	Average exercise price 2012
Outstanding at 01.01	151 310	40,42	118 052	39,41
Granted	35 022	55,00	34 814	44,00
Forfeited	-	-	-1 556	44,00
Outstanding at 31.12	**186 332**	**43,16**	**151 310**	**40,42**
Exercisable at 31.12	48 264	33,00	-	-

The fair value of the compensation plan for share-based payment is accounted at the grant date using the valuation model Monte-Carlo of real world and reflects the characteristics and condition of granting options.

The parameters used to evaluate this plan the 35 022 options granted in 2013 are detailed below:

- Expected dividends paid in 2013, €2.152941 per share, increased by the interest rate without risk
- Expected average annual return expected of share : 6% increased by the interest rate without risk
- Interest rate without risk : 1.382% (rate of the German state bonds)
- Expected life of the option : 6 years (linear performance over the period of exercise)
- Expected volatility of share : 31.32% (following historical data on 6 years)
- Exercise price of option and price of share at grant date: €55.00.

The options are estimated at €345.0 thousand, namely €9.85 per option.

For options outstanding at the end of the year, the range of exercise prices was from €33.00 to €55.00 (2012: from €33.00 to €44.00) and the average remaining contractual life is 6.9 years (2012: 7.7 years).

Note 34. Information on related parties' transactions

1. INSURANCE CONTRACTS AND OTHER SERVICES

The insurance coverages for directors' civil liability, professional liability and fraud are placed with an external insurer. Premiums are paid by Foyer Finance S.A. who in turn invoices the Group.

Capital*at*Work Foyer Group S.A. has signed contracts with other companies of Group Foyer Finance S.A. in order to intervene on their behalf in financial markets. These services are rendered at cost price.

€ thousand	2013	2012
Premiums of contracts hedging directors' civil liability, professional liability and fraud	169,3	183,9
Provision for financial management services	85,0	90,9

Further, Foyer Vie S.A. acts as manager of supplementary pension plans with defined benefits and defined contributions of all companies of the group Foyer Finance, including companies proportionally consolidated in the group Foyer. These services are rendered at cost price.

2. REMUNERATION OF SENIOR MANAGERS AND THE BOARD OF DIRECTORS

The members of the Board of Directors and senior managers received the following salaries and rewards:

€ thousand	2013	2012
Board of Directors	574,7	574,6
Wages of senior managers	8 884,8	9 062,9
Pensions (closed plan)	180,8	176,4
Pensions benefit premiums	692,9	666,3
Social charges	632,1	630,6
Stocks-options	345,0	295,1

3. SUBORDINATED LOAN

In 2012, the Group has granted a subordinated loan to Foyer Santé S.A., which also received the same amount from the other partner. The loans remain unchanged at 31 December 2013 but the joint-venture is now a subsidiary fully consolidated.

€ thousand	2013	2012
Subordinated loan granted to Foyer Santé	-	300,0
Subordinated loan granted by minority interests	600,0	300,0

Other receivables and debts due to related parties (joint venture and subsidiaries) are disclosed in notes 15 and 22 respectively.

4. LOANS GRANTED TO CERTAIN MEMBERS OF MANAGEMENT

Loans granted to related parties are as follows:

31.12.2013 € thousand	Outstanding Amount	Interest rates	Duration
Executive management and other related parties	546,8	-	up to 20 years

Repayment on loans during the year amounted to €11.0 thousand (2012:€5.0 thousand).

The Group provides to concerned persons for members of management the benefit of the Grand-Ducal regulations subsequent to Article 104 LIR of 4 December 1967 regarding exemption from tax payments in kind interest on loans.

5. AGENT'S PENSION COMMITMENT

The Group has committed to the agents of its network to pay a pension capital when they will retire. This commitment reflects the Group's desire to retain staff as exclusive agents of the Group. If the activities cease for other reasons, such as serious misconduct or as a result of the agent changing its accreditation company, the agent's right lapses.

