Interim Financial Statements for the first half-year 2011 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 2011 financial half year

Report of the Board of Directors of Ageas Finance N.V. on the 2011 first half 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 in Belgium and ageas N.V. in The Netherlands, jointly the holding companies of Ageas, provided joint and several guarantees for debt issued by Ageas Finance N.V.

Confronted with the international financial crisis, Ageas (former Fortis) has undergone a complete metamorphosis. Its Dutch banking and insurance activities has 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. For all bonds other than structured notes, such redemption takes place at par value plus accrued interest until the date of effective early redemption. To enable Ageas Finance N.V. to early redeem the external bondholders, Ageas Finance N.V. has concluded agreements with its borrowers, that lead to the early redemption of the amounts due from borrowers at par.

Most bonds were redeemed as result of received early redemption requests in the first half-year 2009. In November 2009 Ageas Finance N.V. launched a public bid on the remaining outstanding notes at par, to assure that all note holders were informed about the ability to turn in their notes at par value (custodians need to inform their clients of any public bid). The appetite to participate to the bid was low: only 5% of the remaining note holders reacted on the offer.

Given the low appetite, Ageas Finance N.V. changed the introduced early redemption request procedure from monthly to quarterly in 2010. Furthermore, Ageas Finance N.V. decided to use its available cash to grant a new loan to Ageas Insurance International N.V.; the return that is realized on this loan is higher than the return that can be realized on holding cash at current accounts at banks. To avoid liquidity risks, the loans include options for Ageas Finance N.V. to ask for early redemption at par, in case early redemption requests on the outstanding bonds emerge. Until June 30, Ageas Finance N.V., asked for a total of EUR 220 million on early redemption.

On 30 June 2011 EUR 341 million of the EMTN notes remained outstanding, versus EUR 549 million at year end 2010 and EUR 915 million at year end 2009.

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

International Financial Reporting Standards

The Ageas Finance N.V. interim Financial Statements for the first half year 2011, including the 2010 and 2009 comparative figures, are prepared in accordance with IFRS – including International Accounting Standards (‘IAS’) and Interpretations – and as adopted by the European Union. For IAS 39, Financial Instruments:

Recognition and Measurement, the execution regarding hedge accounting (the so-called ‘carve out’) decreed by the European Union on 19 November 2004 is taken into account.

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 interim Financial Statements for 2011 are consistent with those applied in the Financial Statements for the year ended 31 December 2010.

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 the first half of 2011 Ageas Finance N.V. realised a net loss after tax of EUR 8.6 million compared to a net loss of EUR 4.1 million recorded in 2010 and a profit of EUR 97.4 million in 2009. The huge swing in the half year results 2010 versus 2009 is predominantly due to revaluations of derivatives compensating a loss in 2008.

Risk management

Exposure to credit, interest rate and currency risks arise 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 foreign exchanges rates, interest rates and other risk on a deal by deal basis. The early redemption of notes leads to open currency and interest positions. The board monitors these risks on a day by day basis and minimises the open positions if and when economically possible.

Prospects

The interim financial accounts are prepared based on the going concern assumption.

The outstanding debt of Ageas Finance N.V. 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, which could take up to 2015. After the last redemption, management will review the future for the company. The results for the coming years will be uncertain and dependent on the speed of repayment of the bonds. If bonds remain outstanding up to their legal maturity, further losses are to be expected in the coming years. Given the uncertainty and the potential losses in the coming years, the sole shareholder Ageas Insurance International N.V. has provided capital support for an amount up to EUR 20 million at the moment that losses reduce the capital of the company below zero.

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.

Reporting is very much focussed on the management of liquidity, as well as managing interest and foreign exchange positions arising from the decreasing asset and liability portfolio. The liquidity is monitored daily, while interest and foreign exchange position are reported during each board meeting. The company grants loans only to other entities within the Ageas Group. Internal financial reports are produced on a monthly basis and reported in this frequency to the board, that in principle meets on a monthly basis. Bi-annually the company publishes its financial statements, 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.

