Annual Report 2015
Ageas Finance N.V.

Ageas Finance N.V.
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Contents

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 2015 financial year

Report of the Board of Directors of Ageas Finance N.V. on the 2015 financial year.

General

Ageas Finance N.V. (formerly Fortis Finance N.V.) used to be a financing vehicle issuing debt under guarantee of the former Fortis top-holdings (nowadays Ageas SA/NV). It stopped issuing activity at the break-up of Fortis in 2008; since this break-up its activity was limited to redeeming debt outstanding at the maturity date of the issued securities, or at the request of bondholders on an earlier date. Redemption at the request of bondholders linked with the fact that the break-up triggered a technical default of the issued securities, entiteling the bondholders to request redemption at par value. The cross default language in the terms and conditions of the EMTN programme under which securities were issued prevented Ageas Finance N.V. to issue new bonds. At year end 2015 all bonds that were outstanding at the break up have been redeemed at their par value; no bondholder has incurred losses on securities issued by Ageas Finance. The redemption of the last series of securities per 15 December 2015 has “cured” the technical default status of the entity.

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 2014 comparative figures, are prepared in accordance with IFRS and its Interpretations – at 31 December 2015 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 2015 are consistent with those applied in the Financial Statements for the year ended 31 December 2014.

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, Ageas Finance N.V. assumed that the par value represented the best estimate of their fair value, except if trades in the publicly listed notes was observed on the Luxembourg stock exchange above 100%; in these cases the listed trade value was used.

Results and appropriation of profit

Ageas Finance N.V. realised a net loss after tax of EUR 68,474 in 2015 compared to a net loss of EUR 166,822 recorded in 2014. 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 2015 net result to the Retained Earnings.

Risk management

Besides some counterparty risk due to cash entrusted to BNP Paribas Fortis SA/NV, the company carries no further risks.

Prospects

Although Ageas Finance N.V. is now “cured” from its technical default, Ageas as insurance group has no demand for a dedicated financing vehicle. Management therefore intends to merge the entity with its parent company Ageas Insurance International N.V., whereby Ageas Insurance International N.V. is envisaged to become the surviving company. A merger proposal will be drafted in the course of 2016. The assets and liabilities involved in the merger represent entrusted cash at banks and are valued at nominal value. Given the planned merger, the accounts are drawn up under the going concern assumption. The valuation of the assets and liabilities is at nominal value which is the same as the fair value due to the fact that the assets and liabilities are current.

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.

The board met on a semi annual basis. The main topic discussed was the bi-annual publication of the financial statements; transparency guidelines demand semi-annual publication as long as securities remain outstandings with a face value below a certain threshold.

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 2015 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), 11 February 2016

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

Financial statements 2015

Statement of Financial position

(before appropriation of result)

In thousands of euro	*Note*	*31 December 2015*	*31 December 2014*
Assets			
Current assets			
Cash and cash equivalents	*1*	1,144	3,463
Total assets		**1,144**	**3,463**
Equity			
Issued capital		125	125
Retained earnings		956	1.123
Result for the year		(68)	(167)
Total equity	*2*	**1,013**	**1,081**
Liabilities			
Current liabilities			
Interest-bearing loans and borrowings	*3*	-	2,186
Accrued interest and other liabilities	*4*	131	196
Total liabilities		**131**	**2,404**
Total equity and liabilities		**1,144**	**3,463**

Income Statement and Statement of Comprehensive Income

In thousands of euro	*Note*	*2015*	*2014*
Income			
Financial income	*5*	11	2,008
Financial expenses	*5*	(52)	(2,082)
Net financial margin		**(41)**	**(74)**
Past prescription nominal and interest	*6*	31	(31)
Operating expenses	*7*	(58)	(62)
Operating result before tax		**(68)**	**(167)**
Income tax	*8*	-	-
Result for the year		**(68)**	**(167)**
Other comprehensive income		**-**	**-**
Total comprehensive income		**(68)**	**(167)**
Total result for the year attributable to shareholders		**(68)**	**(167)**
Total comprehensive income attributable to shareholders		**(68)**	**(167)**

Statement of changes in net equity

For the year ended 31 December	*2015*	*2014*
In thousands of euro		
Balance beginning of year	1,081	19,248
Profit or loss for the period	(68)	(167)
Dividend paid	-	(18.000)
Balance end of year	**1,013**	**1,081**

Statement of cash flows

For the year ended 31 December	2015	2014
In thousands of euro		
Cash and cash equivalents – Balance at 1 January	3,463	82
Bank Overdrafts – Balance at 1 January		(200)
Total cash and cash equivalents/ bank overdrafts at 1 January	**3,463**	**(118)**
Cash flows from operating activities		
Net result	(68)	(167)
Net changes in operating assets and liabilities	(124)	998
Net cash from operating activities	**(192)**	**831**
Cash flows from Investing activities		
Cash Receipt on loans (due from group companies)	**-**	**87,000**
Cash flows from financing activities		
Dividend paid	-	(18,000)
Cash receipt or repayment of borrowings (subordinated, debt certificates, long term liabilities, straight loans)	(2,127)	(66,250)
Net cash from financing activities	**(2,127)**	**(84,250)**
Cash and cash equivalents– Balance at 31 December	**1,144**	**3,463**

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 11 February 2016.

Accounting policies

General

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. 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, 2015 (and are endorsed by the EU) are applicable for Ageas Finance N.V.