The amounts accrued at 31 December of the years 2013 and 2012 are shown in note 19 "Agent's pension commitment".

6. LOANS TO CERTAIN AGENTS

The Group grants loans to the agents to allow them to buy portfolios coming up for sale. These loans are secured by the compensation indemnity payable in respect of the sale of portfolios. The amounts on loans to the agents are set forth in note 15, under the heading "loans".

Note 35. Contingent liabilities and off-balance sheet commitments

1. CONTINGENT LIABILITIES

The Group guarantees covering for loans granted to employees and agents by credit institutions.

The Group is involved in litigations and claims pending arising from the normal course of business. Disputes arising from insurance contracts subscribed by customers are covered by technical provisions.

2. GUARANTEES

At 31 December 2013, the Group received from reinsurers pledged securities for an amount of €7 192.6 thousand (2012: €2 341.7 thousand).

Conversely, the building in Leudelange was pledged to the Commissariat aux Assurances (cf. note 13).

On other hand, the Group has entered into specialised or alternative funds for which the amount of the outstanding commitment amounts to €3 872.9 thousand (2012: €3 758.3 thousand).

3. OPERATING LEASES

Several joint ventures or subsidiaries have signed rental agreement for office space on an initial period exceeding one year. The main provisions of these contracts are as follows:

Operating leasing € thousand	Expiry	Indexing	Rent 2013	Estimate 2014	Estimate 2015-2018	Estimate > 2018
Antwerp Green Plaza	24.03.2018	yes	94,0	96,8	335,3	-
Breda	30.09.2015	yes	71,6	73,7	57,0	-
Ghent	30.06.2019	yes	54,0	55,6	239,5	97,6
Leudelange	14.06.2018	yes	83,7	389,8	1 581,1	-
Total			**303,3**	**615,9**	**2 212,9**	**97,6**

The Group is also engaged in leasing and maintenance IT contracts (hard and software). The main contracts having terms greater than one year are as follows:

IT contracts € thousand	Expiry	Indexing	Rent 2013	Estimate 2014	Estimate 2015-2018	Estimate > 2018
Disaster Recovery Plan	31.12.2017	no	88,4	122,2	366,5	-
Office automation and other softwares	31.12.2015	no	479,4	479,4	479,4	-
Maintenance of hardware	31.12.2016	no	392,1	450,9	917,6	-

Foyer S.A. annual accounts

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Management report

of the Board of Directors of Foyer S.A. to the Annual General Meeting of Shareholders on 15 April 2014

1. RESULT

The result of the fiscal year 2013 shows a net profit of €44.72 million compared to €126.23 million in 2012.

The table below shows the detail of the result:

€ million	31.12.2013	31.12.2012
Income from subsidiaries	**41,66**	**125,97**
Foyer Assurances	*37,12*	*122,92*
CapitalatWork Foyer Group	*3,30*	*2,81*
Foyer International	*1,01*	*-*
Tradhold	*0,23*	*0,23*
Income from securities, cash and cash equivalent	**12,87**	**11,51**
Cost (amortisation, interest, losses on disposals)	-2,16	-2,20
General expenses (including financial expenses)	-6,03	-5,98
Profit before taxes	**46,34**	**129,30**
Taxes	-1,62	-3,07
Net profit	**44,72**	**126,23**

Income from subsidiaries decreased from €125.97 million to €41.66 million, of which Foyer Assurances paid a dividend of €37.12 million and Capital*at*Work Foyer Group a dividend of €3.30 million. Due to the profit realised on the disposal of its former subsidiary Foyer RE, Foyer Assurance has paid an exceptional dividend in 2012.

The increase of the current assets during the year had a positive impact on the income from securities in form of interest, dividend and profit on sales.

At 31 December 2013, Foyer S.A. has acquired participations that were previously held by its subsidiaries Foyer Assurances S.A. and Foyer Vie S.A. Financial and regulatory reporting, as well as capital management, will become more efficient by bringing together insurance and reinsurance companies, directly under a single parent company.

