



ANNUAL REPORT 2014



CONTENTS

introduction.....	5
Report of the Board of directors.....	7
1 General description and strategy of Ageas.....	8
2 Developments and results.....	11
3 Corporate Governance Statement.....	14
AGEAS consolidated financial statements 2014.....	31
Consolidated statement of financial position.....	32
Consolidated income statement.....	33
Consolidated statement of comprehensive income.....	34
Consolidated statement of changes in equity.....	35
Consolidated statement of cash flow.....	36
General Notes.....	37
1 Legal structure.....	38
2 Summary of accounting policies.....	39
3 Acquisitions and disposals.....	50
4 Earnings per share.....	53
5 Risk Management.....	54
6 Regulatory supervision and solvency.....	92
7 Remuneration and benefits.....	95
8 Related parties.....	111
9 Information on operating segments.....	113
Notes to the Consolidated statement of financial position.....	125
10 Cash and cash equivalents.....	126
11 Financial investments.....	127
12 Investment property.....	135
13 Loans.....	137
14 Investments in associates.....	139
15 Reinsurance and other receivables.....	142
16 Call option BNP Paribas shares.....	143
17 Accrued interest and other assets.....	144
18 Property, plant and equipment.....	145
19 Goodwill and other intangible assets.....	147
20 Shareholders' equity.....	152
21 Insurance liabilities.....	157
22 Debt certificates.....	162
23 Subordinated liabilities.....	163
24 Borrowings.....	165
25 Current and deferred tax assets and liabilities.....	166
26 RPN (I).....	168
27 Accrued interest and other liabilities.....	169
28 Provisions.....	170
29 Liabilities related to written put options NCI.....	171
30 Non-Controlling interests.....	173
31 Derivatives.....	174
32 Commitments.....	176
33 Fair value of financial assets and financial liabilities.....	177

Notes to the Consolidated Income Statement.....	179
34 Insurance premiums.....	180
35 Interest, dividend and other investment income	182
36 Result on sales and revaluations	183
37 Investment income related to unit-linked contracts.....	184
38 Share of result of associates.....	185
39 Fee and commission income	186
40 Other income.....	187
41 Insurance claims and benefits	188
42 Financing costs	189
43 Change in impairments	190
44 Fee and commission expenses	191
45 Staff expenses	192
46 Other expenses.....	193
47 Income tax expenses	194
Notes to items not recorded in the Consolidated statement of financial position	195
48 Contingent liabilities	196
49 Lease agreements	201
50 Events after the date of the statement of financial position	202
Statement of the Board of Directors	203
Independent Auditor's report	204
Summarised ageas SA/NV Company Financial Statements 2014	207
General information	208
Statement of financial position after profit appropriation	209
Income statement	210
Additional disclosure on items in the Statement of financial position and Income statement and regulatory requirements	211
Other information	215
Forward-looking statements to be treated with caution.....	216
Availability of company documents for public inspection	217
Registration of shares in dematerialised or in certificated form.....	218
Glossary and Abbreviations.....	219





INTRODUCTION

The Ageas ANNUAL REPORT 2014 includes the Report of the Board of Directors of Ageas prepared in accordance with the legal and regulatory requirements applicable in Belgium (pursuant to article 96 and article 119 of the Belgian Companies Code) and the Ageas Consolidated Financial Statements 2014, with comparative figures for 2013, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, as well as the Summarised Financial Statements of ageas SA/NV, .

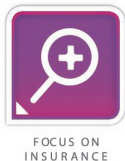
All amounts in the tables of this Annual Report are denominated in millions of euros, unless stated otherwise.





REPORT OF THE BOARD OF DIRECTORS

1 General description and strategy of Ageas



Staying close to our customers

Ageas is an international insurance company backed by 190 years of experience in the insurance market. Wherever Ageas operates around the world it does so with one important goal in mind: to provide customers with peace of mind when they need it most. As an insurer, Ageas' primary role is to help customers at every stage of the life cycle to mitigate risks related to property, casualty, life and pensions. On the one hand it helps to protect customers against unforeseen risks to their welfare and well-being, and on the other hand it helps customers plan for their longer term needs. It does so by providing a range of Life and Non-life products distributed through a variety of different channels.

Being where you want us to be

Ageas is an international insurer with operations spread across Europe and Asia. It believes, however, that insurance is first and foremost a local business. The way the Group is organised and structured reflects that reality, being divided into four distinct business segments: Belgium, United Kingdom, Continental Europe and Asia.

Each segment has its own local management and organizational structure in place to support local operations, and day to day decisions are made on the ground by those who best understand the local market and the needs of the customer.

However, Ageas also understands the value of knowledge sharing, and as such it maintains competence hubs at the corporate, regional and business levels, enabling experience to be more easily leveraged.

Leveraging off Local Expertise

Ageas serves its customers through a combination of (wholly) owned subsidiaries, equity associates and partnerships, with strong financial institutions and key distributors in Belgium, the UK, Luxembourg, Italy, Portugal, Turkey, France, China, Malaysia, India, Thailand and Hong Kong. More often than not this means that Ageas is represented by a variety of strong local brand names in the local market.

Passionate
 Focused *to deliver.* Entrepreneurial.
 on customers. Teamwork.
 Trusted. Local.

Proven partnership skills

Ageas has proven competence in developing partnerships. These partners are leaders in their respective markets, and they provide Ageas with important local know-how and access to customers. Partners of Ageas benefit in turn from the experience the Group brings in insurance, product development and distribution. Partnerships are about adding value and long term alignment of interests. To facilitate this many of Ageas' operating companies are joint ventures with distribution partners. These are household names and highly trusted brands.

Strategy in action

2014 marks the end of the second year of our Vision 2015 strategic journey. As a reminder, the strategy was built around five strategic choices and four financial targets. The strategic choices we made to enable us to take the benefits of a well-diversified product and distribution mix, to increase our investment in high growth markets, and to reduce our dependence on investment income by reducing the relative weight of the Life countries in our books of business. Whilst there have been challenges along the way, our choices and our targets are unchanged and our sole focus now is on delivery.

As Ageas reaches a critical point in the Vision 2015 timeline, Bart De Smet (CEO) elaborates on where things stand and what lies ahead.

Are you satisfied with the progress against the plan?

2014 was once more a record year for the insurance activities of the Group in terms of net profit. While some external parameters worked against us over the past year, we managed to book satisfying results on our Vision 2015 goals. We took a number of strategic actions to move us closer towards our targets while striving to deliver the best Life and Non-life insurance solutions to our clients in Europe and Asia. But we're not there yet and there is more to do. Our role as insurer is to anticipate the needs of our customers and to make sure we are well prepared to deliver in line with their expectations. I'm convinced that we are, and that Ageas is **on the right track**.

Rebalancing our Life and Non-life Portfolios

Ageas made some important investments in Non-life in 2014. How did this impact the balance between Life and Non-life and what are the plans for reaching the 60/40 target?

67/33

We remained fairly stable over the course of the year as progress in volumes was made across both Life and Non-life. By acquiring full control of our Non-life businesses in Portugal and Italy we

have **strengthened our position in Non-life**. At the same time we now have the capacity to further expand our distribution capabilities in these two important markets. The decision to sell the UK Life business will also allow the management to focus fully on the development of the UK Non-life activities. We have at the same time continued to renew and expand our distribution agreements in the Non-life market but the exceptional growth in Life especially in China, but also in Thailand and Luxembourg has partially offset these off. In Belgium, AG Insurance took advantage of the opportunity to take over the Group Life portfolio of the Belgian insurer Fidea which has further improved the Group's position in the market.

What's next?

The reality is that growth rates in the Asian Life market in particular have been in the **20-25%** range, which has in 2014 impacted the portfolio in favour of Life. However the impact of the Non-life transactions completed in 2014 will be seen from 2015 onwards. **We will continue to look for opportunities** in Non-life that fit our business model without, however, deviating from our strict investment principles.

Improving our operational performance

Despite the impact of the severe weather conditions in some markets, the Group has still achieved a Combined Ratio (COR) of 99.6%. What is behind this result?

COR at 99.6%

Certainly the floods in the UK and the hailstorms in Belgium were not helpful in our efforts to realise our COR target that, taking into account the current low interest rates, we decided to further sharpen and fine-tune to 97%. Importantly we delivered for our customers, providing assistance to more than 50,000 families in these markets through professional and high quality, support while maintaining our COR level below 100% for the third consecutive year. This reflects our efforts to improve operational performance across the Group and especially in those markets most affected by weather related events. But **improving performance** is also about managing risk more effectively and multiple initiatives have been taken amongst others, in the areas of fraud detection, pricing and underwriting.

To reach and maintain the 97% target, we will consistently strive to structurally enhance our operational performance across the breadth of our organisation and at every layer of the value chain from distribution, pricing, client acceptance and underwriting through to claims management.

Increasing our Return on Equity (ROE)

The 11% ROE target is a critical indicator for the external market and while progress has been made, further initiatives are also in hand to close the gap. So what has contributed to the result in 2014?

2014 ROE at 8.8%

On the positive side, we achieved **record insurance profits** in 2014 underpinned by strongly growing volumes in **Asia**, a combined ratio below 100% and solid operating margins. At the same time, we optimised our equity position by successfully up-streaming excess capital from operating companies while enhancing debt funding; and furthermore we increased our stake in some of our joint ventures. But persistent low interest rates, leading to further increased unrealised gains on fixed income investments and net equity, had a negative impact on the ROE metric. If we calculate ROE on our insurance activities excluding unrealised gains the percentage is 11.4%. Importantly the intrinsic quality of our results has structurally improved thanks to our ongoing actions.

A number of initiatives are being taken to progress further towards our ROE target, including maintaining or improving the operating margin in Guaranteed products and growing Unit-Linked operating margins. In Non-life, we will look for constant improvements in the combined ratio within the current low interest rate environment while growing volumes in higher ROE segments. Efforts to work on our capital structure and debt funding will also continue.

Extending our reach in the emerging markets of Europe and Asia to 25 % of capital

The results underscore the continuing importance of Asia as a strong growth market. What has Ageas done in the past year to leverage this growth opportunity, and how do you see the future?

17.5% of capital invested in emerging markets at the end of 2014

The decision to deploy more capital in emerging markets reflects the **strong growth rates** in these markets compared to mature markets. The proportion of capital invested has increased as a result of reinvestment of part of local profits and to a lesser extent thanks to the deployment of additional capital in China. The impressive growth in **Asia**, especially in **China** and Thailand, validates that decision. The number of agents and brokers in China increased to 140,000; the number of clients grew to 8.5 million; inflows from Asia rose by 21% and the region already accounts for 23% of the Group's net insurance profit. In terms of inorganic growth we did not conclude any new transactions in 2014. We always look to work with partners to expand into new territories where our combined skills can add value to a market, as we have done by opening a representative office in Myanmar via Muang Thai Life.

Moving forward, we will continue to leverage the excellent growth opportunities that exist alongside our existing partners, while continuing to explore existing and potential new markets and opportunities to grow inorganically.

Ageas's Vision 2015 financial targets	Target by end 2015	Position end 2014	Position end 2013
% Life / Non-Life inflows Ageas's part	60/40	67/33	67/33
Combined Ratio	< 100 %	99.6%	98.3 %
Return on Equity of Insurance activities	11 %	8.8%	8.3 %
% capital in Emerging Markets	25 %	17.5%	12.6 %

2 Developments and results

2.1 Results and solvency of Ageas

Ageas' 2014 Insurance performance evolved positively, in terms of net result. The net Insurance result amounted to EUR 737 million (+13%) improving year on year across all segments except for Continental Europe. Life activities reported a solid net profit of EUR 533 million (+22%). The contribution from the Non-life & Other activities to the net result decreased to EUR 204 million (-6%).

The General Account reported a loss of EUR 261 million, including the provision for the FortisEffect litigation and a negative change in the value adjustment of the RPN(I) liability.

Life, Non-life and Other Insurance

The net result in Life improved substantially from EUR 438 million to EUR 533 million driven by Belgium and a strong contribution from the non-consolidated partnerships, specifically China and Thailand. In Belgium, the net result increased by 23% to EUR 336 million (vs. EUR 274 million) stemming from higher financial revenues and a lower effective tax rate, the latter including positive one-offs. In Continental Europe, the net result remained quite stable over the year at EUR 45 million (vs. EUR 44 million). Results in Luxembourg and France were higher, the latter driven among others things by a positive tax credit compensating for the lower operating result in Portugal. Aside from the improved operating result in Hong Kong, the non-consolidated partnerships in Asia realised a significant higher net result contribution of EUR 137 million (vs. EUR 100 million).

The total net result Non-life and Other amounted to EUR 204 million compared to EUR 217 million.

In Non-life the net result in Belgium and the UK amounted to EUR 56 million and EUR 71 million respectively. In Continental Europe the net profit declined to EUR 11 million, impacted by lower results in Turkey due to a strengthening of reserves following poor results in Motor Third Party. The net result in Asia amounted to EUR 16 million (vs. EUR 21 million) as the improving underwriting performance was more than offset by an unfavourable exchange rate evolution and lower investment results.

The UK's Other Insurance, which includes its Retail operations, reported total fee, commission and other income of EUR 298 million, up 27%. The net result in 2014 amounted to EUR 49 million (vs. EUR 12 million), including regional headquarter costs (EUR 15 million), the net positive impact from a legal settlement related to a previous acquisition (EUR 23 million), a partnership payment (EUR 5 million) and the sale of Ageas Protect (EUR 21 million). The net result of Ageas Retail decreased to EUR 16 million (vs. EUR 28 million), reflecting continuous challenging market conditions.

