Annual Report 2014
Ageas Finance N.V.

Ageas Finance N.V.
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All amounts in the tables of these Financial Statements are denominated in thousands of euros, unless stated otherwise.

Report of the Board of Directors of Ageas Finance N.V. on the 2014 financial year

Report of the Board of Directors of Ageas Finance N.V. on the 2014 financial year.

General

In the past Ageas Finance N.V. operated as the window to the financial markets for Ageas entities by issuing both short-term and long-term debt securities under a Belgian/Dutch Commercial Paper program and a Euro Medium Term Note (EMTN) program. Proceeds were primarily on-lent to Ageas holding entities, to finance leverage that existed at this level in the group. ageas SA/NV (former Fortis SA/NV) in Belgium provided several guarantees for debt issued by Ageas Finance N.V.

Confronted with the international financial crisis, Ageas has undergone a complete metamorphosis. In 2008 its Dutch banking and insurance activities have been sold to the Dutch State, while the other banking activities have been sold to the Belgian State, which in turn sold 75% of Fortis Bank NV/SA to BNP Paribas.

The sale of a number of material group companies stated above implied that a default was triggered under the EMTN program, which could not be cured. As a result, holders of Ageas Finance N.V. bonds are at all times entitled to demand the early redemption of their bonds in accordance with Conditions 7(a)(vii) and 7(a)(ix) of the Terms and Conditions. At year end 2014 all issued bonds have reached their legal maturity date and have been repaid, except one floating rate note that expires on 22 December 2015, of which EUR 2.2 million remains outstanding.

The shares of Ageas Finance N.V. are indirectly held by ageas SA/NV via Ageas Insurance International N.V. Ageas Insurance International N.V. is the direct and sole shareholder of Ageas Finance N.V.

International Financial Reporting Standards

The Ageas Finance N.V. Financial Statements, including the 2013 and 2012 comparative figures, are prepared in accordance with IFRS and its Interpretations – at 31 December 2014 and as adopted by the European Union.

Where accounting policies are not specifically mentioned below, reference should be made to the IFRS as adopted by the European Union.

The accounting policies used to prepare the Financial Statements for 2014 are consistent with those applied in the Financial Statements for the year ended 31 December 2013.

According to the accounting policies Ageas opted to fair value part of its assets and liabilities, while other parts are valued at amortised cost. With a view at the early redemption process described above, whereby the EMTN debt is redeemable at par value, Ageas Finance N.V. assumed that this par value represents the best estimate of their fair value, except if trades in the publicly listed notes is observed on the Luxembourg stock exchange above 100%; in these cases the listed trade value is used.

Results and appropriation of profit

In June 2014 Ageas Finance redeemed the last material amount of EMTN series. The board reviewed the financial situation of the company after this redemption and concluded that the company holds sufficient cash reserves to redeem the last outstanding inflation linked notes in December 2015. The board also concluded that the company was over capitalised in comparison wit the remainder of risks that the company can incur, and the board therefore decided to pay an EUR 18.0 million interim dividend out of retained earnings in 2014.

Ageas Finance N.V. realised a net loss after tax of EUR 166,822 in 2014 compared to a net loss of EUR 3,397,246 recorded in 2013 and a loss of EUR 6,887,982 in 2012. Ageas Finance N.V. is part of the corporate income tax unity in the Netherlands. Due to the overall loss position of the tax unity and the lack of future tax basis, no tax compensation was possible. The Board of Directors proposes to the General Meeting of Shareholders to allocate the 2014 net result to the Retained Earnings.

Risk management

The remainder of a loan that was granted to Ageas Insurance International N.V. was early redeemed in June 2014. All derivatives also expired in the course of 2014. Besides some counterparty risk due to cash entrusted to BNP Paribas Fortis SA/NV, the company carries no further risks anymore.

Prospects

The annual accounts are prepared based on the going concern assumption.

The outstanding debt of Ageas Finance is in default. Due to cross default language in the terms and conditions of the EMTN programme, any new issued loan would immediately default; Ageas Finance N.V. therefore will not issue new bonds until the last defaulted bond is redeemed in December 2015. After the last redemption, management will review the future for the company. Management believes that the retained earnings of the company at year end 2014 are sufficient to cover for the expected future losses.

Employees

Ageas Finance N.V. has no employees of its own. Its activities are performed by employees of Ageas group companies.