2. INVESTMENT STRATEGY

Apart from participations in Group companies, the investment strategy is guided by a reference structure consisting of 10% shares, 80% bonds and 10% cash. Beyond the legal limits, the asset allocation takes into account the particular valuation criteria of current yield and fiscal effects. The actual allocation overweights equities and bonds. In bonds, corporate bonds are overweighted against state bonds.

At 31 December, the asset allocation was as follows:

Market value in %	2013	2012	2011
Bonds	80,57	85,75	94,69
Shares	9,67	6,74	1,16
Funds	5,18	2,93	3,11
Cash	4,58	4,58	1,04
Total	**100,00**	**100,00**	**100,00**

3. EVENT OCCURRED AFTER THE END OF THE FINANCIAL

To our knowledge, no important event that may have a significant impact on the financial position of the Company has occurred since the end of fiscal year 2013.

4. OUTLOOK

Subject to the acceptance by the ordinary General Meeting of the respective companies, Foyer S.A. is expected to receive, during the first half of 2014, dividends from its subsidiaries amounting to:

€ millions	
Foyer Assurances	20,62
Capital*at*Work Foyer Group	9,70
Foyer ARAG	2,43
Foyer International	1,01
Raiffeisen Vie	0,38
Tradhold	0,24
Foyer Distribution	0,21
Total	**34,59**

Dividends received from subsidiaries would thus decrease from €41.66 million in 2013 to €34.59 million in 2014.

5. RESEARCH AND DEVELOPMENT

The Company does not undertake any research and development in 2013.

6. TREASURY SHARES

In accordance with the authorisation granted by the General Meeting of Shareholders on 16 April 2013, the Board of Directors has approved the same day the implementation of a program to repurchase Company's shares in order to achieve the following objectives:

- Cover a stock option plan of Foyer S.A. for employees and executives of the Foyer Group;
- Cancel the repurchased shares by a decision of an Extraordinary General Meeting to be held later;
- Maintain and give subsequently shares of Foyer S.A. in exchange or payment in connection with an acquisition.

Based on this repurchase program, Foyer S.A. acquired during the fiscal year 2013 a total of its 8 668 own shares for a total amount of €459 419.25, i.e. an average price of €53.00 per share. Foyer S.A. didn't sell any of its shares in 2013.

On 31st December 2013, the Company held in its portfolio 148 391 own shares (31.12.2012: 139 723 shares), representing 1.65% of issued shares. The par value being €5.00, the total amounted to €741 955.00.

At the same time, the unavailable reserve for own shares, on the liabilities side of the balance sheet, went from €5 988 443.21 to €6 447 862.46, increasing by an additional amount of €459 419.25.

7. BRANCH

The Company has no branch in the Grand-Duchy of Luxembourg, either abroad.

8. RISK MANAGEMENT

Given the fact that the Company is a holding company, it faces strategic risks in the selection and development of its participations. With its participations, the Company is exposed to risks as described in the consolidated management report.

Through its portfolio and its cash, Foyer S.A. also faces financial risk in lesser extent.

Financial risk is the risk of a significant impact on the development of lines of assets, or asset as a whole, related to the negative development of certain market factors. We differentiate specific currency risk, credit risk, interest rate risk, market risk, liquidity risk and treasury risk, which are each subject to specific management.

- The currency risk is minimal; assets in other currencies than euro are generally hedged.
- The credit risk represented by the risk on bond issuers is limited by the choice of highly rated issuers and a wide distribution among those. The bond portfolio contains 71.70% securities of rating "investment grade", 14.34% securities not rated and 13.96% securities rated lower than BBB.
- The interest rate risk is primarily managed through the duration of the bond portfolio. At the end of 2013, this parameter amounts to 4.89 years.
- The market risk is controlled through a broad diversification across markets and equity instruments, as well as through an ongoing monitoring of the securities portfolio and its performance perspectives.