General Account

The General Account net loss amounted to EUR 261 million. The result was essentially due to the charge for the legacies of which EUR 130 million provision after the FortisEffect judgment and EUR 97 million related to the increased RPN(I) liability. The latter increased to EUR 467 million at the end of 2014. Staff and other operating and administrative expenses decreased slightly while net interest income benefited from the various capital restructurings completed in 2013.

Solvency

The Insurance solvency ratio amounted to 206% and the Group solvency ratio to 210% with available capital EUR 4.6 billion above the minimum capital requirements. The decrease in the Group solvency ratio compared to the end of 2013 (214%) is due to the decrease of the Insurance solvency ratio, the adverse evolution of the RPN(I) liability, the provision following the FortisEffect judgment and the execution of the share buy-back programme.

2.2 Statutory results of ageas SA/NV under Belgian Accounting Principles

ageas SA/NV reported for the financial year 2014 based on Belgian Accounting Principles a negative net result of EUR 113 million (2013: EUR 570 million positive) and a shareholders' equity of EUR 7,007 million (2013: EUR 7,530 million).

For a more detailed explanation on the non-consolidated net result of ageas SA/NV and other Belgian regulatory requirements in accordance with article 96 of the Belgian Company code, please turn to the summarised Company Financial Statements of ageas SA/NV. KPMG has issued an unqualified auditor's report with an emphasis of matter paragraph on the ageas SA/NV company financial statements.

2.3 Certain transactions and other contractual relationships

There are no transactions or other contractual relationships to be reported between ageas SA/NV and its Board members that gave rise to a conflict of interests as defined in the Belgian Companies Code.

2.4 Events after the date of the Consolidated statement of financial position

There have been no material events since the date of the Consolidated statement of financial position that would require adjustment to the Ageas Consolidated Financial Statements as at 31 December 2014.

2.5 Dividend

Ageas' Board has decided to propose for approval by the shareholders a gross cash dividend of EUR 1.55 per share for 2014.

2.6 Issued shares at the end of 2014

The number of issued Ageas shares at year-end 2014 was 230,996,192. This number includes 4,643,904 shares related to CASHES and 3,968,254 shares related to the FRESH which bear neither dividend nor voting rights as long as they are pledged as collateral for the above instruments (see also note 48 Contingent Liabilities).

Share buyback programme 2014

Ageas announced on 6 August 2014 a new share buy-back program as of 11 August 2014 up to 31 July 2015 for an amount of EUR 250 million. Ageas has bought back 3,194,473 shares corresponding to 1.38% of the total shares outstanding and totalling EUR 84.3 million.

Between 6 August 2014 and 6 February 2015, Ageas bought back 3,996,821 shares for a total amount of EUR 107.8 million. This corresponds to 1.73% of the total shares outstanding.

Ageas has informed the National Bank that this operation can be considered as non-strategic, according to article 36/3 §2 of the law of 22 February 1998 determining the statute of the National Bank.

Share buyback programme 2013

Ageas announced on 2 August 2013 that, based on the shareholder authorisation granted at the end of April 2013, the Board of Directors decided to initiate a new share buy-back programme of its outstanding common stock for an amount of EUR 200 million.

Ageas completed on Friday 1 August 2014 the share buy-back program announced on 2 August 2013. Between 12 August 2013 and 1 August 2014, Ageas has bought back 6,513,207 shares corresponding to 2.82% of the total shares outstanding and totalling EUR 200 million.

The General Shareholders' meeting of 30 April 2014 approved to cancel 2,489,921 own shares.

For more detailed information on the issued shares of Ageas, dividend rights and capital structure, please refer to note 20 Shareholders' equity.

2.7 Ageas Board of Directors, Remuneration Committee and Audit Committee

On 31 December 2014, the Board of Directors of ageas SA/NV consisted of eleven members; the Remuneration Committee of three and the Audit Committee of four independent Board members.

Besides these legally required committees, ageas SA/NV has a Corporate Governance Committee and a Risk and Capital Committee.

For more details about the composition of the Board of Directors and of the Committees and changes to the composition in the course of 2014, please refer to the Corporate Governance Statement (part 3).

2.8 Consolidated information related to the implementation of the EU Takeover Directive and the Ageas Annual Report

For legal purposes, the Board of Directors hereby declares that the Ageas Annual Report 2014 has been prepared in accordance with the statutory rules implementing the EU Takeover Directive that came into force in Belgium on 1 January 2008. The Board hereby gives the following explanations concerning the respective elements to be addressed under these rules:

- comprehensive information on the prevailing capital structure can be found in note 20 Shareholders' equity and note 23 Subordinated liabilities in the Ageas Consolidated Financial Statements 2014;
- restrictions on the transfer of shares extend only to preference shares (if issued) and the securities described in note 23 Subordinated liabilities in the Ageas Consolidated Financial Statements 2014;
- Ageas lists in note 1 Legal Structure of the Consolidated Financial Statements as well as under the heading 'Specifications of equity and structure of the shareholder group' in the ageas SA/NV Company Financial Statements any major shareholdings of (third) parties that exceed the threshold laid down by law in Belgium and by the Articles of Association of ageas SA/NV;
- no special rights are attached to issued shares other than those mentioned in note 20 Shareholders' equity and note 23 Subordinated liabilities in the Ageas Consolidated Financial Statements 2014;
- share option and share purchase plans, if any, are outlined in note 7 section 7.2 Employee share option and share purchase plans in the Ageas Consolidated Financial Statements 2014. The Board of Directors decides on the issuance of shares and options, as applicable, subject to local legal constraints;
- except for the information provided in note 20 Shareholders' equity, note 8 Related parties and note 23 Subordinated liabilities in the Ageas Consolidated Financial Statements 2014, Ageas is unaware of any agreement between shareholders that may restrict either the transfer of shares or the exercise of voting rights;
- Board members are elected or removed by a majority of votes cast at the General Meeting of Shareholders of ageas SA/NV. Any amendment to the Articles of Association requires the General Meeting of Shareholders to pass a resolution to that effect. If fewer than 50% of the shareholders are represented, a second meeting must be convened, which will be able to adopt the resolution with 75% of the votes without any need for a quorum;
- the Ageas Board is entitled both to issue and to buy back shares, in accordance with authorisations granted by the General Meeting of Shareholders of ageas SA/NV. The current authorisation with regard to the shares of ageas SA/NV will expire on 23 September 2016;
- ageas SA/NV is not a party to any major agreement that would either become effective, be amended and/or be terminated due to any change of control over the company as a result of a public takeover bid;
- ageas SA/NV has not entered into any agreement with its Board members or employees, which would allow the disbursement of special severance pay in the case of termination of employment as a result of a public takeover bid;
- Ageas shareholders are under an obligation to meet certain notification requirements when their shareholding exceeds or drops below certain thresholds, as prescribed by Belgian legislation and by the Articles of Association of ageas SA/NV. Shareholders must notify the Company as well as the FSMA when their shareholding exceeds or drops below 3% or 5% of the voting rights or any multiple of 5%. Ageas publishes such information on its website.

3 Corporate Governance Statement

As in previous years, Ageas continued to focus on its future as an international insurance group, attaching great importance to effective governance and transparent disclosure to the public and other stakeholders.

3.1 Ageas' legal structure and shares

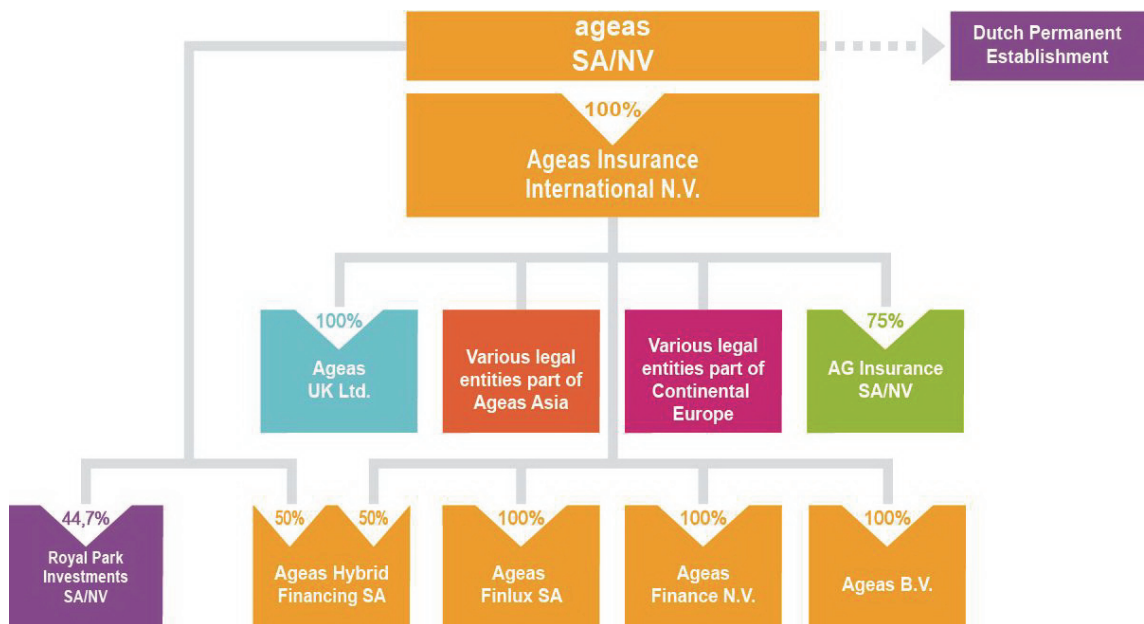
Ageas, the former Fortis, was created in 1990 by the cross-border merger – Europe's first – of the Belgian AG Insurance company with the Dutch bancassurance group AMEV/VSB. The overall legal structure has been amended regularly in the intervening years.

Ageas currently comprises of insurance activities in:

- Belgium through a 75% stake in AG Insurance;
- the UK;
- Continental Europe;
- Asia.

Beside the insurance activities, Ageas has financial assets and liabilities linked to various financing instruments.

The legal structure of Ageas is as follows:



In the context of the share buyback program announced on 2 August 2013 and completed on 1 August 2014, Ageas has bought back 6,513,207 shares corresponding to 2.82% of the total shares outstanding and totalling EUR 200 million.

The Extraordinary General Meeting of Shareholders approved on 30 April 2014 the cancellation of 2,489,921 shares (shares bought-back between 12 August 2013 and 31 December 2013). The Articles of Association were adopted accordingly.

As from 30 April 2014, the total number of issued shares is 230,996,192. Neither different share classes nor any preferential shares have been issued. Additional information on Ageas' shares is set out in the Ageas Corporate Governance Charter and in note 20 Shareholders' equity. Ageas has an outstanding subordinated liability (FRESH) exchangeable for Ageas shares. Additional information on Ageas' subordinated liabilities is set out in note 23 Subordinated liabilities.

On 31 December 2014, Ageas held 4,023,286 shares bought back after 31 December 2013 and 3,194,473 shares bought back in the context of the share buyback program launched on 11 August 2014 until 31 December 2014.

Together with other treasury shares held by Ageas, the total number of shares owned on 31 December 2014 equated to 5.0%.

Ageas' Board will propose to its shareholders at the shareholders' meeting of 29 April 2015 the cancellation of a total of 7,217,759 shares.

3.2 Amendments to the Articles of Association of ageas SA/NV

In April 2014, the Extraordinary Shareholder's Meeting approved the cancellation of 2,489,921 shares. Art. 5 of the Articles of Association was modified as follows:

'The Company capital is set at one billion, seven hundred and nine million, three hundred seventy-one thousand, eight hundred twenty-five euros and eighty-three cents (EUR 1,709,371,825.83), and is fully paid up. It is represented by two hundred thirty million, nine hundred ninety-six thousand, one hundred and ninety-two (230,996,192) Shares, without indication of nominal value.

For more detailed information about the procedure applicable to the modification of the Articles of Association of ageas SA/NV, please refer to our website:
<https://www.ageas.com/en/text/articles-association-ageas-sanv>.

3.3 Board of Directors

The Board of Directors operates within the framework defined by Belgian legislation, normal governance practice in Belgium and the Articles of Association. The roles and responsibilities of the Board of Directors and its composition, structure and organisation are described in detail in the Ageas Corporate Governance Charter.

3.3.1 Composition

One new director was appointed and one re-elected in 2014. The Board of Directors currently consists of eleven members, namely: Jozef De Mey (Chairman), Bart De Smet (CEO), Guy de Selliers de Moranville (Vice-Chairman), Lionel Perl, Jan Zegering Hadders, Roel Nieuwdorp, Steve Broughton, Jane Murphy, Richard Jackson, Lucrezia Reichlin and Davina Bruckner.

The majority of the Board are non-executive directors and are independent in accordance with the Board independence requirements as described in Appendix 3 to the Ageas Corporate Governance Charter.

Three out of eleven Ageas Board members are female. Ageas continues to support the trend towards a higher participation rate of women at board level. The Board of Directors will take the requirements of the law into account when new Board members are proposed for election or existing Board members are proposed for re-election, without compromising the standards of expertise and skills that Ageas sets for Board members.

3.3.2 Meetings

The Board of Directors met on thirteen occasions in 2014. Attendance details can be found in section 3.7 Board of Directors.