Improvements to IFRSs (2010-2012 cycle)

The topics addressed by the improvement project 2010-2012 are and that became effective in 2015 are:

- *IFRS 2 Share-based Payment: Definition of vesting condition;*
- *IFRS 3 Business Combinations: Accounting for contingent consideration in a business combination;*
- *IFRS 8 Operating Segments: Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets;*
- *IFRS 13 Fair Value Measurement: Short-term receivables and payables;*
- *IAS 16 Property, Plant and Equipment: Revaluation method—proportionate restatement of accumulated depreciation;*
- *IAS 24 Related Party Disclosures: Key management personnel;*
- *IAS 38 Intangible Assets: Revaluation method—proportionate restatement of accumulated amortization.*

The impact of these IFRS amendments on our financial statements is limited.

Improvements to IFRSs (2011-2013 cycle)

The topics addressed by the improvement project 2011-2013 are and that became effective in 2015 are :

- *IFRS 1 First-time Adoption of International Financial Reporting Standards: Meaning of 'effective IFRSs';*
- *IFRS 3 Business Combinations: Scope exceptions for joint ventures;*
- *IFRS 13 Fair Value Measurement: Scope of paragraph 52 (portfolio exception);*
- *IAS 40 Investment Property: Clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.*

The impact of these IFRS amendments on our financial statements is limited.

Upcoming changes in IFRS EU in 2016

There will not be any new standards that will become effective for Ageas Finance N.V. as at 1 January 2016 that will have a material impact on Shareholders' equity and/or Net result.

The accounting policies used to prepare these Financial Statements 2015 are consistent with those applied for the Financial Statements 2014.

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

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.

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	*2015*	*2014*
Bank balances	*1,144*	*3,463*
Cash and cash equivalents	***1,144***	***3,463***

Bank balances are held at current accounts with BNP Paribas Fortis SA/NV.

2. Capital and reserves

The movements in capital and reserves for the years ended 2014 and 2015 are as follows:

In thousands of euro	*Share capital*	*Retained earnings*	*Result for the year*	*Total*
Balance at 1 January 2014	***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***
Allocation of profit	-	(167)	167	-
Total recognised income and expense	-	-	(68)	(68)
Balance at 31 December 2015	***125***	***956***	***(68)***	***1,013***

The authorised share capital comprised 1,000 ordinary shares, par value of EUR 500; 250 shares were issued and fully paid up. During 2014 and 2015 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	*2015*	*2014*
Senior drawings under EMTN-program	-	2,186
Total interest bearing loans and borrowing	**-**	**2,186**
Loans and borrowings at fair value	-	2,186
Loans and borrowings at amortised cost	-	-
Total interest bearing loans and borrowings	**-**	**2,186**

The last outstanding bond from the EMTN-programm is redeemed in December 2015.

The average interest paid on the loans and borrowings was 1.83% in 2015 (2014: 4.78%; 2013: 3.91%).

4. Accrued interest and other liabilities

In thousands of euro	*2015*	*2014*
Accrued interest	-	1
Payables to group companies	-	75
Other payables and accrued expenses	131	120
Total	**131**	**196**

5. Net financial margin

In thousands of euro	*2015*	*2014*
Interest income loans	-	151
Interest income derivatives	-	1,318
Interest income cash and cash equivalents	-	1
Past prescription interest	7	173
Net gain on re-measurement from borrowings at fair value	4	365
Financial income	***11***	***2,008***
Interest expenses loans and borrowings	(52)	(747)
Interest expenses derivatives	-	(216)
(Un) realised loss on derivatives	-	(1,119)
Financial expenses	***(52)***	***(2,082)***
Net financial margin	***(41)***	***(74)***

6. Past prescription nominal and interest

Relates to bonds from the EMTN program which were not collected by the bond holder within 10 years after the redemption date for nominal and five year for interests. After ten years or five year the custodian returns these outstanding amounts to Ageas Finance N.V.
Only when these bonds are registered as stolen on the list: “Releve des titres au porteur frappes d’opposition” which is kept by the “Organisme de centralisation des oppositions sur titres au porteur” of the Bourse de Luxembourg, Ageas Finance N.V. bond holders can ask to pay the nominal or interest. All other nominals and interest returned are reported in the Income Statement.

7. Operating expenses

In thousands of euro	*2015*	*2014*
Accounting office fees charged by group companies	50	50
Bank costs	5	5
Audit costs	-	2
Other	4	5
Total	***59***	***62***

The audit costs relate to the fees charged by KPMG Accountants N.V. 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.

8. 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 2015 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	***2015***	***2014***
Unrealised part of derivatives	-	-
Unrealised revaluation of loans	-	***(394)***
	-	***(394)***

Reconciliation of effective tax rate

In thousands of euro	*2015*	*2014*
Profit before tax(minus = loss)	*(68)*	*(167)*
Domestic corporate tax rate	*25.0%*	*25.0%*
Income tax using the domestic corporate tax rate	*17*	*42*
Reduction due to result in total fiscal unit	*(17)*	*(42)*
Total income tax expense in income statement	*0*	*0*
Effective corporate tax rate	***0%***	***0%***

9. Risk management

The only existing risk in the company links with credit exposure to BNP Paribas Fortis due to the entrusted cash.

10. 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.

11. Operating segments

After the last redemption in December 2015 the company is in-active.

12. 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.

13. Management remuneration

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

14. 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., especially since all previously outstanding securities have been redeemed without bond holders incurring any loss on these securities.

15. 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 2015.

Utrecht (NL), 11 February 2016.

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.