- Liquidity risk is managed by the choice for a significant part of the financial asset, investment in listed securities on a highly diversified base and small size compared to the issue of these securities.
- The treasury risk is managed through diversification and credit quality of financial institutions with which the Group makes deposits.

9. INFORMATION ON IMPLEMENTATION OF THE LAW OF 19 MAY 2006 CONCERNING TAKE-OVER BIDS

In accordance with Article 68bis, paragraph 2 of the Law concerning the register of commerce and companies and the accounting as the financial accounts of companies of 19 December 2002 ("Loi sur les comptes annuels"), Foyer S.A. had included a statement of corporate governance in a separate report, called "Corporate Governance - Report 2013". This separate report is published with the management report and is included on the website **http://groupe.foyer.lu**.

This separate report also includes:

- systems of internal control and risk management of Foyer S.A. in the process of establishing financial reporting, in accordance with Article 68 bis 1 c) of the "Law on the Financial Statements";
- information on the structures and measures that could hinder the acquisition and exercise of the control of Foyer S.A. by a buyer, in accordance with Article 11 of the Law of 19 May 2006 on public takeover bids.

10. APPROPRIATION OF PROFIT

The Board proposes to the General Meeting of Shareholders the following distribution of the available profit of €61 097 300.98, of which €44 724 790.71 refers to the profit after tax for the year 2013, and €16 372 510.27 refers to a profit carried over from the previous year:

€	
Gross dividend of **€1.976471** on 8 850 451 outstanding shares (*)	17 492 659.74
Reserve for wealth tax charged to fiscal year 2013	10 500 000.00
Other reserves	30 000 000.00
Retained profit	3 104 641.24
Total	**61 097 300.98**

(*): at 31.12.2013

If you approve this proposal, a gross dividend of €1.976471 (2012: a recurring gross dividend of €1.752941 and an exceptional dividend of €0.40 for the 90th anniversary of Foyer Group, giving a total of €2.152941) will be payable after deduction of 15% withholding tax on Luxembourg dividend income, net pay-out per share will be €1.68 (2012: a recurring net dividend of €1.49 and an exceptional dividend of €0.34 for the 90th anniversary of Foyer Group, giving a total of €1.83) available as from April 23rd 2014, against remittance of coupon No 14:

- in the Grand-Duchy of Luxembourg: at the Banque et Caisse d'Epargne de l'Etat
- in Belgium: at KBC Bank

Leudelange, 4 March 2014

The Board of Directors

Responsibility statement

In accordance with article 3 (2) c) of the amended law of January 11th, 2008 in connection with the obligations of transparency concerning information about issuers of securities admitted for negotiation on a regulated stock market, Mr François Tesch, Chief Executive Officer and Mr Marc Lauer, Chief Operating Officer, declare that the annual accounts of Foyer S.A. have been established under their responsibility, in conformity with the complete set of accounting standards, and that, to their knowledge, these annual accounts give a true and fair view of all assets and liabilities, of the financial situation and the profits and losses of Foyer S.A., and that the management report truly presents the company's evolution, its results and its overall situation and the description of the principal risks and uncertainties faced by them.

Marc Lauer COO	François Tesch CEO

Independent auditor's report

To the shareholders of
Foyer S.A.
12 rue Léon Laval
L-3372 Leudelange

Report to the annual accounts

Following our appointment by the General Meeting of the Shareholders dated 17 April 2012, we have audited the accompanying annual accounts of Foyer S.A., which comprise the balance sheet as at 31 December 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 and presentation of the annual accounts and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation 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 judgment 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 Foyer S.A. as of 31 December 2013, and of the results of its operations for the year then ended in accordance with the Luxembourg legal and regulatory requirements relating to the preparation and presentation 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.

The accompanying corporate governance statement on pages 5 to 21, which is the responsibility of the Board of Directors, is consistent with the annual accounts and includes the information required by the law with respect to the corporate governance statement.