In 2014, the Board meetings dealt with the following matters, among others:

- preparations for the General Meetings of Shareholders;
- the strategy pursued by Ageas as a whole and by each business;
- ongoing development of each of the Ageas businesses;
- consolidated quarterly, semi-annual and annual financial statements;
- the 2013 Annual Report;
- press releases;
- the 2015 budget;
- the solvency of the company;
- the asset management and the investment policy of the company;

- Ageas' s risk policy framework;
- investor relations and corporate communications;
- reports of Board Committees following each of their meetings;
- succession planning of the Board of Directors and of the Executive Management;
- implementation of the Corporate Governance Charter by Ageas in general and by the Board Committees in particular;
- governance and performance of the Group Executive Committee and Group Management Committee;
- Remuneration Policy in general and the remuneration of the CEO and Executive Committee members in particular;
- follow-up of legal proceedings and legacy issues;
- various acquisition files.

The CEO reported on the progress of the results and the general performance of the different businesses at the Board meetings.

In addition, the Board conducted a self-assessment with the support of an external consultant.

3.3.3 Corporate Social Responsibility

Corporate Social Responsibility or CSR as it is more commonly referred to, is the concept of giving something back to the community and conducting business in a socially responsible way that takes account of all stakeholders. Today it is part and parcel of doing business, and in many ways it is a licence to operate and increasingly a principle against which companies are measured. But in the Ageas Group we call it something else. For Ageas the term 'Responsible Entrepreneurship' is a more accurate description of what we are trying to achieve and it closely reflects the specific characteristics of Ageas and the values embodied in the Group's strategy.

The principles of Responsible Entrepreneurship are alive and well taken up in Ageas, and this is evident in a broad range of activities across the different regions. These initiatives are about 'doing the right thing' and contributing to the communities in which Ageas operates. It is a natural fit for an insurer. After all, 'helping people' is the essence of insurance, and as such, it is very much in our genes. As a Group with a strong ethos of local empowerment, most of these initiatives result from the deep involvement of our local operating companies in the wider community. It's about being part of the fabric of the local community.

Recognising that there was an opportunity to leverage best practice to create more of a group-wide response to Responsible Entrepreneurship, Ageas embarked on a project designed to collate best practices and gain a better understanding of what

stakeholders expect of Ageas in this area. Our belief is that Responsible Entrepreneurship is not an adjunct to the strategy but an integral part of who we are. It is an additional strategic lever to create value rather than just mitigating risk. And taking into account the specificities of the insurance sector and Ageas's profile, the Group decided upon five key areas of focus and engagement: employees, customers, financial assets, the environment and the community.

In the most recent phase of the project Ageas is assessing how Responsible Entrepreneurship can be applied most effectively in the agreed areas, while exploring the potential for additional leverage at Group level to help drive forward group-wide initiatives. And in the spirit of entrepreneurship, we want to help create opportunities for people and businesses to grow and innovate. The ultimate objective is to assess how Ageas can best incorporate societal issues into the company's core business strategy providing benefit to both the company and society as a whole, in other words, creating shared value. And by taking a Group level approach to this important topic greater progress can be made. As we look to the future, Ageas wants to bring Responsible Entrepreneurship to life...the lives of its stakeholders.

3.3.4 Board Committees

In 2014, there were no changes in the terms of reference of the Board Committees.

The terms of reference, the role and responsibilities of each Board Committee are described in the Ageas Corporate Governance Charter.

In line with the Ageas Governance Charter, each Board Committee is composed of non-executive directors and has a minimum of three and a maximum of five members.

Attendance details of the Board Committees can be found in section 3.7 Board of Directors.

3.3.5 The Corporate Governance Committee (CGC)

The composition of the CGC remained unchanged in 2014 and comprised the following members: Jozef De Mey (Chairman), Guy de Selliers de Moranville, Roel Nieuwdorp and Jan Zegeing Hadders. The CEO attended the meetings, except during discussion of issues relating to his own situation.

In 2014, the CGC met on seven occasions including one joint meeting with the Remuneration Committee.

The following matters were dealt with:

- Corporate Governance Charter;
- succession planning of the Executive Management;
- targets of the CEO and the other members of the Executive Management;
- performance of the CEO and the other members of the Executive Management;
- disclosures regarding governance and the activities of the CGC in the Ageas Consolidated Financial Statements;
- legal matters related to the contingent liabilities.

The Chairman of the CGC reported on these topics to the Board of Directors after each meeting and submitted the Committee's recommendations to the Board for final decision-making.

3.3.6 The Audit Committee

The composition of the Audit Committee remained unchanged in 2014 and comprised the following members: Jan Zegering Hadders (Chairman), Lionel Perl, Jane Murphy and Richard Jackson. Sufficient experience and skills with regard to audit and accounting are available among the members of the Audit Committee based upon their past and current positions. The Audit Committee is supported by Ageas Audit, Compliance and Finance functions.

The committee met on five occasions in 2014 next to one joint meeting with the Risk and Capital Committee. The meetings were attended by the CEO, the CFO, the CRO, the internal auditor and the external auditors. The following matters were considered:

- monitoring the integrity of quarterly, half-yearly and annual consolidated financial statements, including disclosures, consistent application of the valuation and accounting principles, consolidation scope, quality of the closing process and significant issues brought to the floor by the CFO or the external auditors;
- monitoring the findings and the recommendations of the internal and external auditors on the quality of internal and accounting processes;
- reviewing the compliance and internal and external audit plans and reporting;
- reviewing the design and operating effectiveness of the internal control system in general, and in particular of the risk management system;
- assessing the overall performance of the external auditor.

The Chairman of the Audit Committee had quarterly one to one meetings with the internal and external auditors. The Chairman of the Audit Committee reported on the outcome of the deliberations to the Board of Directors after each meeting and presented the recommendations of the Audit Committee to the Board for

decision-making. The Audit Committee also recommended the renewal of KPMG's financial audit mandate.

During the joint meeting with the Risk & Capital Committee, the members discussed the INCA (Internal Control Adequacy) and assessed the Risk management functioning.

3.3.7 The Remuneration Committee (RC)

The composition of the RC remained unchanged in 2014 and comprised of the following members: Roel Nieuwdorp (Chairman), Jane Murphy and Steve Broughton.

The committee is assisted by Towers Watson, an external professional services company that provides market-related information and advice on commonly applied reward elements, best practice and expected developments. Towers Watson does not provide material compensation or benefits-related services to the Executive Committee of Ageas, or to any other part of the Ageas organisation.

The CEO, the CRO and the Group Human Resources Director attended the meetings, apart from discussions relating to themselves.

The committee met on four occasions including one joint meeting with the Corporate Governance Committee in the year under review. Attendance details can be found in section 3.7 Board of Directors.

The matters discussed by the Remuneration Committee in 2014 included:

- benchmarking of the remuneration of the Executive Management against that of peers, including the key performance indicators used by such peers;
- Remuneration Policy in general aligned with current market practices;
- disclosure regarding remuneration and activities of the Remuneration Committee in the Ageas Consolidated Financial Statements;
- share plan issued in favour of Ageas' senior management.

The joint Remuneration and Corporate Governance Committee discussed and advised on following matters:

- targets of the Executive Management;
- short-term incentive (STI) of the Executive Management;
- long-term incentive (LTI) of the Executive Management;
- review of the key performance indicators of the Executive Management.

The Chairman of the Remuneration Committee reported on the aforementioned matters to the Board of Directors after each meeting and advised the Board on decision-making when required. Further information on the Remuneration Committee can be found in the Report of the Remuneration Committee (see section 3.9 of this chapter).

3.3.8 The Risk and Capital Committee (RCC)

The composition of the Risk and Capital Committee remained unchanged in 2014 and comprised the following members: Guy de Selliers de Moranville (Chairman), Lionel Perl, Steve Broughton and Lucrezia Reichlin.

The RCC met on six occasions next to one joint meeting with the Audit Committee. The meetings were attended by the CEO, the CFO and the CRO.

The matters discussed in the RCC in 2014 included:

- monitoring of risk management, based on reports by management;
- review of the risk policies prepared by management;
- financial issues related to the legacy of the former Fortis;
- monitoring of the capital allocation and the solvency of the Ageas group.

The Chairman of the RCC reported on the aforementioned matters to the Board of Directors after each meeting and advised the Board on decision-making when required.

During the joint meeting of the Risk & Capital Committee and the Audit Committee, the members discussed the INCA (Internal Control Adequacy) and assessed the Risk management functioning.

3.4 Executive management

Ageas' executive management is composed of the CEO, the members of the Group Executive Committee referred to in the Articles of Association and the members of the Group Management Committee referred to in the Corporate Governance Charter. The role of the Group Executive Committee is to manage Ageas in line with the values, strategies, policies, plans and budgets endorsed by the Board.

Group Executive Committee

The Group Executive Committee meets once a week according to a predetermined timetable. Further meetings are held whenever necessary.

In 2014, Filip Coremans succeeded Kurt De Schepper as Chief Risk Officer. At the end of 2014, the Group Executive Committee of Ageas was composed of Bart De Smet (Chief Executive Officer), Christophe Boizard (Chief Financial Officer) and Filip Coremans (Chief Risk Officer). The CEO is the only executive member of the Board of Directors.

- Bart De Smet, CEO, is responsible for the Business, Strategy and Business Development, Audit and Communications;
- Christophe Boizard, CFO, is responsible for Finance, Investments, Investor Relations and Corporate Performance Management;
- Filip Coremans, CRO, is responsible for Risk, Compliance, Legal and support functions (Human Resources, IT and Facilities).

At the end of 2014, the Group Management Committee was composed of:

- the three members of the Group Executive Committee;
- Barry Smith, COO (Chief Operating Officer);
- the heads of the four business segments: Steven Braekeveldt, CEO Continental Europe; Antonio Cano, CEO AG Insurance (Belgium); Andy Watson, CEO United Kingdom, and Gary Crist, CEO Asia;
- Emmanuel Van Grimbergen, Group Risk Officer.

3.5 Internal risk management and control systems

The Board is responsible for approving appropriate systems for internal risk management and control and reviewing their implementation. The Ageas internal risk management and control systems are designed to provide the Board and management with a reasonable level of assurance that:

- they are made aware, in a timely manner, of the extent to which the entity is moving toward achievement of the company's strategic, financial and operational objectives while implementing the Ageas strategy;
- the operations are executed efficiently and effectively;
- the financial and non-financial reporting is reliable;
- the company acts in compliance with laws and regulations and with internal policies with respect to the conduct of business;
- the assets are safeguarded and liabilities are identified and managed;
- the entities remain within their risk limits.

3.5.1 Financial reporting cycle

Ageas has designed its financial reporting process to include the following measures of internal control:

- the budget control cycle;
- clear instructions and planning of the reporting process;
- clear processes and accounting policies and manuals;
- validation process for reported budget and actual figures per operating company;
- sign-off of the figures by local management;
- review of figures by the Group Executive Committee, the Group Management Committee, the Audit Committee and the Board;
- quarterly review and annual audit of the figures by the external auditor.

3.5.2 Budget process

The budget is the basis of the financial reporting cycle. The budget process is coordinated by Corporate Performance Management and starts in June with a budget instruction and target setting. The instruction is approved by the Group Executive Committee upon the proposal of the Group CFO. After this approval the budget instruction is sent to the local CFOs.

The budget is prepared on a three year rolling basis.

During the preparation of the budgets, Corporate Performance Management, Strategy, the Group CFO and the management of the local entities meet for preliminary discussions on the future strategy and economic circumstances to be taken into account when drawing up the specific budget.

After the budgets are submitted, Group Finance executes a validation check on them. The outcome of the validation check, including any issue that comes to light, is discussed with local management.

Once the budget process is finalised by Corporate Performance Management, the budget per segment (Belgium, UK, Asia, Continental Europe and the General Account) and the consolidated budget, including a written explanation of the assumptions used, is sent to the Group Management Committee for advice. After the Group Executive Committee has, based on the advice of the Group Management Committee, approved the budget, the budget is sent to the Board of Ageas for final approval.

3.5.3 Closings for actual figures

Ageas reports its actual figures in accordance with International Financial Reporting Standards (IFRS). Internal reporting takes place monthly, external reporting quarterly and at year-end. In the

case of a closing period, the consolidation is updated by Group Finance (consolidation department). Beside the local entities, Group Finance also contacts non-financial departments (like Risk, Legal, Tax, Accounting Policies, Company Secretary, Pension Office and Human Resources) to inform them of the type of information or input that is expected from them (and at what time) for the closing of the accounts.

After the delivery of the figures, validation meetings take place between Group Finance, Group CFO, Corporate Performance Management and local management in which local management presents the results seen from a business perspective as well as the expectations for the full year. Each CFO of a reporting entity has to provide the Group CFO with a written statement confirming that the reported figures are correct.

Group Finance is responsible for the preparation of the interim and annual financial statements and the internal management report on the figures. Group Finance includes the information received from the non-financial departments in the documents and verifies that all notes to the statements contain the correct figures. It also makes cross checks to ensure that the figures for any item mentioned in different notes are always the same. Besides this, Group Finance analyses and explains the movements of the figures in the statements. These explanations are included in an issue log.

The interim and annual reports are reviewed and audited by the external auditors. Issues are discussed with the auditors. Once the closing process is finalised by Group Finance, the consolidated reports are sent to the Group Management Committee. The Group Management Committee discusses the reports and gives its advice to the Group Executive Committee, which gives its approval. Once the statements are finalised, the auditors give Ageas written approval to include their opinion in the documents.