Corporate Governance Statement

Given the size of the company, the board members of the company are directly involved with the day to day management of the company, while at least two Board members are required to sign for agreements or contracts that legally bind or commit the company. Governance therefore fully relies on the four eye principle.

Internal financial reports were produced on a monthly basis and discussed in the board that met quarterly. However, as of June there is only one remaining note outstanding for a relatively small amount. As of the second half 2014 the board therefore meets on a semi annual basis; the main topic discussed is the publication of the Bi-annual publication of the financial statements.

These financial statements are published to comply with the transparency guidelines that apply for issuers of listed securities on regulated markets with notes with a par value below EUR 50,000. These half year and annual reports are respectively reviewed and audited by the external auditors. Issues are discussed between auditors and board.

Management representation

Management declares that, to the best of their knowledge, the financial statements prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and that the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

For the purpose of best practice provision II.1.5 in the Dutch Corporate Governance Code the Board considers that to the best of its knowledge, the internal risk management and control systems relating to financial reporting risks worked properly in the year under review and provide a reasonable assurance that the Ageas Finance N.V. Financial Statements 2014 do not contain errors of material importance. This statement cannot be construed as a statement in accordance with the requirements of Section 404 of the US Sarbanes-Oxley Act, which is not applicable to Ageas Finance N.V.
The Board will continue its commitment to keep in place the internal risk management and control systems in line with the limited activities performed.

Utrecht (NL), 23 March 2015

The Board of Directors:

J.H. Brugman
C.F. Oosterloo
C. Boizard

Financial statements 2014

Statement of Financial position

(before appropriation of result)

In thousands of euro	*Note*	*31 December 2014*	*31 December 2013*	*31 December 2012*
Assets				
Current assets				
Cash and cash equivalents	*1*	3,463	82	3,713
Due from group companies		-	87,000	200,000
Derivatives and other receivables		-	3,254	10,598
Total assets		**3,463**	**90,336**	**214,311**
Equity				
Issued capital		125	125	125
Retained earnings		1.123	22.520	29,408
Result for the year		(167)	(3,397)	(6,888)
Total equity	*2*	**1,081**	**19,248**	**22,645**
Liabilities				
Current liabilities				
Interest-bearing loans and borrowings	*3*	2,186	68,436	186,807
Bank overdrafts		-	200	-
Accrued interest and other liabilities	*4*	196	2,452	4,859
Total liabilities		**2,404**	**71,088**	**191,666**
Total equity and liabilities		**3,463**	**90,336**	**214,311**

Income Statement and Statement of Comprehensive Income

In thousands of euro	*Note*	*2014*	*2013*	*2012*
Income				
Financial income	*5*	2,008	8,622	11,884
Financial expenses	*5*	(2,113)	(11,915)	(18,729)
Net financial margin		**(105)**	**(3,293)**	**(6,845)**
Operating expenses	*6*	(62)	(104)	(156)
Operating result before tax		**(167)**	**(3,397)**	**(7,001)**
Income tax	*7*	-	-	113
Result for the year		**(167)**	**(3,397)**	**(6,888)**
Other comprehensive income		**-**	**-**	**-**
Total comprehensive income		**(167)**	**(3,397)**	**(6,888)**
Total result for the year attributable to shareholders		**(167)**	**(3,397)**	**(6,888)**
Total comprehensive income attributable to shareholders		**(167)**	**(3,397)**	**(6,888)**

Statement of changes in net equity

For the year ended 31 December	*2014*	*2013*	*2012*
In thousands of euro			
Balance beginning of year	19,248	22,645	29,533
Profit or loss for the period	(167)	(3,397)	(6,888)
Dividend paid	(18.000)	-	-
Balance end of year	**1,081**	**19,248**	**22,645**