Utrecht (NL), August 24, 2011

The Board of Directors:

J.H. Brugman
C.F. Oosterloo
B. Colmant

Interim Financial statements for the first half-year 2011

Statement of Financial position

(before appropriation of profit)

In thousands of euro	Note	30 June 2011	31 December 2010	31 December 2009
Assets				
Financial fixed assets				
Due from group companies	1	380,100	600,100	-
Current assets				
Derivatives and other receivables	2	23,415	52,664	88,888
Cash and cash equivalents	3	2,512	1,205,979	944,360
Total assets		**406,027**	**1,858,733**	**1,033,248**
Equity				
Issued capital		125	125	125
Retained earnings		34,729	37,000	(43,474)
Result for the year		(8,589)	(2,271)	80,474
Total equity	4	**26,265**	**34,854**	**37,125**
Liabilities				
Long term liabilities				
Interest-bearing loans and borrowings	5	340,731	548,889	914,949
Interest-bearing subordinated loans	5	26,092	26,092	26,092
Current liabilities				
Bank overdrafts		-	1,212,074	-
Tax payable		-	-	28,368
Derivatives, deposits and other payables	6	12,939	36,834	26,714
Total liabilities		**379,762**	**1,823,889**	**996,123**
Total equity and liabilities		**406,027**	**1,858,743**	**1,033,248**

Statement of Comprehensive Income

In thousands of euro	*Note*	*1 st HY 2011*	*1 st HY 2010*	*1 st HY 2009*
Income				
Financial income	*7*	24,019	39,817	225,286
Financial expenses	*7*	(33,578)	(42,408)	(104,403)
Net financial margin		**(9,559)**	**(2,591)**	**120,883**
Operating expenses	*8*	(38)	(129)	(219)
Rating expenses		-	(102)	(330)
EMTN-program expenses		-	(59)	(63)
Operating result before tax		**(9,597)**	**(2,881)**	**120,271**
Income tax	*9*	1,008	(1,191)	(22,841)
Result for the year		**(8,589)**	**(4,072)**	**97,430**
Other comprehensive income		**-**	**-**	**-**
Total comprehensive income		**(8,589)**	**(4,072)**	**97,430**
Total result for the year attributable to shareholders		**(8,589)**	**(4,072)**	**97,430**
Total comprehensive income attributable to shareholders		**(8,589)**	**(4,072)**	**97,430**

Statement of changes in net equity

Balance beginning of year	*2011*	*2010*	*2009*
In thousands of euro			
Balance beginning of year	*34,854*	*37,125*	*(43,349)*
Profit or loss for the 1st half-year	**(8,589)**	*(4,072)*	*97,430*
Balance per the end of june	**26,265**	**33,053**	**54,081**
Profit or loss for the 2nd half-year	*Pm*	**1,801**	**(16,956)**
Balance end of december	*Pm*	**34,854**	**37,125**

Statement of cash flows

For the first half-year 2011	*1 st HY 2011*	*1 st HY 2010*	*1 st HY 2009*
In thousands of euro			
Cash and cash equivalents – Balance at 1 January	1,205,979	944,360	1,723,103
Bank Overdrafts – Balance at 1 January	(1,212,074)	-	-
Total cash and cash equivalents/ bank overdrafts at 1 January	**(6,095)**	**944,360**	**1,723,103**
Cash flows from operating activities			
Net result	(8,589)	(4,072)	97,430
Adjustments to non-cash items included in profit before taxation			
(Un)realised gains (losses)	7,643	(2,170)	(117,649)
Net changes in operating assets and liabilities	(2,309)	23,318	(2,057,210)
Net cash from operating activities	**(3,235)**	**17,076**	**(2,077,429)**
Cash flows from Investing activities			
Payments to customers or cash receipt from customers (deposits, long term loans)	**220,000**	**(950,100)**	**4,698,915**
Cash flows from financing activities			
Proceeds from derivatives	-	31,793	-
Cash receipt or repayment of borrowings (subordinated, debt certificates, long term liabilities, straight loans)	(208,158)	(26,469)	(3,933,729)
Payment of derivatives	-	(14,109)	-
Net cash from financing activities	(208,158)	**(8,785)**	**(3,933,729)**
Total cash and cash equivalents/ bank overdrafts at 30 June	**2,512**	**2,551**	**410,860**

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 and ageas N.V. 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. is to provide funding to companies within the Ageas group. Funds borrowed in the market are either held in cash at current accounts at banks or lend-on to Ageas companies. Ageas Finance N.V. has relatively low exposure to interest and foreign currency risks.