Once this approval is received, all statements to be published as well as the Board presentation and closing memorandum are sent to the Board of Ageas for approval. In addition, the external auditor prepares a presentation for the Board and the letter to the Board. The letter includes elements that the auditor feels it has to report to the Board in its capacity of external auditor. All information is first reviewed by and discussed with the Audit Committee (as part of the Board). The Audit Committee then reports on this at the Board meeting.

On the day of publication, the interim or annual reports and the press release are sent by Group Finance to the regulatory authorities (FSMA and NBB) in accordance with the regulatory disclosure requirements.

In addition to the financial report, Ageas prepares each quarter a key risk report, a risk & solvency report and on yearly basis an Own Risk and Solvency Assessment (ORSA) and an Internal Control Assessment. The preparation and validation of the reports follows the same key principles on internal measures as the financial reports and review and approval of the Audit & Risk Committee and the Board.

3.5.4 Assurance

Even a sound system of internal risk management and control cannot eliminate in full the possibility of poor judgment in decision-making, control processes being deliberately circumvented by employees and others, management overriding controls, and the occurrence of unforeseeable circumstances. The internal risk management and control systems are intended to provide reasonable, but not absolute, assurance that the company will not be hindered in achieving its business objectives, or in the orderly and legitimate conduct of its business, by circumstances which may reasonably be foreseen, and that the financial statements are free of material misstatement.

The Board has evaluated the risk profile of Ageas as well as the design and operating effectiveness of the Ageas internal risk management and control systems. It has also considered the effectiveness of remedial actions taken. Please refer to note 5 Risk Management, note 16 Call option BNP Paribas shares, note 26 RPN(I), note 48 Contingent liabilities and note 50 Events after the date of the statement of financial position for further information on respectively (i) the principal risks applicable to Ageas, (ii) the call option on the BNP Paribas shares, (iii) RPN(I) and (iv) the contingent liabilities.

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 reasonable assurance that the Ageas Consolidated Financial Statements 2014 do not contain any 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.

The Board will continue its commitment to further strengthen the Ageas internal risk management and control systems.

3.6 Corporate Governance references

The Belgian Corporate Governance Code published on 12 March 2009 (the 2009 Code) applies to Ageas and is available on the Ageas website:

<https://www.ageas.com/en/about-us/corporate-governance>.

The Code uses the 'comply or explain' concept, which means that if a company chooses to deviate from any of the Code's principles, it must explain its reasons for doing so in the Corporate Governance Statement. There are no aspects of corporate governance at Ageas that require additional explanation in the light of the 2009 Code.

In 2014, new legislation was promulgated in Belgium in accordance to which insurance holding companies have to set up an executive committee composed exclusively by members of the Board. This new legislation implies a revision of both the Ageas Corporate Governance Charter and the Articles of Association. Ageas will do the necessary to comply to this new legislation as from the General Shareholders' meeting of April 2015.

No other changes are required to further align the Governance Charter with applicable rules and regulations even to anticipate (international) trends that Ageas considers relevant.

The Corporate Governance Charter as applicable until the General Meeting of Shareholders of April 2015 is available on Ageas' website (www.ageas.com).

3.7 Board of directors



From left to right (behind):

Lionel Perl, Jan Zegering Hadders, Davina Bruckner, Steve Broughton, Guy de Selliers de Moranville, Jane Murphy, Roel Nieuwdorp, Richard Jackson and Bart De Smet.

In front:

Lucrezia Rechlin (left)
Jozef De Mey (right).

Jozef De Mey

(1943 – Belgian – Non-executive - Male)

On 31 December 2014, Chairman of the Board of Directors and Chairman of the Corporate Governance Committee.

First appointed : 2009.
Term runs until : Annual General Meeting of Shareholders in 2015.
Other positions within Ageas at the end of 2014 : Chairman of the Board of Directors of Ageas Insurance International N.V. (NL), of AG Insurance SA/NV (BE), of Ageas Asia Holdings Ltd. (HK), of Ageas Insurance Company (Asia) Ltd (HK), of Credimo Holding N.V. (BE) and Credimo N.V. (BE). Vice-Chairman of Muang Thai Group Holding Company, Ltd. (Thailand) and of Muang Thai Life Assurance Public Company, Ltd. (Thailand). See note 1 Legal structure, note 30 Non-controlling interests and note 14 Investments in associates for information on the participation interest in these entities.

Positions held with other listed companies : None.

Other positions held : Details are available on the website.

Guy de Selliers de Moranville

(1952 – Belgian – Independent - Male)

On 31 December 2014, Vice Chairman of the Board of Directors, Member of the Corporate Governance Committee and Chairman of the Risk and Capital Committee.

First appointed : 2009.
Term runs until : Annual General Meeting of Shareholders in 2015.
Other positions within Ageas at the end of 2014 : Chairman of the Board of Directors of Ageas UK Ltd. (UK) and Non-executive Board Member of Ageas Insurance International N.V.(NL). See note 1 Legal structure, note 30 Non-controlling interests and note 14 Investments in associates for information on the participation interest in these entities.

Positions held with other listed companies : Member of the Board of Directors, Audit Committee and Finance Committee of Solvay
Address : Rue de Ransbeek 310, 1120 Brussels, Belgium
Sector : Chemical company

Member of the Supervisory Board and Chairman of the Risk Committee of Advanced Metal Group
Address : Toren C, 13th floor, Strawinskylaan 1343, 1077 XX Amsterdam, the Netherlands
Sector : Specialty metals and engineering

Member of the Board of Directors of Ivanhoe
Address : 654 – 999 Canada Place, Vancouver, Canada
Sector : Mining company

Other positions held : Details are available on the website.

Bart De Smet

(1957 – Belgian – Executive - Male)

On 31 December 2014, Chief Executive Officer.

First appointed : 2009.
Term runs until : Annual General Meeting of Shareholders in 2017.
Other positions within Ageas at the end of 2014 : Executive Board Member of Ageas Insurance International N.V. (NL), Vice-Chairman of AG Insurance SA/NV (BE), Ageas UK Ltd. (UK), Taiping Life (China) and Maybank Ageas Berhad Holding (Malaysia) and Non-executive Board Member of Credimo NV (BE). See note 1 Legal structure, note 30 Non-controlling interests and note 14 Investments in associates for information on the participation interest in these entities.
Positions held with other listed companies : None.
Other positions held : Details are available on the website.

Roel Nieuwdorp

(1943 – Dutch – Independent - Male)

On 31 December 2014, Member of the Board of Directors, Chairman of the Remuneration Committee and Member of the Corporate Governance Committee.

First appointed : 2009.
Term runs until : Annual General Meeting of Shareholders in 2017.
Other positions within Ageas at the end of 2014 : Non-executive Board Member of Ageas France S.A. (FR) and Ageas Insurance International N.V. (NL). See note 1 Legal structure, note 30 Non-controlling interests and note 14 Investments in associates for information on the participation interest in these entities.
Positions held with other listed companies : None.
Other positions held : Details are available on the website.

Lionel Perl

(1948 – Belgian – Independent - Male)

On 31 December 2014, Member of the Board of Directors, Member of the Audit Committee and the Risk and Capital Committee.

First appointed : 2009.
Term runs until : Annual General Meeting of Shareholders in 2015.
Other positions within Ageas at the end of 2014 : Non-executive Board Member of AG Insurance SA/NV (BE) and Ageas Insurance International N.V. (NL), Member of the Audit & Risk Committee and of the Nomination & Remuneration Committee of AG Insurance SA/NV (BE). See note 1 Legal structure, note 30 Non-controlling interests and note 14 Investments in associates for information on the participation interest in these entities.
Positions held with other listed companies : None.
Other positions held : Details are available on the website

Jan Zegering Hadders

(1946 – Dutch – Independent - Male)

On 31 December 2014, Member of the Board of Directors, Chairman of the Audit Committee and Member of the Corporate Governance Committee.

First appointed : 2009.
Term runs until : Annual General Meeting of Shareholders in 2015.
Other positions within Ageas at the end of 2014 : Non-executive Board Member of Ageas UK Ltd. (UK), Ageas Insurance International N.V. (NL) and Member of the Audit Committee of Ageas UK Ltd. (UK). See note 1 Legal structure, note 30 Non-controlling interests and note 14 Investments in associates for information on the participation interest in these entities.
Positions held with other listed companies : None.
Other positions held : Details are available on the website.

Steve Broughton

(1947 – British – Independent - Male)

On 31 December 2014, Member of the Board of Directors, Member of the Risk & Capital Committee and Member of the Remuneration Committee.

First appointed : 2013.
Term runs until : Annual General Meeting of Shareholders in 2016.
Other positions within Ageas at the end of 2014 : Non-executive Board Member of Ageas UK Ltd. (UK) and Ageas Insurance International N.V. (NL). See note 1 Legal structure, note 30 Non-controlling interests and note 14 Investments in associates for information on the participation interest in these entities.

Positions held with other listed companies : Member of Strategy and Integration Advisory Board Quindell Plc.
Address : Quindell Court 1, Barnes Wallis Road, Segensworth East, PO15 5UA Fareham, UK
Sector : Software, consultancy and technology

Other positions held : Details are available on the website.

Jane Murphy

(1967 – Belgian – Independent - Female)

On 31 December 2014, Member of the Board of Directors, Member of the Audit Committee and Member of the Remuneration Committee.

First appointed : 2013.
Term runs until : Annual General Meeting of Shareholders in 2016.
Other positions within Ageas at the end of 2014 : Non-executive Board Member of Ageas Insurance International N.V. (NL)

Positions held with other listed companies : Non-executive Board Member of Elia System Operator SA and Member of the Corporate Governance Committee and Non-executive (independent) Board Member of Elia Asset SA
Address : Boulevard de l'Empereur 20, 1000 Brussels, Belgium
Sector : Electric power transmission system operator of Belgium /
Owner of the assets of the electric power transmission system in Belgium

Other positions held : Details are available on the website.

Lucrezia Reichlin

(1954 – Italian – Independent - Female)

On 31 December 2014, Member of the Board of Directors, Member of the Risk & Capital Committee.

First appointed : 2013.
Term runs until : Annual General Meeting of Shareholders in 2016.
Other positions within Ageas at the end of 2014 : Non-executive Board Member of Ageas Insurance International N.V. (NL)

Positions held with other listed companies : None

Other positions held : Details are available on the website.

Richard Jackson

(1956 – British – Independent - Male)

On 31 December 2014, Member of the Board of Directors, Member of the Audit Committee.

First appointed : 2013.
Term runs until : Annual General Meeting of Shareholders in 2016.
Other positions within Ageas at the end of 2014 : Non-executive Board Member of Ageas Insurance International N.V. (NL)

Positions held with other listed companies : Non-Executive Director at Oracle Financial Services Software, listed on Mumbai Stock Exchange
Address : Oracle Park, Goregaon, Mumbai, 400063, India
Sector : Financial Services software

Senior Advisor Ping An Insurance Group Company of China Ltd., China
Address : Galaxy Center, Fuhua Road, Shenzhen, 518048, PRC
Sector : Insurance

Other positions held : Details are available on the website.

Davina Bruckner

(1983 – Belgian – Non-Executive - Female)

On 31 December 2014, Member of the Board of Directors.

First appointed : 2014.
Term runs until : Annual General Meeting of Shareholders in 2017.

Other positions within Ageas at the end of 2014 : Non-executive Board Member of Ageas Insurance International N.V. (NL)

Positions held with other listed companies : None.

Other positions held : Details are available on the website.

Company Secretary

Valérie Van Zeveren.

Attendance at Board and Committee meetings

Attendance at the meetings of the Board, Audit Committee, Risk and Capital Committee and Corporate Governance Committee was as follows (it should be noted that the new members of the Board only started to attend meetings after their appointment as a Board Member):

Name	Board meetings		Audit Committee meetings		Corporate Governance Committee meetings		Remuneration Committee meetings		Risk & Capital Committee meetings	
	Held	Attended	Held **	Attended	Held ***	Attended	Held ***	Attended	Held **	Attended
Jozef De Mey	13	13			7	7	4	3 *	7	
Guy de Selliers de Moranville	13	13			7	7			7	7
Lionel Perl	13	13	6	6					7	7
Jan Zegering Hadders	13	13	6	6	7	7				
Roel Nieuwdorp	13	13			7	6	4	4		
Bart de Smet	13	13								
Jane Murphy	13	13	6	6			4	4		
Steve Broughton	13	12					4	4	7	6
Lucrezia Reichlin	13	10							7	6
Richard Jackson	13	11	6	6						
New member since April 2014										
Davina Bruckner	13	7								

* Jozef De Mey attended these meetings as invitee.

** including the joint meeting RCC / AC

*** including the joint meetings RC / CGC

3.8 Group Executive Committee



Left: CHRISTOPHE BOIZARD, CFO

Middle: BART DE SMET, CEO

Right: FILIP COREMANS, CRO

On 31 December 2014, the Ageas Group Executive Committee consisted of:

- Bart De Smet, CEO;
- Christophe Boizard, CFO;
- Filip Coremans, CRO.

Bart De Smet

(1957 – Belgian - Male)

Chief Executive Officer, responsible for the Business, Strategy and Business Development, Audit and Communications.

Member of the Board of Directors.