Ernst & Young
Société Anonyme
Cabinet de révision agréé

Sylvie Testa

Luxembourg, 28 March 2014

Balance sheet

at 31 December 2013

€ ASSETS	Notes	31.12.2013	31.12.2012
Fixed assets	**4**		
Tangible fixed assets	3.2		
Other equipment, machines and furniture		*5 652,50*	*5 652,50*
Long term financial investments	3.3		
Investment in subsidiaries and joint-venture	*5*	*181 196 493,25*	*155 245 480,83*
Own shares held	*4*	*5 943 503,66*	*5 988 443,21*
Total fixed assets		***187 145 649,41***	***161 239 576,54***
Current assets			
Receivables	3.4		
Receivables from sale of services, coming to maturity in less than or equal to one year		*3 000,00*	-
Other receivables coming to maturity in less than or equal to one year		*54 724,38*	*54 866,49*
Other financial assets	3.5, 3.6	193 334 013,56	168 411 204,28
Cash on hand and at bank		10 940 655,38	9 842 012,86
Total current assets		***204 332 393,32***	***178 308 083,63***
Accruals		***4 176 164,94***	***3 998 347,72***
TOTAL ASSETS		**395 654 207,67**	**343 546 007,89**

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

€ LIABILITIES	Notes	31.12.2013	31.12.2012
Equity	**6**		
Issued share capital		44 994 210,00	44 994 210,00
Share premium		3 106 002,40	3 106 002,40
Reserves:			
Legal reserve	*7*	*4 499 421,00*	*4 499 421,00*
Reserve for own shares held	*8*	*6 447 862,46*	*5 988 443,21*
Other reserves		*221 489 637,54*	*121 552 056,79*
Other reserves - special reserve	*9*	*22 017 500,00*	*11 914 500,00*
Retained earnings		16 372 510,27	19 714 781,60
Profit of the year		44 724 790,71	126 230 889,19
Total equity		***363 651 934,38***	***338 000 304,19***
Provisions for risks and expenses	**3.7, 10**		
Provisions for pension benefit obligation		7 141,97	7 141,97
Tax provision		2 618 774,21	1 453 034,32
Total provision for risks and expenses		***2 625 916,18***	***1 460 176,29***
Debts	**3.8**		
Debts to credit institutions with a residual maturity of one year of less		882 459,58	1 105 805,67
Debts related to purchases and services rendered maturing within one year		120 377,14	99 433,97
Debts towards Group companies maturing within one year	4	26 674 114,35	1 533 549,68
Other debts o/w tax and social security debts		3 762,79	20 841,41
Other debts o/w residual maturity within or equal one year		1 695 444,69	1 325 638,66
Total debts		***29 376 158,55***	***4 085 269,39***
Accruals		198,56	258,02
TOTAL LIABILITIES		**395 654 207,67**	**343 546 007,89**

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

Profit and loss account

For the financial year ended at 31 December 2013

€	Notes	31.12.2013	31.12.2012
EXPENSES			
Other operating expenses		6 033 889,45	5 976 109,94
Depreciation of long term investments and other short term financial assets	3.9	860 346,07	553 991,73
Other interests and assimilated expenses		1 302 447,49	1 649 460,79
Taxes on profit		2 527 341,61	3 251 451,31
Other taxes non included in items above	13	-912 764,79	-183 704,01
Profit after taxes		44 724 790,71	126 230 889,19
Total expenses		**54 536 050,54**	**137 478 198,95**
INCOME			
Other operating income		3 231 708,52	1 065 081,17
Income from subsidiaries		41 663 771,16	125 968 899,50
Income derived from long term investments and other short term financials assets		619 367,06	171 505,67
Other interests and assimilated income		8 180 091,15	7 206 696,50
Gains arising from revaluation of short term financial assets		841 112,65	3 066 016,11
Total income		**54 536 050,54**	**137 478 198,95**

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

Notes to the annual financial statements

Note 1. General

Foyer S.A. (the "Company") was constituted on November 13th, 1998 under the name Le Foyer, Compagnie Luxembourgeoise S.A. (R.C.S. Luxembourg B 67 199). The extraordinary General Meeting of November 23rd, 2005 decided to change this name to Foyer S.A. Its registered offices are in Leudelange. Its corporate purpose is essentially all operations relating to the acquisition of shareholdings and the administration, management, control and development of such shareholdings.