Statement of cash flows

For the year ended 31 December	*2014*	*2013*	*2012*
In thousands of euro			
Cash and cash equivalents – Balance at 1 January	82	3,713	545
Bank Overdrafts – Balance at 1 January	(200)	-	(1,673)
Total cash and cash equivalents/ bank overdrafts at 1 January	**(118)**	**3,713**	**(1,128)**
Cash flows from operating activities			
Net result	(167)	(3,397)	(6,888)
Net changes in operating assets and liabilities	998	4,937	8,709
Net cash from operating activities	**831**	**1,540**	**1,821**
Cash flows from Investing activities			
Cash Receipt on loans (due from group companies)	**87,000**	**113,000**	**100,100**
Cash flows from financing activities			
Dividend paid	(18,000)	-	-
Cash receipt or repayment of borrowings (subordinated, debt certificates, long term liabilities, straight loans)	(66,250)	(118,371)	(97,080)
Net cash from financing activities	**(84,250)**	**(118,371)**	**(97,080)**
Cash and cash equivalents– Balance at 31 December	3,463	82	3,713
Bank overdrafts – Balance at 31 December	-	(200)	-
Total cash and cash equivalents/ bank overdrafts at 31 December	**3,463**	**(118)**	**3,713**

General Notes

General notes

Ageas Finance N.V. is a company domiciled in The Netherlands. The address is Archimedeslaan 6, 3584 BA Utrecht.

The company is registered with the chamber of Commerce in Utrecht under number 30055940.
The shares of Ageas Finance N.V. are indirectly held by ageas SA/NV via Ageas Insurance International N.V. The latter is the direct and sole shareholder of Ageas Finance N.V.
The main activity of Ageas Finance N.V. was to provide funding to companies within the Ageas group.

Ageas Finance N.V. does not employ any personnel; all activities are performed by employees of other Ageas entities.

The financial statements were authorised for issue by the Board of Directors on 10 March 2015.

Accounting policies

General

The annual accounts are prepared based on the going concern assumption.

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as adopted by the European Community.

b) Basis of preparation

The financial statements are presented in euro, rounded to the nearest thousand. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, and certain interest-bearing loans and borrowings.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates are especially used in establishing the fair value of non market quoted financial instruments.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Ageas Finance N.V. is the financing vehicle of the Ageas group. In principle all funding transactions were lend-on to Ageas Insurance International N.V.; to avoid liquidity risks, the on-loan includes options for Ageas Finance N.V. to ask for early redemption at par, in case early redemption requests on the outstanding bonds emerge. Interest rate risk is limited via usage of derivatives.

Ageas Finance N.V. does not apply hedge accounting.

c) Changes in accounting principles

The following new or revised standards, interpretations and amendments to standards and interpretations have become effective on 1 January, 2014 (and are endorsed by the EU) are applicable for Ageas Finance N.V.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

In addition to the new disclosure requirements under IFRS 7, the IASB also decided to separately provide additional application guidance for offsetting in accordance with IAS 32.
This guidance: clarifies the meaning of 'currently has a legally enforceable right of set-off'; and requires disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32.
This guidance did not have an material impact on Shareholders' equity and/or profit or loss.

Amendments to IAS 36 Recoverable amount disclosures for non-financial assets

The IASB, as a consequential amendment to IFRS 13 Fair Value Measurement, modified some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets. The amendments resulted from the IASB's decision in December 2010 to require additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. This amendment is designed to clarify the disclosure requirements of IAS 36.
These amendments did not have an material impact on Shareholders' equity and/or profit or loss.

Amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting'

Under the amendments there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties.
These amendments did not have an material impact on Shareholders' equity and/or profit or loss

Upcoming changes in IFRS EU in 2015

There will not be any new standards that will become effective for Ageas as at 1 January 2015 that will have a material impact on Shareholders' equity and/or Net result.

The accounting policies used to prepare these 2014 Financial Statements are consistent with those applied for the year ended 31 December 2013.

d) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to euro at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

e) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the company's contractual rights to the cash flows from the financial assets expire or if the company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the company's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note g (Financial income and expenses).

Investments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Derivative financial instruments

The company holds derivative financial instruments to hedge its foreign currency, credit risk, equity risk and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised immediately in profit or loss.

f) Impairment

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

g) Financial income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

Notes to the financial statements

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1. Cash and cash equivalents

In thousands of euro	*2014*	*2013*	*2012*
Bank balances	*3,463*	*82*	*3,713*
Cash and cash equivalents	***3,463***	***82***	***3,713***

Bank balances are held at current accounts with BNP Paribas Fortis SA/NV. Other Ageas group entities entrusted cash at accounts at the same bank, and these accounts jointly form a cash pool. In case of defaults of these group companies BNP Paribas Fortis SA/NV is entitled to compensate the cash balances of these entities.