Other details: see 3.7 Board of Directors.

Christophe Boizard

(1959 – French - Male)

Chief Financial Officer, responsible for Finance, Treasury and ALM, Investor Relations and Performance Management.

Other positions within Ageas at the end of 2014 : Vice-Chairman of Ageas Asia Holdings Ltd. and Ageas Insurance Company (Asia) Ltd., Member of the Board of Directors of Royal Park Investments SA/NV, Ageas Finance N.V., AG Real Estate SA/NV, Cardiff Lux Vie SA. See note 1 Legal structure, note 30 Non-controlling interests and note 14 Investments in associates for information on the participation interest in these entities.

Filip Coremans

(1964 – Belgian - Male)

Chief Risk Officer, responsible for Risk, Compliance, Legal and Support Functions (Human Resources, IT and Facility).

Other positions within Ageas at the end of 2014 : As Non-Executive Director he serves on the Boards of AG Real Estate (Belgium), Ageas B.V. (The Netherlands), IDBI Federal Life Insurance Co. Ltd., Mbcp Ageas Grupo Segurador SGPS S.A. (Portugal), Ocidental Vida (Portugal), Ocidental Seguros (Portugal), Médis (Portugal), Pensõesgerere (Portugal), Taiping Asset Management Company Ltd. (China) and Taiping Life Insurance Company Ltd. (China). See note 1 Legal structure, note 30 Non-controlling interests and note 14 Investments in associates for information on the participation interest in these entities.

3.9 Report of the Remuneration Committee

In accordance with the Belgian Corporate Governance Act of 6 April 2010 on the reinforcement of corporate governance in listed companies, the Ageas Remuneration Committee has drawn up a remuneration report. Ageas will submit this report for approval to the General Meeting of Shareholders on 29 April 2015. The chairman of the Remuneration Committee will give a commentary on this report. On 30 April 2014, the 2013 report was approved by more than 98% of the shareholder votes.

3.9.1 Activity report of the Remuneration Committee

The Remuneration Committee consists of the following three members: Roel Nieuwedorp (Chairman), Jane Murphy and Steve Broughton. The CEO, the CRO, in his capacity as ultimate head of HR, and the HR Director, attended the meetings of the Remuneration Committee, with the exception of matters relating to themselves. As of 1 July 2014, Filip Coremans succeeded Kurt De Schepper as CRO of the company and attended as of that date the meetings of the Remuneration Committee.

The Remuneration Committee convened four times in 2014. Please refer to section 3.7 Board of Directors for information on the attendance of the members of the Remuneration Committee.

The Remuneration Policy was developed by the Board and approved by the General Meeting of Shareholders in 2010 and continues to be under regular review to align it with prevailing market practices and changes in regulations and legislation (Belgian Corporate Governance Act, Capital Requirements Directive (CRD III and IV) and Solvency II).

During its meetings, the Remuneration Committee furthermore systematically assessed each component (base salary, short-term incentive and long-term incentive) for compliance with new regulations, competitive position and the objectives and risk profile of the company. Special attention went to the analysis of the developments in the context of Solvency II and the new EU directives relating to variable pay.

The Remuneration Committee thus discussed and submitted recommendations to the Board of Directors on:

- the Remuneration Policy in general aligned with the current market practices;
- the disclosure of the remuneration of Board and Executive Committee Members in the notes to the Annual Consolidated Financial Statements;
- the report of the Remuneration Committee as included in the Corporate Governance Statement;
- the short-term incentive (STI) and the long-term incentive (LTI) methodology for members of the Management Committee;
- the analysis, including sensitivity analysis and benchmarking of key performance indicators (KPI);
- the specific KPI for the Group Risk Officer;
- the individual STI and LTI of the members of the Management Committee;
- the share plan in favour of senior management excluding Members of the Ageas Management Committee;
- the benchmarking of the remuneration of the members of the Management Committee against current market practices;
- the Ageas Remuneration Policy applicable to all employees of Ageas or serving as guidance for all Ageas entities.

The Ageas Corporate Governance Charter provides that the Remuneration Committee recommends on remuneration and incentive systems. As explained in the Corporate Governance Charter, the Corporate Governance Committee and the Remuneration Committee convene a joint meeting at which they make recommendations on targets and ultimate results in accordance with the above systems.

Following the recommendation of the joint Remuneration Committee and Corporate Governance Committee and the validation of the Remuneration Report by the General Meeting of Shareholders on 30 April 2014, the following KPI's, were taken into account to determine the STI for Executive Management for the financial year 2014:

- annual (total) net profit of Ageas;
- return on equity (ROE) of the insurance activities;
- cost ratio of the Life Insurance activity;
- combined ratio of the Non-life activity, and
- embedded value.

The Remuneration Committee discussed the positioning of the remuneration of the Management Committee based on an analysis of the external benchmarks provided by Towers Watson, the internal consistency and the evolution of the company. Based on this analysis the Remuneration Committee recommended and the Board of Directors accepted, the following recommendations, which are applicable as of 1 January 2015:

- concerning the CFO: to increase the base compensation from EUR 425,000 yearly to EUR 450,000 yearly, taking into account the fact that the base pay was unchanged since his arrival in September 2011, the information as to competitive positioning and the fulfilment of the CFO role.
- concerning other ExCo-members: to increase the base compensation to a yearly salary of EUR 450,000 on 1 January following the date of one year service in the appointed ExCo role within Ageas.

3.9.2 Key objectives

The Remuneration Committee's three key objectives remained unchanged: to provide full transparency, to guarantee compliance with existing and upcoming Belgian legislation and European regulation and to be market compliant.

Transparency

In 2010 and 2011, the Board of Directors submitted for approval to the shareholders both the Remuneration Policy (for the Board and the Executive Committee as recommended by the Remuneration Committee) and the remuneration levels of the Board. The Board of Directors will continue to submit any update or modification to these to the shareholders for approval. Since then, the annual report of the Remuneration Committee provides insight into the work of the Remuneration Committee and the proposed evolutions, if any.

Compliance with new legislation

Ageas is closely monitoring existing and upcoming legislation trying to anticipate changes to the extent possible when appropriate.

Market compliance

The remuneration of both the Board of Directors and the Executive Committee is intended:

- to ensure the organisation's continued ability to attract, motivate and retain executive talent in an international marketplace;
- to promote achievement of demanding performance targets and long-term sustainable growth in order to align the

interests of executives and shareholders in the short, medium and long term;

- to stimulate, recognise and reward both strong individual contribution and solid team performance.

3.9.3 Procedure followed to develop and assess/review the Remuneration Policy

Upon its appointment in April 2009, the Remuneration Committee started working on a completely new Remuneration Policy. The Remuneration Committee decided to revise the remuneration of both non-executive Board Members and Executive Management. The Remuneration Committee reassesses the compliance of the Remuneration Policy with existing legislation and regulation on a regular basis, assisted by external advisors. In this exercise, finalised in 2010, but under permanent scrutiny, the Remuneration Committee was assisted by Towers Watson.

The remuneration of the non-executive members of the Board of Directors

In 2010, the Remuneration Policy and the remuneration levels of the non-executive members of the Board were approved by a vast majority of the shareholders. Based on the periodic review an adjustment was proposed and validated by the General Meeting of Shareholders in 2013. The remuneration levels of the non-executive Board members are further analysed on a regular basis.

The remuneration of the Executive Management

Both the levels and the structure of remuneration for Ageas Executive Committee members are analysed annually. Upon the initiative of the Remuneration Committee, Ageas' competitive position is regularly reviewed by, and discussed with, Towers Watson and compared with that of other major European-based international insurance firms and other organisations operating on an international basis.

Based on the assessment of the competitive positioning of the remuneration of the Executive management in the second half of 2014, the Remuneration Committee recommended and the Board accepted the following recommendation, applicable as of 1 January 2015:

- to increase the base compensation of the CFO from EUR 425,000 yearly to EUR 450,000 yearly;
- to increase the base compensation of other ExCo- members to a yearly salary of EUR 450,000 on 1 January following the date of one year service in the appointed ExCo role within Ageas.

It remains the opinion of the Remuneration Committee that the policy, as approved by the General Meetings of Shareholders in 2010 and reconfirmed in 2011, has been established in the spirit of the present standards with a deferral of the LTI and parts of the STI, and assessment of the performance during the period of deferral, and as such fits in with the current situation of the company.

3.9.4 The Remuneration Policy

The full Remuneration Policy for Ageas Board members and Group Executive Committee members, as approved by the General Meeting of Shareholders in April 2010 and reconfirmed by the shareholders in 2014, is attached to the Corporate Governance Charter (see annex 4 of the Corporate Governance Charter). The Remuneration Policy can be found on: <https://www.ageas.com/en/about-us/remuneration>.

This policy describes the principles underlying remuneration, the relative importance of the various components of remuneration and the features of equity-linked remuneration and the applicable claw-back of variable income in case of fraud or material misstatement.

3.9.5 Implementation of Remuneration Policy in 2014

Board of Directors

During 2014 no changes were proposed as to the remuneration levels of the non-executive members of the Board of Directors.

The remuneration levels as validated by the General Meeting of Shareholders in April 2013 continue to apply. These remuneration levels consist of a fixed annual remuneration on the one hand and an attendance fee on the other hand. The fixed annual remuneration amounts to EUR 90,000 for the Chairman and EUR 45,000 for the other non-executive Board members. Non-executive Board members receive an attendance fee of EUR 2,000 per Board Meeting and EUR 1,500 per Board Committee Meeting. For the Chairman of the Board of Directors and the Board Committees, the respective attendance fees are set at EUR 2,500 per Board Meeting and EUR 2,000 per Board Committee Meeting. More detailed information on the remuneration of the non-executive Board members in 2014 can be found in note 7 section 7.3 Remuneration of Board of Directors members and Executive Committee members to the Ageas Consolidated Financial Statements 2014.

Non-executive Board members do not receive annual incentives or stock options and are not entitled to pension rights. Non-executive Board members are not entitled to any termination indemnity.

The remuneration of the Executive Board member (the CEO) is related exclusively to his position as CEO and is therefore determined in line with the Remuneration Policy for Executive Committee members.

In the framework of good corporate governance, to avoid the cascading of the decision process and to increase knowledge and awareness of the issues in the most important operating companies, the Board of Directors decided to delegate most of its non-executive members to the Board of Directors of some of the Ageas subsidiaries. To the extent that these positions are remunerated, the amounts paid out are disclosed in note 7 section 7.3 Remuneration of Board of Directors members and Executive Committee members in the Ageas Consolidated Financial Statements 2014.

In accordance with the Remuneration Policy and the remuneration levels described above, the total remuneration of all non-executive directors amounted to EUR 1.26 million in 2014, compared to EUR 1.23 million in 2013. For more detailed information, please refer to note 7 section 7.3 Remuneration of Board of Directors members and Executive Committee members in the Ageas Consolidated Financial Statements 2014.

Executive Committee

As of 1 July 2014, Filip Coremans succeeded Kurt De Schepper as CRO of Ageas. As of that date, the Executive Committee consisted of CEO Bart De Smet, the only executive member of the Board of Directors, CFO Christophe Boizard, and CRO Filip Coremans. The Remuneration Policy as described above applies to the members of the Executive Committee, and includes, but is not limited to, the rules on variable remuneration, severance pay and claw-back. In 2014, the total remuneration of the Executive Committee amounted to EUR 3.0 million compared to EUR 3.8 million in 2013.

For each member of the Executive Committee, the severance pay equals 12 months' salary which can in specific circumstances be increased to 18 months. Including the non-competition provision, maximum severance pay can, however, never exceed 18 months' salary.

For more detailed information on individual remuneration and the number of granted, exercised and matured shares, share options and other rights to acquire shares, please refer to note 7 section 7.3 Remuneration of Board of Directors members and Executive Committee members in the Ageas Consolidated Financial Statements.

As foreseen by the Remuneration Policy, the Executive Committee members are entitled to a short-term and a long-term incentive regarding their performance over the year 2014:

- long-term incentive: the total shareholder return (TSR) of the Ageas shares amounted to (0.2)% in 2014, which was the 13th position in its peer group. The Remuneration Committee, jointly with the Corporate Governance Committee, thus recommended not to grant a LTI for the year 2014;
- short-term incentive: two components, the Ageas component accounting for 70% and the individual component accounting for 30%, are taken into account in the calculation of the STI. The Remuneration Committee, jointly with the Corporate Governance Committee, recommended that the Board takes the following results into account:
 - Net Profit;
 - Return on equity (ROE) of the insurance activities;
 - Cost Ratio Life Insurance;
 - Combined Ratio Non-life;
 - Embedded Value.

- taking into account individual performances, this led to the following STI-percentages (target 50% of base compensation, range 0-100% of base compensation):
 - CEO Bart De Smet: 114% of target;
 - CFO Christophe Boizard: 105% of target;
 - CRO Kurt De Schepper: 107% of target;
 - CRO Filip Coremans: 108% of target.

More detailed information on the Remuneration Policy applicable to the Executive Committee is available in annex 4 of the Corporate Governance Charter: The remuneration for Ageas Board members and Group Executive Committee members.

3.9.6 Outlook for Remuneration Policy in 2015

Ageas will continue to benchmark the structure of its Remuneration Policy against the competitive and regulatory environment as it has done in the past and will, if required, propose modifications or updates. Any modifications of the Remuneration Policy will be submitted for approval to the General Meeting of Shareholders.