Note 2. Presentation of the annual accounts

In compliance with the criteria established under Luxembourg law, the Company prepares consolidated accounts and a consolidated management report which are available for review at the Company's registered office located at 12, rue Léon Laval, in L-3372 Leudelange.

Annual accounts are prepared in compliance with the law of 19 December 2002 such as modified and in accordance with Luxembourg accounting standards such as generally accepted in the Grand Duchy of Luxembourg. Accounting policies and evaluation criteria are, if not imposed by law, established and instituted by the Board of directors of the Company.

The Company is part of the consolidated accounts of Foyer Finance S.A., the largest corporate group of which the company is a subsidiary. This company's registered office is located at 12, rue Léon Laval in L-3372 Leudelange. The consolidated accounts and consolidated management report of Foyer Finance S.A. as well as the Governance Charter of Foyer S.A. are available for review at this address.

Note 3. Summary of main accounting policies

The main accounting policies used by the company in the preparation of the annual accounts are the following:

1. CONVERSION OF ITEMS DENOMINATED IN FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are converted to Euro (€) at the exchange rate in force on the date the accounts are closed.

Transactions denominated in foreign currencies carried out over the course of the year are converted to Euro (€) at the exchange rate in force on the date of the transaction.

Unrealised losses and realised losses and gains in relation with the evolution of exchange rates are recognised in the profit and loss account.

2. TANGIBLE FIXED ASSETS

Tangible fixed assets are valued at the historical cost of acquisition. Acquisition costs are determined by adding related expenses to the purchase price.

Tangible fixed assets with an unlimited useful lifetime are not depreciated.

3. LONG TERM FINANCIAL INVESTMENTS

Long term financial investments are valued at acquisition cost including transaction cost.

Long term financial investments are depreciated such as to recognise them for a value which is the lowest of either acquisition cost or their estimated sales price at the time of the financial year end.

Depreciation is not maintained when the reasons that motivated depreciation in the first place have ceased to exist.

4. ACCOUNTS RECEIVABLE

Accounts receivable are recorded in the balance sheet at either their nominal value or their expected recovery value. These values are depreciated should their full or partial recovery appear to be uncertain.

Depreciation is not maintained when the reasons that motivated depreciation in the first place have ceased to exist.

5. FINANCIAL ASSETS OTHER THAN BONDS AND OTHER FIXED INCOME SECURITIES

Financial assets other than bonds and other fixed income securities are valued at acquisition cost comprising acquisition expenses.

Financial assets other than bonds and other fixed income securities are depreciated such as to recognise them for a value which is the lowest of either acquisition cost or their estimated sales price at the time of the financial year end.

Depreciation is not maintained when the reasons that motivated depreciation in the first place have ceased to exist.

6. BONDS AND OTHER FIXED INCOME SECURITIES

Bonds and other fixed rate securities are valued either at acquisition cost or at their estimated sales price taking into account the following elements:

- the positive spread (agio) between the acquisition price and sales price is recognised in the Profit and Loss account by spreading it equally over the period of time remaining until redemption;
- the negative spread (disagio) between the acquisition price and sales price is recognised in the Profit and Loss account by spreading it equally over the period of time remaining until redemption.

Bonds and other fixed rate securities are depreciated to give them the lowest value of either their amortised acquisition cost or their estimated sales price and their market value at the financial year end.

Amounts depreciated will not be maintained once the reasons that motivated them in the first place have disappeared.

7. PROVISIONS FOR RISK AND EXPENSES

The aim of the provision for risk and expenses is to provide for all expenses and debts the nature of which is known and which at financial year end are either probable or certain but undetermined as for their amount or the date on which they will be payable.