2. Capital and reserves

The movements in capital and reserves for the years ended 2012, 2013 and 2014 are as follows:

In thousands of euro	*Share capital*	*Retained earnings*	*Result for the year*	*Total*
Balance at 1 January 2012	***125***	***34,729***	***(5,321)***	***29,533***
Allocation of profit	-	(5,321)	5,321	-
Total recognised income and expense	-	-	(6,888)	(6,888)
Balance at 31 December 2012	***125***	***29,408***	***(6,888)***	***22,645***
Allocation of profit	-	(6,888)	6,888	-
Total recognised income and expense	-	-	(3,397)	(3,397)
Balance at 31 December 2013	***125***	***22,520***	***(3.397)***	***19,248***
Allocation of profit	-	(3,397)	3,397	-
Total recognised income and expense	-	-	(167)	(167)
Dividend paid		(18,000)		(18,000)
Balance at 31 December 2014	***125***	***1,123***	***(167)***	***(1,081)***

The authorised share capital comprised 1,000 ordinary shares, par value of EUR 500; 250 shares were issued and fully paid up. During 2012, 2013 and 2014 no new shares were issued nor bought back by the company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares are held by Ageas Insurance International N.V.

3. Interest-bearing loans and borrowings

The loans and borrowings can be analysed as follows:

In thousands of euro	*2014*	*2013*	*2012*
Senior drawings under EMTN-program	*2,186*	*68,436*	*186,807*
Total interest bearing loans and borrowing	***2,186***	***68,436***	***186,807***
Loans and borrowings at fair value	*2,186*	*33,536*	*89,542*
Loans and borrowings at amortised cost	*-*	*34,900*	*97,265*
Total interest bearing loans and borrowings	***2,186***	***68,436***	***186,807***

The interest bearing loans and borrowings at year end 2014 can be detailed as follows:

drawings under EMTN-program (by ISIN code)	*Legal Maturity date*	*Nominal amount*	*Fair value*
XS0181100834 *at fair value, according to a level 2 valuation*	22-12-2015	1,796	*2,186*
Total interest bearing loans and borrowings		**1,796**	**2,186**

The sale of material group companies by the Fortis Group in 2008 implied that a default was triggered under the EMTN program which could not be cured. As a result, holders of Ageas Finance N.V. bonds are at all times entitled to demand the early redemption of their bonds in accordance with Conditions 7(a)(vii) and 7(a)(ix) of the Terms and Conditions. Such redemption takes place at par value plus accrued interest until the date of effective early redemption. It is assumed that these redemption values represent the proper amortised cost value or best estimate of the fair value, if applicable. However, a note recorded at fair value may trade above their redemption values; in this case the observed trading value at the reporting date was used.

The average interest paid on the loans and borrowings was 4.78% in 2014 (2013: 3.91%; 2012: 3.71%).

In note 8, all loans and borrowings are classified according to their legal maturity to represent the maximum Interest rate risk if bondholders await the scheduled redemption date of bonds, while all assets are classified with a maturity less than 6 months to represent the maximum liquidity risk when bondholders would all immediately ask for early redemption.

4. Accrued interest and other liabilities

In thousands of euro	*2014*	*20132*	*2012*
Accrued interest	*1*	*2,395*	*4,801*
Payables to group companies	*75*	*23*	*5*
Other payables and accrued expenses	*120*	*34*	*53*
Total	***196***	***2,452***	***4,859***

5. Net financial margin

In thousands of euro	2014	2013	2012
Interest income loans	151	765	1,867
Interest income derivatives	1,318	5,909	9,993
Interest income cash and cash equivalents	1	-	-
Interest related income	-	-	24
Past prescription interest	173	103	-
Net gain on re-measurement from borrowings at fair value	365	1,845	-
Financial income	**2,008**	**8,622**	**11,884**
Interest expenses loans and borrowings	(747)	(5,957)	(9,321)
Interest expenses subordinated loans	-	-	(273)
Interest expenses derivatives	(216)	(791)	(3,042)
Interest expenses cash and cash equivalents	-	-	(14)
(Un) realised loss on derivatives	(1,119)	(5,167)	(4,938)
Net loss on re-measurement from loans at fair value	-	-	(1,141)
Past prescription interest	(31)	-	-
Financial expenses	**(2,113)**	**(11,915)**	**(18,729)**
Net financial margin	**(105)**	**(3,293)**	**(6,845)**