Brussels, 5 March 2015

Board of Directors





AGEAS
CONSOLIDATED FINANCIAL
STATEMENTS
2014

Consolidated statement of financial position

(before appropriation of profit)

	Note	31 December 2014	31 December 2013
Assets			
Cash and cash equivalents	10	2,516.3	2,156.6
Financial investments	11	68,174.8	61,667.7
Investment property	12	2,641.3	2,354.5
Loans	13	6,068.3	5,784.4
Investments related to unit-linked contracts		14,758.9	14,097.5
Investments in associates	14	2,221.3	1,530.2
Reinsurance and other receivables	15	1,991.7	2,020.0
Current tax assets	25	11.8	73.9
Deferred tax assets	25	106.4	80.1
Accrued interest and other assets	17	2,460.2	2,516.2
Property, plant and equipment	18	1,119.4	1,088.9
Goodwill and other intangible assets	19	1,488.6	1,412.6
Total assets		103,559.0	94,782.6
Liabilities			
Liabilities arising from Life insurance contracts	21.1	29,419.7	26,262.7
Liabilities arising from Life investment contracts	21.2	30,569.7	28,792.8
Liabilities related to unit-linked contracts	21.3	14,829.0	14,170.0
Liabilities arising from Non-life insurance contracts	21.4	7,147.6	6,797.2
Debt certificates	22	2.2	68.4
Subordinated liabilities	23	2,086.3	1,971.0
Borrowings	24	2,483.5	2,363.7
Current tax liabilities	25	84.8	70.7
Deferred tax liabilities	25	1,463.6	1,124.0
RPN(I)	26	467.0	370.1
Accrued interest and other liabilities	27	2,436.9	2,162.0
Provisions	28	171.4	45.0
Liabilities related to written put options on NCI	29	1,485.8	1,255.0
Total liabilities		92,647.5	85,452.6
Shareholders' equity	20	10,223.3	8,525.1
Non-controlling interests	30	688.2	804.9
Total equity		10,911.5	9,330.0
Total liabilities and equity		103,559.0	94,782.6

The comparative figures for 2013 have been adjusted in all tables shown in these Consolidated Financial Statements for the change in consolidation method of Tesco Insurance (see also note 2 Summary of accounting policies). From 1 January 2014 onwards, Tesco Insurance is included in the consolidation scope as an equity associate instead of being fully consolidated.

Consolidated income statement

	Note	2014	2013
Income			
- Gross premium income		9,258.3	8,838.9
- Change in unearned premiums		(12.0)	18.4
- Ceded earned premiums		(354.4)	(335.6)
Net earned premiums	34	8,891.9	8,521.7
Interest, dividend and other investment income	35	2,994.1	3,002.6
Realised gain (loss) on call option BNP Paribas shares	16		(90.0)
Unrealised gain (loss) on RPN(I)	26	(96.9)	(205.1)
Result on sales and revaluations	36	349.0	201.5
Investment income related to unit-linked contracts	37	1,272.7	978.6
Share of result of associates	38	163.5	435.2
Fee and commission income	39	420.3	429.2
Other income	40	223.9	200.3
Total income		14,218.5	13,474.0
Expenses			
- Insurance claims and benefits, gross		(8,834.7)	(8,315.2)
- Insurance claims and benefits, ceded		251.2	147.5
Insurance claims and benefits, net	41	(8,583.5)	(8,167.7)
Charges related to unit-linked contracts		(1,337.1)	(1,039.4)
Financing costs	42	(167.8)	(206.8)
Change in impairments	43	(61.8)	(62.6)
Change in provisions	28	(137.5)	2.3
Fee and commission expenses	44	(1,300.3)	(1,222.8)
Staff expenses	45	(830.8)	(809.5)
Other expenses	46	(1,006.7)	(987.7)
Total expenses		(13,425.5)	(12,494.2)
Result before taxation		793.0	979.8
Tax income (expenses)	47	(137.2)	(241.4)
Net result for the period		655.8	738.4
Attributable to non-controlling interests		180.2	168.9
Net result attributable to shareholders		475.6	569.5
Per share data (EUR)			
Basic earnings per share	4	2.13	2.49
Diluted earnings per share	4	2.13	2.49

Gross inflow (sum of gross written premiums and premium inflow from investment contracts without discretionary participation features) can be calculated as below.

	Note	2014	2013
Gross premium income		9,258.3	8,838.9
Inflow deposit accounting (directly recognised as liability)	34	1,140.8	1,665.1
Gross inflow		10,399.1	10,504.0

Consolidated statement of comprehensive income

	Note	2014	2013
OTHER COMPREHENSIVE INCOME			
<u>Items that will not be reclassified to the income statement:</u>			
Remeasurement of defined benefit liability		(107.4)	69.4
Related tax		29.8	(18.5)
Remeasurement of defined benefit liability	7	(77.6)	50.9
Total of items that will not be reclassified to the income statement:		(77.6)	50.9
<u>Items that are or may be reclassified to the income statement:</u>			
Change in amortisation of investments held to maturity		25.9	34.1
Related tax		(6.5)	(8.7)
Change in investments held to maturity	11	19.4	25.4
Change in revaluation of investments available for sale ¹⁾		1,629.8	(647.1)
Related tax		(504.8)	223.8
Change in revaluation of investments available for sale	11	1,125.0	(423.3)
Share of other comprehensive income of associates	14	432.9	(347.9)
Change in foreign exchange differences		329.7	(175.6)
Total items that are or may be reclassified to the income statement:		1,907.0	(921.4)
Other comprehensive income for the period		1,829.4	(870.5)
Net result for the period		655.8	738.4
Total comprehensive income for the period		2,485.2	(132.1)
Net result attributable to non-controlling interests		180.2	168.9
Other comprehensive income attributable to non-controlling interests		265.2	(23.3)
Total comprehensive income attributable to non-controlling interests		445.4	145.6
Total comprehensive income attributable to shareholders		2,039.8	(277.7)

1) The Change in revaluation of investments available for sale, gross includes the revaluation of cash flow hedges and is net of currency differences and shadow accounting.

Consolidated statement of changes in equity

	Share capital	Share premium reserve	Other reserves	Currency translation reserve	Net result attributable to shareholders	Unrealised gains and losses	Share holders' equity	Non-controlling interests	Total equity
Balance as at 1 January 2013	2,042.2	2,968.1	1,857.7	172.9	743.0	2,015.5	9,799.4	757.2	10,556.6
Net result for the period					569.5		569.5	168.9	738.4
Revaluation of investments						(719.5)	(719.5)	(26.3)	(745.8)
Remeasurement IAS 19 ⁶⁾			47.9				47.9	3.0	50.9
Foreign exchange differences				(175.6)			(175.6)		(175.6)
Total non-owner changes in equity			47.9	(175.6)	569.5	(719.5)	(277.7)	145.6	(132.1)
Transfer			743.0		(743.0)				
Dividend			(269.8)				(269.8)	(192.5)	(462.3)
Capital refund	(233.5)						(233.5)		(233.5)
Shares not entitled to capital refund			10.9				10.9		10.9
Treasury shares			(148.8)				(148.8)		(148.8)
Cancellation of shares	(80.9)	(116.4)	197.3						
Share-based compensation		2.4					2.4		2.4
Impact written put option on NCI ¹⁾			(357.2)				(357.2)	99.2	(258.0)
Other changes in equity			(0.6)				(0.6)	(4.6)	(5.2)
Balance as at 31 December 2013	1,727.8	2,854.1	2,080.4	(2.7)	569.5	1,296.0	8,525.1	804.9	9,330.0
Net result for the period					475.6		475.6	180.2	655.8
Revaluation of investments						1,300.0	1,300.0	277.3	1,577.3
Remeasurement IAS 19 ⁶⁾			(64.4)				(64.4)	(13.2)	(77.6)
Foreign exchange differences				328.6			328.6	1.1	329.7
Total non-owner changes in equity			(64.4)	328.6	475.6	1,300.0	2,039.8	445.4	2,485.2
Transfer			569.5		(569.5)				
Dividend			(310.6)				(310.6)	(366.9)	(677.5)
Treasury shares			(208.1)				(208.1)		(208.1)
Cancellation of shares	(18.4)	(61.0)	79.4						
Share-based compensation		3.0					3.0		3.0
Impact written put options on NCI ¹⁾			201.4				201.4	(337.4)	(136.0)
Acquisition Médis and Occidental Seguros ²⁾			(75.4)			3.0	(72.4)	(53.6)	(126.0)
Acquisition UBI Assicurazioni ³⁾			(40.1)				(40.1)	22.8	(17.3)
Sale part of AG Real Estate ⁵⁾			118.0				118.0	165.9	283.9
Other changes in equity ⁴⁾			(30.1)			(2.7)	(32.8)	7.1	(25.7)
Balance as at 31 December 2014	1,709.4	2,796.1	2,320.0	325.9	475.6	2,596.3	10,223.3	688.2	10,911.5

1. Relates to the put option on AG insurance shares and the put option on Interparking shares (only in 2014) (see note 29 Liabilities related to written put options NCI).
2. Relates to the acquisition of the non-controlling interests in Médis and Occidental Seguros as per 30 June 2014. More information can be found in note 3 Acquisitions and disposals.
3. Relates to the acquisition of an additional share of 25% in UBI Assicurazioni. More information can be found in note 3 Acquisitions and disposals.
4. Includes the payment to holders of the CASHES- and FRESH-shares.
5. Relates to the sale of Interparking. More information can be found in note 3 Acquisitions and disposals.
6. As of 2013, the revised IAS 19 'Employee Benefits' has become effective. The most significant change in the revised standard is the immediate recognition in equity of 'unrecognised actuarial gains and losses' as of the effective date, instead of using the so called corridor approach.

Changes in equity are described in greater detail in note 20 Shareholders' equity, note 29 Liability related to written put option on AG Insurance shares held by BNP Paribas Fortis SA/NV and note 30 Non-controlling interests.

Consolidated statement of cash flow

	Note	2014	2013
Cash and cash equivalents as at 1 January	10	2,156.6	2,033.5
Result before taxation		793.0	979.8
<i>Adjustments to non-cash items included in result before taxation:</i>			
Call option BNP Paribas shares	16		90.0
Remeasurement RPN(I)	26	96.9	205.1
Result on sales and revaluations	36	(349.0)	(201.5)
Share of results of associates	38	(163.5)	(435.2)
Depreciation, amortisation and accretion	46	951.4	799.6
Impairments	43	61.8	62.6
Provisions	28	137.5	(2.2)
Share-based compensation expense	45	3.0	2.4
<i>Total adjustments to non-cash items included in result before taxation</i>		738.1	520.8
<i>Changes in operating assets and liabilities:</i>			
Derivatives held for trading (assets and liabilities)	11	39.6	14.2
Loans	13	(93.2)	720.4
Reinsurance and other receivables	15	(258.3)	(89.9)
Investments related to unit-linked contracts		(561.6)	(442.7)
Borrowings	24	51.1	231.9
Liabilities arising from insurance and investment contracts	21.1, 21.2 & 21.4	5,160.0	260.6
Liabilities related to unit-linked contracts	21.3	553.0	436.7
Call Option BNP Paribas shares	16		144.0
Net changes in all other operational assets and liabilities		(4,355.1)	(278.7)
Dividend received from associates		98.8	329.9
Income tax paid		(248.9)	(314.2)
<i>Total changes in operating assets and liabilities</i>		385.4	1,012.2
Cash flow from operating activities		1,916.5	2,512.8
Purchases of financial investments	11	(11,563.0)	(11,662.1)
Proceeds from sales and redemptions of financial investments	11	10,843.1	10,725.6
Purchases of investment property	12	(107.6)	(212.0)
Proceeds from sales of investment property	12	33.0	116.3
Purchases of property, plant and equipment	18	(116.5)	(106.1)
Proceeds from sales of property, plant and equipment	18	26.6	16.8
Acquisitions of subsidiaries and associates (including capital increases in associates)	3	(275.5)	(416.1)
Divestments of subsidiaries and associates (including capital repayments of associates)	3	622.4	855.9
Purchases of intangible assets	19	(37.8)	(25.1)
Proceeds from sales of intangible assets		16.9	1.2
Cash flow from investing activities		(558.4)	(705.6)
Redemption of debt certificates	6 & 22	(65.9)	(116.5)
Proceeds from the issuance of subordinated liabilities	23	58.8	519.6
Redemption of subordinated liabilities	23		(1,370.7)
Proceeds from the issuance of other borrowings	24	5.9	192.5
Payment of other borrowings	24	(138.4)	(62.3)
Purchases of treasury shares	6 & 20	(208.1)	(148.8)
Dividends paid to shareholders of parent companies	6	(310.6)	(272.1)
Dividends paid to non-controlling interests	6	(366.9)	(192.5)
Repayment of capital (including minority interests)	20		(222.6)
Cash flow from financing activities		(1,025.2)	(1,673.4)
<i>Effect of exchange rate differences on cash and cash equivalents</i>			
		26.8	(10.7)
Cash and cash equivalents as at 31 December	10	2,516.3	2,156.6
Supplementary disclosure of operating cash flow information			
Interest received	35	2,492.4	2,430.5
Dividend received from financial investments	35	104.9	93.6
Interest paid	42	(171.1)	(252.6)



GENERAL NOTES

1 Legal structure

ageas SA/NV, incorporated in Belgium with its registered office at Rue du Marquis 1/Markiesstraat 1, Brussels, Belgium, is the parent company of the Ageas group. The Consolidated financial statements include the summarised Financial statements of ageas SA/NV (the Parent Company) and its subsidiaries.