8. ACCOUNTS PAYABLE

Accounts payable are included in liabilities at their repayment value.

9. DEPRECIATION

Depreciation is deducted from the concerned asset.

Note 4. Fixed Assets

Movements of fixed assets during the year were as follows:

€	Other equipment, machines and furniture	Shares in subsidiaries and joint-ventures	Own shares held
Gross value on 01.01.2013	**5 652,50**	**155 245 480,83**	**5 988 443,21**
Acquisition of the year	-	25 951 012,42	459 419,25
Disposals of the year	-	-	-
Gross value on 31.12.2013	**5 652,50**	**181 196 493,25**	**6 447 862,46**
Cumulated depreciation on 01.01.2013	**-**	**-**	**-**
Depreciation of the year	-	-	-504 358,80
Recovery of depreciation of the year	-	-	-
Accumulated depreciation on 31.12.2013	**-**	**-**	**-504 358,80**
Net value on 31.12.2013	***5 652,50***	***181 196 493,25***	***5 943 503,66***
Net value on 31.12.2012	***5 652,50***	***155 245 480,83***	***5 988 443,21***

The acquisitions of the year relate to the purchases of investments previously held by its own subsidiaries Foyer Assurances S.A. and Foyer Vie S.A. and to the purchases of 8 668 own shares.

The Company established a stock option plan in order to repurchase Foyer's shares for the benefit of employees and management of the Group Foyer. Some of these options became exercisable in 2013, but none has yet been exercised. At 31 December 2013, Foyer S.A. notes a risk of loss on treasury shares when those options would be exercised.

€	31.12.2013
Grant date	28.04.2009
Beginning of the exercise period	28.04.2013
End of the exercice period	27.04.2019
Number of the granded and subscribed options	48 264
Number of exercised options	-
Number of exercisable options	48 264
Exercise price	33,00
Average purchase price of own shares	43,45
Unrealised loss	504 358,80

Note 5. Investments in subsidiaries and joint-ventures

On 31 December 2013, Foyer S.A. has acquired participations that were previously held by its subsidiaries Foyer Assurances S.A. and Foyer Vie S.A. Shareholding in affiliated companies and participations on 31 December 2013 can be summarised as follows:

€	Share in capital held	Acquisition price	Equity on 31.12.2013 (1),(2)	Profit of the year 2013 (1)	Profit of the year 2012
Foyer Assurances S.A.	100,00%	23 175 398,40	123 122 261,39	23 626 260,10	42 167 807,86
Foyer RE S.A.	100,00%	13 000 000,00	14 991 324,00	8 676,01	-
Foyer Distribution S.A.	100,00%	259 300,00	160 871,23	220 282,93	202 934,55
Foyer ARAG S.A.	90,00%	3 733 400,00	2 913 558,72	2 899 812,70	2 826 673,20
Foyer Santé S.A.	75,00%	3 450 000,00	3 569 773,34	210 748,43	888 307,25
Foyer Vie S.A.	100,00%	27 784 709,89	110 823 433,28	14 162 973,15	27 498 656,41
Raiffeisen Vie S.A.	50,00%	5 508 100,00	9 687 878,00	2 676 093,41	3 012 742,26
Foyer International S.A.	100,00%	24 936 805,74	41 120 151,07	3 140 797,45	2 963 081,71
Tradhold S.A.	50,00%	6 000 000,00	12 108 741,72	488 188,61	491 111,09
Capital*at*Work Foyer Group	100,00%	73 348 779,22	33 836 323,77	10 861 465,33	4 345 771,70
Total		**181 196 493,25**	**352 334 316,52**	**58 295 298,12**	**84 397 086,03**

(1) audited annual accounts at 31.12.2013
(2) excluding the results of previous year

On 31 December 2013, it is the opinion of the Board, that no impairment is to be recognised on shares in affiliated companies.