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 August 23, 2011.

Accounting policies

General

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

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the entity as at and for the year ended 31 December 2010.

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. structured deals in such a way that only limited interest rate or foreign currency risks remain on the books of Ageas Finance N.V. In certain deals derivatives are used to eliminate the interest or foreign currency risk.

Ageas Finance N.V. does not apply hedge accounting. To limit the volatility in income and equity, Ageas Finance N.V. may apply the fair value option, for deals in which derivatives are involved. This results in a situation that the funding, the on-lending and the derivative are fair valued through the income statement.

c) Changes in accounting principles

The accounting policies applied by the entity in these Interim Financial Statements 2011 are the same as those applied by the entity in its financial statemenst as at and for the year ended 31 December 2010.

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 f (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 the income statement..

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.

h) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement..

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

i) Fair Value Calculations

A number of the company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Derivatives

The fair value of interest rate swaps is the estimated amount that Ageas Finance N.V. would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The estimate is based on the expected cash flows and the swap interest curve applicable at the moment of valuation. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Non-derivative financial instruments

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Notes to the financial statements

1. Due from group companies

In thousands of euro	30 june 2011	31 december 2010	31 december 2009
Loans with group companies	380,100	600,100	-
Total	**380,100**	**600,100**	**-**

This mainly concerns a loan with Ageas Insurance International N.V. with a redemption date of 22 December 2015. Ageas Finance N.V. has the option to ask for early redemptions at par, in case early redemption requests on the outstanding bonds emerge. Interest on the loan is paid on monthly basis based on the 1 month Euribor rate.

2. Derivatives and other receivables

In thousands of euro	30 june 2011	31 december 2010	31 december 2009
Accrued interest	10,875	20,603	34,419
Other receivables and pre-payments	1,020	670	-
Fair value derivatives	11,520	31,391	54,469
Total	**23,415**	**52,664**	**88,888**

3. Cash and cash equivalents

In thousands of euro	30 june 2011	31 december 2010	31 december 2009
Bank balances	2,512	404,979	944,360
Deposits	-	801,000	-
Total	**2,512**	**1,205,979**	**944,360**

Bank balances and are held at Fortis Bank SA / NV and ABN AMRO Bank N.V. Other Ageas group entities entrusted cash at accounts at the same banks, and these accounts jointly form a cash pool. In case of defaults of these group companies, Fortis Bank SA/NV and ABN AMRO Bank N.V. are entitled to compensate the cash balances of these entities.

4. Capital and reserves

The movements in capital and reserves for the years ended 2009, 2010 and Half-year 2011 are as follows:

In thousands of euro	*Share capital*	*Retained earnings*	*Unappropriated profit*	*Result for the year*	*Total*
Balance at 31 December 2008	**125**	**52,504**	**(95,978)**		**(43,349)**
Allocation of profit		(95,978)	95,978		
Total recognised income and expense					
1st half-year 2009				97,430	97,430
Balance at 30 June 2009	**125**	**(43,474)**	**-**	**97,430**	**54,081**
Total recognised income and expense					
2nd half-year 2009				(16,956)	
Balance at 31 December 2009	**125**	**(43,474)**	**-**	**80,474**	**37,125**
Allocation of profit		80,474		(80,474)	
Total recognised income and expense					
1st half-year 2010				(4,072)	(4,072)
Balance at 30 June 2010	**125**	**37,000**	**-**	**(4,072)**	**33,053**
Total recognised income and expense					
2nd half-year 2010				1,801	1,801
Balance at 31 December 2010	**125**	**37,000**	**-**	**(2,271)**	**34,854**
Allocation of profit		(2,271)		2,271	
Total recognised income and expense					
1st half-year 2011				(8,589)	(8,589)
Balance at 30 June 2011	**125**	**34,729**	**-**	**(8,589)**	**26,265**

The authorised share capital comprised 1,000 ordinary shares, par value of EUR 500; 250 shares were issued and fully paid up. During the first half-year 2011, 2010 and 2009 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.