A list of all group companies and other participating interests has been filed with the National Bank of Belgium in Brussels. The list is available upon request, free of charge, from Ageas in Brussels.

Ageas shares are listed on the regulated market of NYSE Euronext Brussels. Ageas has a sponsored ADR programme in the United States.

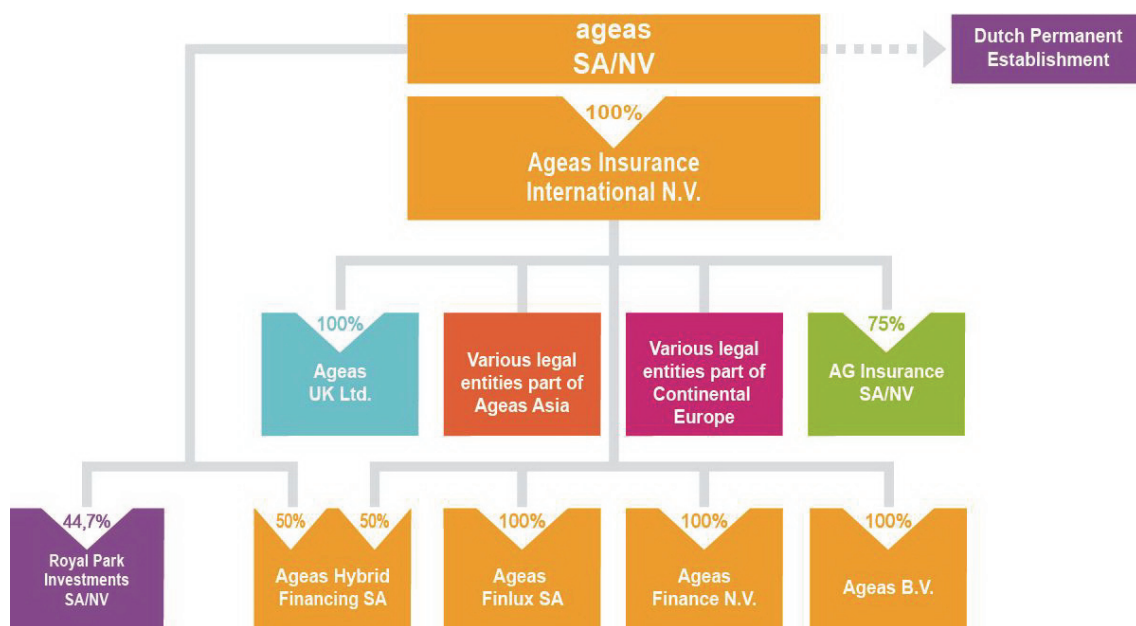
The main third party shareholders of Ageas, based on the official notification, are:

- Ping An 5.17%;
- Schroders Plc 5.01%;
- BlackRock, Inc 4.98%;
- Franklin Mutual Advisors 3.00%.

Beside these third party shareholders, ageas is holding 5.0% of its own shares. This interest is related to the Fresh (see note 20 Shareholders' equity and note 23 Subordinated liabilities) and the share buy back programmes (see note 20 Shareholders' equity).

Ageas has pledged 46,715 shares of AG Insurance (7.4%) to BNP Paribas Fortis SA/NV as security for the complete and timely performance of the Relative Performance Note secured obligations (see note 26 RPN(I)).

The legal structure of Ageas is as follows.



The main subsidiaries of Ageas within Continental Europe are in Portugal, Millenniumbcp Ageas (51%), Occidental Seguros (100%) and Médis (100%), in Italy, UBI Assicurazioni (as from 2015: Cargeas Assicurazioni, 50%) and in France, Ageas France (100%). The main subsidiary of Ageas in Asia is Insurance Company Asia, which is fully owned by Ageas.

2 Summary of accounting policies

The Ageas Consolidated Financial Statements 2014 comply with International Financial Reporting Standards (IFRS) as at 1 January 2014, as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU) as at that date.

2.1 Basis of accounting

The accounting policies are consistent with those applied for the year ended 31 December 2013. Amended IFRS effective on 1 January 2014 with importance for Ageas (and endorsed by the EU) are listed in paragraph 2.2. The accounting policies mentioned here are a summary of the complete Ageas accounting policies, which can be found on:

<https://www.ageas.com/en/about-us/supervision-audit-and-accounting-policies>.

The Ageas Consolidated Financial Statements are prepared on a going concern basis and are presented in euros, which is the functional currency of the parent company of Ageas.

Assets and liabilities recorded in the statement of financial position of Ageas have usually a duration of more than 12 months, except for cash and cash equivalents, reinsurance and other receivables, accrued interest and other assets, accrued interest and other liabilities and current tax assets and liabilities.

The most significant IFRS for the measurement of assets and liabilities as applied by Ageas are:

- IAS 1 for presentation of financial statements;
- IAS 16 for property, plant and equipment;
- IAS 23 for loans;
- IAS 28 for investments in associates;
- IAS 32 for written put options on non-controlling interests;
- IAS 36 for the impairment of assets;
- IAS 38 for intangible assets;
- IAS 39 for financial instruments;
- IAS 40 for investment property;
- IFRS 3 for business combinations;
- IFRS 4 for the measurement of insurance contracts;
- IFRS 7 for the disclosures of financial instruments;
- IFRS 8 for operating segments;
- IFRS 10 for consolidated financial statements;
- IFRS 12 for disclosure of interests in other entities;
- IFRS 13 for fair value measurements.

2.2 Changes in accounting policies

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).

IFRS 10, 11 and 12 and amendments to IAS 27 and 28 'Consolidation project'

IFRS 10 Consolidated Financial Statements

IFRS 10 Consolidated Financial Statements includes a new definition of control, which is used to determine which entities are consolidated, and describes consolidation procedures. Control exists only if the investor has:

- Power over the investee;
- Exposure to variable returns;
- Ability to affect the amount of returns.

With the implementation of IFRS 10 and the end of the development phase which is formalised by a renewed agreement, Ageas concluded it no longer de-facto controls Tesco Underwriting. As of 1 January 2014, Ageas no longer consolidates Tesco Insurance, but reports its interest as an associate, including a restatement of the 2013-figures.

The impact of the change in consolidation method for Tesco Insurance on the Statement of financial Position for year-end 2013 can be explained as follows:

Assets

The total assets decreased with EUR 953 million from EUR 95,735 million to EUR 94,783 million. This decrease can mainly be explained by the following changes:

- Financial investments decreased with EUR 889 million to EUR 61,668 million;
- Investments in associates increased with EUR 92 million due to the inclusion of Tesco Insurance;
- Reinsurance and other receivables decreased with EUR 67 million.

Liabilities

The total liabilities decreased with EUR 861 million from EUR 86,314 million to EUR 85,453 million. The decrease is mainly explained by the following changes:

- Liabilities arising from Non-life insurance contracts decreased with EUR 798 million to EUR 6,797 million;
- The subordinated liabilities decreased with EUR 41 million to EUR 1,971 million;
- Accrued interest and other liabilities decreased with EUR 22 million to EUR 2,162 million.

Equity

Although shareholders' equity was not impacted, total equity decreased with EUR 92 million to EUR 9,330 million because the non-controlling interest in Tesco Insurance is no longer consolidated.

Income statement

The impact on the Income statement of the change in consolidating method for Tesco Insurance for 2013 was nil on the Net result attributable to shareholders as the result remained the same for Tesco Insurance. The main impact on the lines of the Income statement is:

- Net earned premiums decreased with EUR 565.7 million to EUR 8,521.7 million;
- Insurance claims and benefits net decreased with EUR 432.1 million;
- Share of result of associates increased with EUR 8.2 million to EUR 435.2 million.

IFRS 11 Joint Arrangements

IFRS 11 *Joint Arrangements* describes the accounting for joint arrangements with joint control; proportionate consolidation is not permitted for joint ventures (as newly defined) and only the equity method is allowed. The implementation of IFRS 11 did not have impact on Shareholders' equity and/or profit or loss.

IFRS 12 Disclosures of Interests in Other Entities

IFRS 12 *Disclosures of Interests in Other Entities* includes all of the disclosure requirements for subsidiaries, joint ventures, associates, and 'structured entities'. The implementation of IFRS 12 did not have impact on Shareholders' equity and/or profit or loss.

Amendments to the following standards where published:

- IAS 27 *Separate Financial Statements*, partly replaced by IFRS 10 with regard to the accounting for consolidated financial statements;
- IAS 28 *Investments in Associates and Joint Ventures*, amended to include the application of the equity method to investments in joint ventures;
- The Investment Entities amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

These amendments did not have a material impact on Shareholders' equity and/or profit or loss.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

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 a 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 a 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 a material impact on Shareholders' equity and/or profit or loss.

IFRIC 21 'Levies'

The IASB issued IFRIC Interpretation 21 'Levies', which was developed by the IFRS Interpretations Committee. The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum

threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation does not give any guidance with regard to the accounting treatment of the levies in profit or loss. Ageas will continue to apply accrual accounting with regard to levies.

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.

2.3 Accounting estimates

The preparation of the Ageas Consolidated Financial Statements in conformity with IFRS, requires the use of certain estimates at the end of the reporting period. In general these estimates and the methods used have been consistent since the introduction of IFRS in 2005. Each estimate by its nature carries a significant risk of material adjustments (positive or negative) to the carrying amounts of assets and liabilities in the next financial year.

The key estimates at the reporting date are shown in the next table.

31 December 2014

Assets	Estimation uncertainty
Available for sale securities	
Financial instruments	
- Level 2	- The valuation model - Inactive markets
- Level 3	- The valuation model - Use of non market observable input - Inactive markets
Investment property	- Determination of the useful life and residual value
Loans	- The valuation model - Parameters such as credit spread, maturity and interest rates
Associates	- Various uncertainties depending on the asset mix, operations and market developments
Goodwill	- The valuation model used - Financial and economic variables - Discount rate - The inherent risk premium of the entity
Other intangible assets	- Determination of the useful life and residual value
Deferred tax assets	- Interpretation of complex tax regulations - Amount and timing of future taxable income
Liabilities	
Liabilities for Insurance contracts	
- Life	- Actuarial assumptions - Yield curve used in liability adequacy test
- Non-life	- Liabilities for (incurred but not reported) claims - Claim adjustment expenses - Final settlement of outstanding claims
Pension obligations	- Actuarial assumptions - Discount rate - Inflation/salaries
Provisions	- The likelihood of a present obligation due to events in the past - The calculation of the best estimated amount
Deferred tax liabilities	- Interpretation of complex tax regulations
Written put options on NCI	- Estimated future fair value - Discount rate

For more detailed information on the application of these estimates, please refer to the applicable notes in the Ageas Consolidated Financial Statements. Note 5 Risk Management describes the way in which Ageas mitigates the various risks of the insurance operations.

2.4 Events after the reporting period

Events after the reporting period relate to events that occur between the date of the statement of financial position and the date when the consolidated financial statements are authorised for issue. Two types of events can be identified:

- events lead to an adjustment of the Consolidated financial statements if they provide evidence of conditions that existed at the date of the statement of financial position;
- events result in additional disclosures if they are indicative of conditions that arose after the date of the Statement of financial position, and if relevant and material.

Ageas has not identified any of the types of events mentioned above in the reporting period 2014.

2.5 Segment reporting

Operating segments

Ageas' reportable operating segments are based on geographical regions; the results are based on IFRS. The regional split is based on the fact that the activities in these regions share the same nature and economic characteristics and are managed as such.

The operating segments are:

- Belgium;
- United Kingdom (UK);
- Continental Europe;
- Asia;
- General Account.

Ageas decided that the most appropriate way of reporting operating segments under IFRS is per region in which Ageas operates, meaning Belgium, United Kingdom, Continental Europe and Asia.

Activities not related to Insurance and elimination differences are reported separately from the Insurance activities in the fifth operating segment: General Account. The General Account comprises activities not related to the core Insurance business, such as group finance and other holding activities. In addition, the General Account also includes the investment in Royal Park Investments, the liabilities related to CASHES/RPN(I), the written put option on NCI, and the claims and litigations related to events from the past.

Transactions or transfers between the operating segments are entered into under normal commercial terms and conditions that would be available to unrelated third parties. Eliminations are reported separately.

2.6 Consolidation principles

Subsidiaries

The Ageas Consolidated Financial Statements include those of ageas SA/NV (the 'parent company') and her subsidiaries. Subsidiaries are those companies, over which Ageas, either directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from the activities ('control'). Subsidiaries are consolidated from the date on which effective control is transferred to Ageas and are no longer consolidated from the date that control ceases. Subsidiaries acquired exclusively with a view to resale are accounted for as non-current assets held for sale. The result on a sale of a portion of an interest in a subsidiary without a change in control is accounted for in equity.

Ageas sponsors the formation of Special Purpose Vehicles ('SPVs') primarily for the purpose of asset securitisation transactions, structured debt issuance or to accomplish another well-defined objective. Some of the SPVs are bankruptcy-remote companies whose assets are not available to settle the claims of Ageas. SPVs are consolidated if, in substance, they are controlled by Ageas.