Note 6. Shareholders' equity

Equity movements of the year were the following:

€	Issued share capital	Share premium	Legal reserve
On 31.12.2012	**44 994 210,00**	**3 106 002,40**	**4 499 421,00**
Appropriation of profit	-	-	-
dividends	-	-	-
reserves and retained earnings	-	-	-
Repurchase of own shares	-	-	-
	-	-	-
Profit on 31.12.2013	-	-	-
On 31.12.2013	**44 994 210,00**	**3 106 002,40**	**4 499 421,00**

On 31 December 2013, subscribed and issued capital amounts to €44 994 210.00 and is represented by 8 998 842 fully paid no-par-value shares. Authorised capital amounts to €74 350 000.00.

Note 7. Statutory reserve

Under Luxembourg law, 5% of a company's annual net profit must each year be transferred to a statutory reserve. These transfers cease to be compulsory once the value of the statutory reserve is equivalent to 10% of the company's total share capital.

The statutory reserve cannot be distributed to shareholders, except upon the dissolution of the company.

Note 8. Reserve for own shares held

On 31 December 2013, the Company held 148 391 (2012: 139 723) own shares for a total consideration of €6 447 862.46 (2012: €5 988 443.21) for which an unavailable reserve for own shares was recognised in liabilities. These shares are recognised as fixed assets in the item "Own shares held".

Reserve for own shares	Other reserves	Other reserves,special reserve	Retained earnings	Profit of the year
5 988 443,21	**121 552 056,79**	**11 914 500,00**	**19 714 781,60**	**126 230 889,19**
-	-	-	-	-
-	-	-	-	-19 073 160,52
-	100 397 000,00	10 103 000,00	-3 342 271,33	-107 157 728,67
459 419,25	-459 419,25	-	-	-
-	-	-	-	-
-	-	-	-	44 724 790,71
6 447 862,46	**221 489 637,54**	**22 017 500,00**	**16 372 510,27**	**44 724 790,71**

Note 9. Other reserves – special reserve

In accordance with the tax laws and since 1st January 2002, the Company reduced its wealth tax liability. In compliance with legislation, the Company allocated an amount corresponding to five times the wealth tax liability to an unavailable reserve. This reserve may not be disposed of for five years from the year following the one in which the wealth tax liability was reduced.

The allocations made to this reserve are as follows:

- 2009 €2 180 000.00
- 2010 €1 537 500.00
- 2011 €7 800 000.00
- 2012 €10 103 000.00

Total: €22 017 500.00

Note 10. Provisions for risks and expenses

The provision for risks and expenses details as follows:

€	31.12.2013	31.12.2012
Provision for pensions benefit obligation	7 141,97	7 141,97
Tax provision	2 618 774,21	1 453 034,32

The tax provision is essentially made up by estimated tax liabilities for financial years for which final taxation has not yet been received from fiscal authorities. The last such tax bulletin received is the one of the financial year 2008. Advance tax payments are recognised under "Accounts receivable" as an asset.

Note 11. Personnel employed during the year

The Company did not employ any person during the fiscal year closed on 31 December 2013 (2012: 1 person).

Note 12. Remuneration paid to members of administrative bodies

The Company paid remunerations of €322 986.30 (2012: €347 959.02) to the members of the administrative bodies during the year ended 31 December 2013.

Note 13. Taxes on profits

On 31 December 2013, the surplus of item product of “Other taxes not included in the items above” is mainly due to the abandonment of fiscal integration which proved unfavorable to the group and generates a non-recurring income.

Note 14. Fees due to the statutory auditor

For the financial year closed on 31 December 2013, the statutory auditor, and as the case may be, affiliated companies of the auditor, billed fees for an amount (before VAT) as follows:

€	31.12.2013	31.12.2012
Legal audit of the companies annual accounts	84 088,74	86 772,65

Note 15. Off-balance sheet commitments

In 2013 the Company has taken a commitment to subscribe in the capital of SIF for an amount of €3 000 000.00. On 31 December 2013, the residual commitment amounts to €2 285 410.00.

Foyer

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