6. Operating expenses

In thousands of euro	2014	2013	2012
Accounting office fees charged by group companies	50	70	100
Bank costs	5	3	2
Audit costs	2	30	53
Other	5	2	1
Total	**62**	**104**	**156**

The audit costs relate to the fees charged by KPMG Accountants N.V. for the audit of the annual accounts (including half year review). The audit costs for 2014 amount to EUR 25 compensated by a release of a provision related to audit costs from previous years of EUR 23 in total. The audit costs are not directly charged to Ageas Finance N.V. but charged via Ageas Insurance International N.V.

7. Income taxes

Ageas Finance N.V. is part of the tax unity for corporation tax Ageas Insurance International N.V. together with Ageas B.V. Ageas Insurance International N.V. acts as the head of this tax unity. Due to the fact that it is not expected that the fiscal unity will generate taxable profits in the coming years, no deferred tax asset has been recorded for unused tax losses. Within the tax unity entities making profit, account for the full tax charge and this amount is allocated to loss making entities based on the taxable losses to these entities.

Due to the fact that the tax unity made an overall tax loss in 2014 and all entities made a loss, no expected tax benefit could be recognised.

The timing differences on which deferred tax should be recognised when the fiscal unity was in a profit situation can be summarised as follows:

In thousands of euro	*2014*	*2013*	*2012*
Unrealised part of derivatives	-	1,119	6,286
Unrealised revaluation of loans	(394)	(762)	(2,641)
	(394)	***357***	***3,645***

Reconciliation of effective tax rate

In thousands of euro	*2014*	*2013*	*2012*
Profit before tax(minus = loss)	(167)	(3,396)	(7,001)
Domestic corporate tax rate	25.0%	25.0%	25.0%
Income tax using the domestic corporate tax rate	42	849	1,750
Reduction due to result in total fiscal unit	(42)	(849)	(1,637)
Total income tax expense in income statement	(42)	(849)	113
Effective corporate tax rate	***0%***	***0%***	***(1.6%)***

8. Risk management

Exposure to interest rate risk arised in the normal course of Ageas Finance N.V. business. The board decided to use derivative financial instruments to economically hedge exposure to fluctuations in interest rates on a deal by deal basis. The early redemption of notes lead to open interest positions. Due to the fact that all series of bonds but one have reached their legal maturity date, the bonds have been redeemed and the derivatives that were in place to hedge the interest risk expired. Currently only one inflation linked note remains outstanding for an amount of Eur 2.186.000, for which cash is held at banks to repay the bond at its maturity date on 22 December 2015.

The bond still outstanding creates a small interest burden that is not compensated by the yield made on cash held; this difference will be covered out of retained earnings. There are no other risks left in the company other than exposure to BNP Paribas Fortis linked with the entrusted cash.

Interest rate risk

In the cause of operations, Ageas Finance N.V. was potentially exposed to interest rate risks, especially since all outstanding bonds were early redeemable. With every early redemption, the interest position changed. A useful indication of the interest sensitivity at year end could therefore not be given. Ageas Finance N.V. monitored these risks using duration techniques and gap analysis and manages the position with a view to close open positions that occured due to the early redemptions. In managing interest rate risks Ageas Finance N.V. aimed to reduce the impact of fluctuations on the earnings.

The following table indicates the earlier of contractual re-pricing or maturity of interest income-earning financial assets and interest-bearing financial liabilities as well as the derivatives for a number of time buckets. This overview did not take into consideration the fact that the loans given and taken were directly callable at year end.

At 31 December 2014	*less than 6 months*	*6 up to 12 months*	*1 up to 2 years*	*2 up to 5 years*	*5 years And over*	*total*
In thousands of euro						
Cash and cash equivalents	*3,463*	*-*	*-*	*-*	*-*	*3,463*
Financial liabilities	*-*	*(2,186)*	*-*	*-*	*-*	*(2,186)*
Interest GAP on balance	*3,463*	*(2,186)*	*-*	*-*	*-*	*1,277*
Net interest GAP	*3,463*	*(2,186)*	*-*	*-*	*-*	*1,277*