5. Interest-bearing loans and borrowings

The loans and borrowings can be analysed as follows:

In thousands of euro	30 june 2011	31 december 2010	31 december 2009
Loans and borrowings – drawings under EMTN-program	340,731	548,889	914,949
Subordinated loans	26,092	26,092	26,092
Total interest bearing loans and borrowing	**366,823**	**574,981**	**941,041**

The split of total loans and borrowings by measurement principle is as follows:

In thousands of euro	30 june 2011	31 december 2010	31 december 2009
Loans and borrowings at fair value	107,616	183,242	254,160
Loans and borrowings at amortised cost	259,207	391,739	686,881
Total loans and borrowings	**366,823**	**574,981**	**941,041**

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1	Level 2	Level 3	Total
Loans and borrowings at fair value		107,616		107,616

The sale of material group companies by the Fortis Group in 2008 implied that a default was triggered under the EMTN program and Commercial Paper 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. For all bonds other than structured notes, such redemption takes place at par value plus accrued interest until the date of effective early redemption. Structured notes are redeemed according to the contractual agreed early redemption values. At 31 December 2008 and 2009 it was assumed that these redemption values represented the proper amortised cost value or best estimate of the fair value, if applicable.
At 30 June 2011 some notes recorded at fair value were trading above their redemption values; in these cases the observed trading value at 30 June 2011 was used. The amortised cost of the loans and borrowings at fair value amounted to EUR 105 million at 30 June 2011 (31 December 2010: EUR 181 million; 31 December 2009: EUR 251 million). The average interest paid on the loans and borrowings was 4.29% in the first half of 2011 (2010 first half year: 5.35%; 2009 first half year: 5.6%).

6. Derivatives, deposits and other payables

In thousands of euro	30 june 2011	31 december 2010	31 december 2009
Accrued interest	9,794	21,094	26,264
Payables to group companies	50	12,514	-
Other payables and accrued expenses	3,095	3,226	114
Fair value derivatives	-	-	336
Total	**12,939**	**36,834**	**26,714**

7. Net financial margin

In thousands of euro	1 st HY 2011	1 st HY 2010	1 st HY 2009
Interest income loans	4,098	742	33,352
Interest income derivatives	15,726	23,018	51,370
Interest income cash and cash equivalents	1,366	2,658	20,393
(Un) realised gains on derivatives	135	13,399	120,171
Foreign exchange gains	28	-	-
Net gain on re-measurement from loans at fair value	2,666	-	-
Financial income	**24,019**	**39,817**	**225,286**
Interest expenses loans and borrowings	(14,510)	(24,078)	(44,384)
Interest expenses subordinated loans	(801)	(801)	(801)
Interest expenses derivatives	(6,285)	(5,080)	(37,000)
Interest expenses cash and cash equivalents	(1,538)	(967)	(18,315)
Interest related expenses	-	-	(1,381)
(Un) realised loss on derivatives	(10,444)	(3,730)	(1,718)
Foreign exchange losses	-	(253)	-
Net loss on re-measurement from loans at fair value	-	(7,499)	(804)
Financial expenses	**(33,578)**	**(42,408)**	**(104,403)**
Net financial margin	**(9,559)**	**(2,591)**	**120,882**

8. Operating expenses

In thousands of euro	1 st HY 2011	1 st HY 2010	1 st HY 2009
Accounting office fees charged by group companies	50	50	41
Bank costs	0	2	3
Audit costs	20	25	53
Back office / Front office fees	-	-	75
Other	(32)	52	47
Total	**38**	**129**	**219**

The audit costs relate to the fees charged by KPMG Accountants N.V. for the audit of the annual accounts (including half year review).