At 31 December 2013	*less than 6 months*	*6 up to 12 months*	*1 up to 2 years*	*2 up to 5 years*	*5 years And over*	*total*
In thousands of euro						
Financial assets	*87,000*	*-*	*-*	*-*	*-*	*87,000*
Cash and cash equivalents/ bank overdrafts	*(118)*	*-*	*-*	*-*	*-*	*(118)*
Financial liabilities	*(66,242)*		*(2,194)*		*-*	*(68,436)*
Interest GAP on balance	*20,640*	*-*	*(2,194)*	*-*	*-*	*18,446*
Net interest GAP	*20,640*		*(2,194)*	*-*	*-*	*18,446*

At 31 December 2012	less than 6 months	6 up to 12 months	1 up to 2 years	2 up to 5 years	5 years And over	total
In thousands of euro						
Financial asssets	200,000	-	-	-	-	200,000
Cash and cash equivalents/ bank overdrafts	3,713	-	-	-	-	3,713
Financial liabilities	(60,075)	(55,478)	(68,867)	(2,387)	-	(186,807)
Interest GAP on balance	143,638	(55,478)	(68,867)	(2,387)	-	16,906
Derivatives	(125,000)	50,000	75,000	-	-	-
Net interest GAP	18,638	(5,478)	6,133	(2,387)	-	16,906

Liquidity risk

Ageas Finance N.V. was exposed to liquidity risk in the sense that is would not have had sufficient cash to pay loans when these became due. The following table indicates the maturity of interest income-earning financial assets and interest-bearing financial liabilities. Since the assets and liabilities became directly callable in the course of 2008, all assets and liabilities are since that moment classified with a maturity of less than 6 months:

Maturity schedule 2014	less than 6 months	6 up to 12 months	1 up to 2 years	2 up to 5 years	5 years And over	total
In thousands of euro						
Cash and cash equivalent	3,463	-	-	-	-	3,463
Financial liabilities	-	(2,186)	-	-	-	(2,186)
Liquidity Excess (GAP)	3,463	(2,186)	-	-	-	1,277

Maturity schedule 2013	less than 6 months	6 up to 12 months	1 up to 2 years	2 up to 5 years	5 years And over	Total
In thousands of euro						
Due from group companies	87,000	-	-	-	-	87,000
Cash and cash equivalent/ bank overdrafts	(118)	-	-	-	-	(118)
Financial liabilities	(68,436)	-	-	-	-	(68,436)
Liquidity Excess (GAP)	18,446	-	-	-	-	18,446

Maturity schedule 2012	less than 6 months	6 up to 12 months	1 up to 2 years	2 up to 5 years	5 years And over	Total
In thousands of euro						
Due from group companies	200,000	-	-	-	-	200,000
Cash and cash equivalents/ bank overdrafts	3,713	-	-	-	-	3,713
Financial liabilities	(186,807)	-	-	-	-	(186,807)
Liquidity Excess (GAP)	**16,906**	**-**	**-**	**-**	**-**	**16,906**

9. Related parties

Parties related to Ageas Finance N.V. include Ageas group companies, Board Members, Executive Managers, close family members of any individual referred to above and other related entities.

Ageas Finance N.V. has no employees of its own; all operational and management activities are performed by employees of other Ageas entities. The activities are charged to Ageas Finance N.V. based on Service level agreements.

10. Operating segments

Ageas Finance N.V., being an issuing vehicle of the Ageas Group, operated as one segment: it tapped the financial market for funding, that was on-lent to internal group entities. Given the default of the bonds that Ageas Finance N.V. issued, all internal clients redeemed their on-loans, although one new loan was granted. Besides paying coupons on debt outstanding, redeeming the principal of debt at maturity or earlier when bondholders request this and reducing the granted loan in function of these redemptions, the company is in-active.

11. Off-balance sheet items

Ageas Finance N.V. is part of the tax unity for corporation tax Ageas Insurance International N.V. together with Ageas B.V. Ageas Insurance International N.V. acts as the head of this tax unity. Each of the companies is, in accordance with the standard conditions, jointly and severally liable for debts arising out of corporation tax on the part of the group tax unity as a whole. Within the tax unity, entities making profit, account for the full tax charge and this amount is allocated based on the taxable losses tot the other entities.

Ageas Finance N.V. is part of the “fiscale eenheid voor de omzetbelasting Ageas N.V. c.s.” a fiscal unity for VAT (Value Added Tax) in the Netherlands.