Other includes to a release of a provision taken in 2010 related to a expected invoice.

9. Income tax

Recognised in the income statement

In thousands of euro	1 st HY 2011	1 st HY 2010	1 st HY 2009
Current tax			
Current year tax income (expense)	1,008	325	(20,818)
Taxation previous years	-	(1,516)	-
Deferred tax			
Origination and reversal of temporary differences	-	-	(2,022)
Total income tax in income statement	**1,008**	**(1,191)**	**(22,841)**

Reconciliation of effective tax rate

In thousands of euro	1 st HY 2011	1 st HY 2010	1 st HY 2009
Profit before tax(minus = loss)	*(9,597)*	(2,880)	118,248
Domestic corporate tax rate	25.5%	25.5%	25.5%
Income tax using the domestic corporate tax rate	2,447	734	(30,153)
Effect of total result in fiscal unity	(1,439)	(409)	7,312
Taxation previous years	-	(1,516)	-
Total income tax expense in income statement	1,008	(1,191)	(22,841)
Effective corporate tax rate	10.5%	(41.4%)	19.3%

In 2010 the tax position of Ageas Finance N.V. and of the total fiscal unity has been closely examined. It was concluded that it was not likely that the tax unity will pay any taxes in the near future. Due to the fact that the tax unity made an overall tax loss in 2011 and 2010, only part of the expected tax benefit could be recognised.

10. Risk management

Exposure to credit, interest rate and currency risks 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 foreign exchanges rates, interest rates and other risk on a deal by deal basis. The early redemption of notes leads to open currency and interest positions. The open positions are minimised if and when economically possible.

Other aspects of Ageas Finance N.V.'s financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2010.

Ageas Finance N.V. granted loans to Ageas Insurance International N.V. for an amount of EUR 380 million and Fortinvestlux for an amount of EUR 100.000.

11. 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.

In 2010 one new loan was granted to Ageas insurance International N.V. on the same commercial and market terms that apply to non-related parties. In 2011 there has been a partly early redemption of EUR 220 million.

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.

12. 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 redemtptions, the company is in-active.

13. Off-balance sheet items

Capital support

Given the uncertainty and the potential losses in the coming years the sole shareholder Ageas Insurance International N.V. has provided capital support for an amount up to EUR 20 million at the moment that losses reduce the capital of the company below zero.

Taxation unities

Ageas Finance N.V. is part of the tax unity for corporation tax Ageas Insurance International N.V. together with Ageas B.V. and Intreinco N.V. (new name Ageas Reinsurance N.V. as of 16 March 2011). 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.

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.

14. Management remuneration

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

15. Contingent liabilities

We have taken notice of the disclosure on Contingent Liabilities in the 2011 Consolidated Financial Half-year 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. Although Ageas Finance N.V. is not directly involved in any legal dispute a claim against Ageas Insurance International N.V. could impact the capability of Ageas Insurance International N.V. to repay it's loan.

16. 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 30 June 2011.

Utrecht (NL), August 24, 2011.

The Board of Directors:

J.H. Brugman
C.F. Oosterloo
B. Colmant

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.

Review report

To: the shareholder of ageas Finance N.V.

1.1. Introduction

We have reviewed the accompanying interim financial information of ageas Finance N.V., Utrecht, which comprises the statement of financial position as at 30 June 2011, the statements of comprehensive income, changes in equity, and cash flows for the period of six months ended 30 June 2011, and the notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, ‘Interim Financial Reporting’ as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

1.2. Scope

We conducted our review in accordance with Dutch law including standard 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

1.3. Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at 30 June 2011 is not prepared, in all material respects, in accordance with IAS 34, ‘Interim Financial Reporting’, as adopted by the European Union.

Amstelveen, August 24, 2011

KPMG ACCOUNTANTS N.V.

W.G. Bakker RA