12. Management remuneration

The board of directors receives their remuneration from other Ageas Group companies. No remunerations are charged directly to Ageas Finance N.V.

13. Contingent liabilities

We have taken notice of the disclosure on Contingent Liabilities in the 2014 Consolidated Financial Statements of Ageas in which is mentioned that Ageas is or can be involved in a number of legal procedures as well as administrative and criminal investigations in Belgium, The Netherlands and the USA. Ageas Finance N.V. is of the opinion that these procedures are not likely to lead to a substantial claim liability for Ageas Finance N.V.

14. Post-balance sheet date events

There have been no material events after balance sheet date that would require adjustments to the financial statements as of 31 December 2014.

Utrecht (NL), 23 March 2015.

The Board of Directors:
J.H. Brugman
C.F. Oosterloo
C. Boizard

Other information

Provisions of the articles of association concerning profit appropriation

Article 18, subsection 1 and 2, of the Articles of Association reads:

The company may make distributions to the shareholders and other persons entitled to the profit available for distribution only in so far as the equity capital of the company exceeds the aggregate of the paid-up and called-up part of the capital of the company and the reserves that have to be kept by law.

Profits may be distributed only after adoption of the annual accounts showing that such distribution is permissible.
The profit shown in the adopted annual accounts may be disposed of by the general meeting of shareholders as it sees fit.

Profit appropriation

The Board of Directors proposes to the General meeting of shareholders to deduct the loss from the Retained Earnings.

Independent auditor's report

To: the General Meeting of Shareholders of Ageas Finance N.V.

Report on the audit of the financial statements 2014

Our opinion

We have audited the financial statements 2014 of Ageas Finance N.V. (the company), based in Utrecht.

In our opinion the financial statements give true and fair view of the financial position of Ageas Finance N.V. as at December 2014 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

The financial statements comprise:

the statement of financial position as at December 31, 2014; the following statements for 2014: the income statement, the statements of comprehensive income, changes in equity and cash flows; and the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Ageas Finance N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 9,450. The materiality is based on 5% of operating result before tax. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We report to the Board of Directors misstatements in excess of EUR 475, which are identified during the audit, as well as misstatements that in our view must be reported on qualitative grounds.

Our key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matter to the Board of Directors. The key audit matter is not a comprehensive reflection of all matters discussed.

This matter was addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Finance activities

The activities of Ageas Finance N.V. are mainly related to intergroup financing of the Fortis Group based on an issued EMTN program. As disclosed in note 3 the sale of material group companies by the Fortis Group in 2008 implied that a default was triggered regarding the EMTN program. As a result, holders of Ageas Finance N.V. bonds were entitled to invoke the early redemption of their bonds in accordance with the Terms and Conditions, resulting in a significant decrease of "interest-bearing loans and borrowings" during the last couple of years. The fulfilment of the requirements under the EMTN program regarding interest payments and redemptions and the correct accounting for derivatives that are used by the company to mitigate the interest risk of the company are significant to our audit because the financial statements mainly comprise of items resulting from this program and derivatives used.

Our procedures regarding the net financial margin included amongst others recalculation of the interest payments, interest accruals and results on derivatives. Furthermore we performed procedures on the repayment of the loans in accordance with the EMTN program.

Based on our procedures performed, we found the net financial margin and repayment of amounts in accordance with the EMTN program have been properly disclosed in note 5 and 3 respectively.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Netherlands Civil Code and for the preparation of the report of the Board of Directors in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Board of Directors is responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Board of Directors is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Concluding on the appropriateness of the Board of Directors' use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not mentioning it is in the public interest.

Report on other legal and regulatory requirements

Report on the Board of Directors report and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the managing board report and other information),:

- We have no deficiencies to report as a result of our examination whether the Board of Directors report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and whether the information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed.
- We report that the Board of Directors report, to the extent we can assess, is consistent with the financial statements.

Engagement

We were appointed before 2008 for the first time as auditor of Ageas Finance N.V., and operated as auditor since then. We were re-appointed by the Board of Directors as auditor of Ageas Finance N.V. on 21 July 2014 regarding the audit for year 2014.

Amstelveen, 23 March 2015

KPMG Accountants N.V.

Wim Teeuwissen RA