Intercompany transactions, balances and gains and losses on transactions between Ageas companies are eliminated. Non-controlling interests in the net assets and net results of consolidated subsidiaries are shown separately on the statement of financial position and income statement. Subsequent to the date of acquisition, non-controlling interests comprise the amount calculated at the date of acquisition and the non-controlling interests' share of changes in equity since the date of acquisition.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether Ageas controls another entity.

Associates

Investments in associates are accounted for using the equity method. These are investments over which Ageas has significant influence, but does not control. The investment is recorded at Ageas' share of the net assets of the associate. The ownership share of net income for the year is recognised as share in result of associates and Ageas' share in the investment's post-acquisition direct equity movements are recognised in equity.

Gains on transactions between Ageas and investments accounted for using the equity method are eliminated to the extent of Ageas' interest. Losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Losses are recognised until the carrying amount of the investment is reduced to nil and further losses are only recognised to the extent that Ageas has incurred legal or constructive obligations or made payments on behalf of an associate.

2.7 Foreign currency

For individual entities of Ageas, foreign currency transactions are accounted for using the exchange rate at the date of the transaction. Outstanding balances in foreign currencies at year-end are translated at year-end exchange rates for monetary items.

Non-monetary items carried at historical cost are translated using the historical exchange rate that existed at the date of the transaction. Non-monetary items that are carried at fair value are translated using the exchange rate on the date that the fair values are determined. The resulting exchange differences are recorded in the income statement as foreign currency gains (losses), except for those non-monetary items whose fair value change is recorded as a component of equity.

The distinction between exchange differences (recognised in the income statement) and unrealised fair value results (recognised in equity) on available-for-sale financial assets is determined according to the following rules:

- the exchange differences are determined based on the evolution of the exchange rate calculated on the previous balances in foreign currency;

- the unrealised (fair value) results are determined based on the difference between the balances in euros of the previous and the new period, converted at the new exchange rate.

Foreign currency translation

Upon consolidation, the income statement and cash flow statement of entities whose functional currency is not the euro are translated into euros, at average daily exchange rates for the current year (or exceptionally at the exchange rate at the date of the transaction if exchange rates fluctuate significantly) and their statements of financial position are translated using the exchange rates prevailing at the date of the statement of financial position.

Translation exchange differences are recognised in equity. On disposal of a foreign entity, such exchange differences are recognised in the income statement as part of the gain or loss on the sale.

Exchange differences arising on monetary items, borrowings and other currency instruments, designated as hedges of a net investment in a foreign entity are recorded in equity, until the disposal of the net investment, except for any hedge ineffectiveness that is immediately recognised in the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate on the date of the statement of financial position. All resulting differences are recognised in equity until disposal of the foreign entity when a recycling to the income statement takes place.

The following table shows the exchange rates of the most relevant currencies for Ageas.

1 euro =	Rates at year end		Average rates	
	2014	2013	2014	2013
Pound sterling	0.78	0.83	0.81	0.85
US dollar	1.21	1.38	1.33	1.33
Hong Kong dollar	9.42	10.69	10.30	10.30
Turkey lira	2.83	2.96	2.91	2.53
China yuan renminbi	7.54	8.35	8.19	8.16
Malaysia ringgit	4.25	4.52	4.34	4.19
Thailand baht	39.91	45.18	43.15	40.83

2.8 Measurement bases used in preparing the financial statements

The classification and measurement of assets and liabilities are based on the nature of the underlying transactions.

2.8.1 Financial assets

Management determines the appropriate classification of its investment securities at the time of purchase. Investment securities with a fixed maturity where management has both the intent and the ability to hold to maturity are classified as held to maturity. Investment securities with fixed or determinable payments that are not quoted in an active market and that upon initial recognition are not designated as held-for-trading nor as available-for-sale, are classified as loans and receivables. Investment securities to be held for an indefinite period of time, which may be sold in response to needs for liquidity or to changes in interest rates, exchange rates or equity prices, are classified as available for sale. Investment securities that are acquired for the purpose of generating short-term profits are considered to be held for trading.

Held-to-maturity investments are carried at amortised cost less any impairment charges. Any difference with the initial recognition amount resulting from transaction costs, initial premiums or discounts is amortised over the life of the investment using the effective interest method. If a held-to-maturity investment is determined to be impaired, the impairment is recognised in the income statement (see note 11 Financial investments for details on the reclassification of Investments available for sale as Investments held to maturity).

Loans and receivables are measured at amortised cost, using the effective interest rate method (EIR) less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process. For floating rate instruments the cash flows are periodically re-estimated to reflect

movements in market interest rates. If the floating rate instrument is initially recognised at an amount (almost) equal to the principal repayable, the re-estimation will have no significant effect on the carrying amount of the instrument and there will be no adjustment to the received interest, reported on an accrual basis. However, if a floating rate instrument is acquired at a significant premium or discount, this premium or discount will be amortised over the expected life of the instrument and included in the calculation of the EIR. The carrying amount is recalculated each period by computing the present value of estimated future cash flows at the actual effective interest rate. Any adjustments are recognised in profit or loss.

Held-for-trading assets and assets designated as held at fair value through profit or loss are carried at fair value. Changes in the fair value are recognised in the income statement. The (realised and unrealised) results are included in 'Result on sale and revaluations'. Interest received (paid) on assets (liabilities) held for trading is reported as interest income (expense). Dividends received are included in 'Interest, dividend and other investment income'.

Available-for-sale investment securities are measured at fair value. Changes in the fair value are recognised directly in equity until the asset is sold, unless the asset is hedged by a derivative. These investments are carried at fair value with movements in fair value recognised through the income statement for the part attributable to the hedged risk and through equity for the remaining part.

The majority of Ageas' financial assets (being bonds and equity shares) are classified as available for sale and measured at fair value. The unrealised gains and losses are reported in shareholders' equity. For the insurance portfolios, where unrealised gains and losses on bonds have a direct impact on the measurement of the insurance liabilities, Ageas applies shadow accounting in accordance with IFRS 4. This means that the changes in the unrealised gains and losses will affect the measurement of the insurance liabilities and are therefore not part of equity.

2.8.2 Investment property and property held for own use

For reasons of comparability of the performance in the Ageas Consolidated Financial Statements, Ageas did not opt in 2005 for the fair value model for investment property (with gains or losses arising from a change in the fair value recognised in profit or loss), but for the cost model, in line with the classification for property held for own use. After recognition as an asset, all property is carried at cost less any accumulated depreciation and any accumulated impairments. As a consequence, changes in the fair value of the property are not recognised in the income statement or in shareholders' equity, unless the property is impaired.

2.8.3 Investment in Associates

For associates where Ageas has significant influence, i.e. the power to participate in the financial and operating policy decisions of the investee (but is not in control), Ageas applies the equity method of accounting for these associates. Ageas' share of the profit or loss is recognised in the income statement and revaluations are reported in shareholders' equity, while distributions received from the associate reduce the carrying amount of the investment.

2.8.4 Goodwill and other intangible assets

Goodwill arising from business combinations as from 1 January 2010

Goodwill is initially measured at cost, being the excess of the fair value of the consideration transferred over:

- Ageas' share in the net identifiable assets acquired and liabilities assumed, and
- net of the fair value of any previously held equity interest in the acquiree.

Any acquisition costs are directly expensed, except for the costs to issue debt or equity securities, which are recognised in accordance with IAS 32 and IAS 39.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

If the business combination is achieved in stages, the acquisition date fair value of the previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Goodwill arising from business combinations prior to 1 January 2010

In comparison with the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

A contingent consideration was recognised if, and only if, Ageas had a present obligation, economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration affected goodwill.

Value of business acquired (VOBA)

Value of business acquired represents the difference between the fair value at acquisition date measured using Ageas' accounting policies and the subsequent carrying value of a portfolio of insurance and investment contracts acquired in a business or portfolio acquisition.

VOBA is recognised as an intangible asset and amortised over the income recognition period of the portfolio of contracts acquired.

Other intangible assets with finite life

Other intangible assets include intangible assets with a finite life, such as trademarks, internally developed software that is not an integral part of the related hardware and licenses that are generally amortised over their useful life using the straight-line method.

2.8.5 Financial liabilities

The measurement and recognition in the income statement depends on the IFRS classification of the financial liabilities, being: (a) financial liabilities at fair value through profit or loss, and (b) other financial liabilities measured at amortised cost.

2.8.6 Liabilities arising from insurance and investment contracts

Life insurance

These liabilities relate to insurance contracts, investment contracts with discretionary participation features (DPF) and investment contracts without DPF.

The DPF component concerns a conditional promise related to unrealised gains and losses. This promise remains therefore part of the unrealised gains and losses as included in equity. Once the promise becomes unconditional, the related amount is transferred to liabilities arising from Life insurance contracts.

For Life insurance contracts, future policy benefit liabilities are calculated using a net level premium method (present value of future net cash flows) on the basis of actuarial assumptions as determined by historical experience and industry standards. Participating policies include any additional liabilities relating to any contractual dividends or participation features. For some designated contracts, the future policy benefit liabilities have been re-measured to reflect current market interest rates.

Unit-linked contracts

Ageas' non-participating insurance and investment contracts are primarily unit-linked contracts where the investments are held on behalf of the policyholder and measured at fair value. Treasury shares and investments made in own debt instruments on behalf of policyholders are eliminated. The liabilities for such contracts are measured at unit value (i.e. fair value of the fund in which the unit-linked contracts are invested divided by the number of units of the fund).

Certain products contain guarantees, which are also valued at fair value and included in liabilities related to policyholders, with the change in the fair value recognised in the income statement. Insurance risks are taken into account on the basis of actuarial assumptions.

Shadow accounting

In some of Ageas' accounting models, realised gains or losses on assets have a direct effect on all or part of the measurement of its insurance liabilities and related deferred acquisition costs. Ageas applies shadow accounting to the changes in fair value of the available-for-sale investments and of assets and liabilities held for trading that are linked to and therefore affect the measurement of the insurance liabilities.

Shadow accounting means that unrealised gains or losses on the assets, which are recognised in equity without affecting profit or loss, are reflected in the measurement of the insurance liabilities (or deferred acquisition costs or intangible assets) in the same way as realised gains or losses. This adjustment also covers the situation when market rates drop below any guaranteed rates. In that case an additional shadow accounting adjustment is made based on the assumption that reinvestments of the corresponding portfolios will take place at a risk free rate plus volatility adjustment. The aforementioned reinvestment is calculated based on a direct sale of the portfolio at reporting date. These changes in fair value will therefore not be part of equity or net profit.

The whole of the remaining unrealised changes in fair value of the available-for-sale portfolio (after application of shadow accounting) that are subject to discretionary participation features are classified as a separate component of equity.

An additional deferred profit sharing liability (DPL) is accrued based on a constructive obligation or the amount legally or contractually required to be paid on differences between statutory and IFRS income and unrealised gains or losses recorded in equity.

Non-life insurance

Claims and claim adjustment expenses are charged to the income statement as incurred. Unpaid claims and claim adjustment expenses include estimates for reported claims and provisions for claims incurred but not reported. Non-life liabilities for workmen's compensation business are presented at their net present value. Ageas does not discount its liabilities for claims other than for claims with determinable and periodic payment terms.

Liability Adequacy Test

The adequacy of insurance liabilities ('liability adequacy test') is tested by each company at each reporting date. The tests are generally performed on legal fungible level for life, non-life and health. Ageas considers current best estimates of all contractual cash flows, including related cash flows such as (re)investment returns and expenses. The assumptions are internally consistent with those used for other modelling purposes, such as embedded value. For Life Insurance contracts, the tests include cash flows resulting from embedded options and guarantees. The present value of these cash flows has been determined by using a risk-free discount rate allowing a company specific volatility adjustment based on EIOPA methodology (after the last liquid point the so called Ultimate Forward Rate extrapolation is used). Any shortfall is recognized immediately in the profit or loss account, either as a DAC or VOBA impairment or as a loss recognition. If, in a subsequent period, the shortfall decreases, the decrease is reversed through profit or loss.

2.9 Measurement of impaired assets

An asset is impaired when its carrying amount exceeds its recoverable amount. Ageas reviews all of its assets at each reporting date for objective evidence of impairment. The carrying amount of impaired assets is reduced to the estimated recoverable amount.

If in a subsequent period the amount of the impairment on assets other than goodwill or available-for-sale equity instruments decreases, due to an event occurring after the write-down, the amount is reversed by adjusting the impairment and is recognised in the income statement. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment been recognised for the asset in prior years.

Financial assets

A financial asset (or group of financial assets) classified as available for sale is impaired if there is objective evidence of one or more events (loss events or 'triggers', e.g. significant financial difficulty of the issuer) that occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset (or group of financial assets) that can be reliably estimated.

For equity securities, the triggers used to determine whether there is objective evidence of impairment include, amongst others, the consideration whether the fair value is significantly (25%) below cost or has been below cost for a prolonged period (four consecutive quarters) at the date of the statement of financial position.

Investment property and property held for own use

Property is measured according to the cost model and impaired when the carrying amount exceeds its recoverable amount, which is the higher of 'fair value less costs to sell' or 'value in use' (the expected present value of future cash flows, without deduction for transfer tax). At the end of each reporting period, Ageas assesses whether there is any indication that an asset may be impaired, considering various external (e.g. significant changes in the economic environment) and internal sources of information (e.g. plan to dispose). If any such indication exists (and only then), Ageas will estimate the recoverable amount of the property. Any impairment identified is recognised in the income statement. After the recognition of an impairment, the depreciation for future periods is adjusted based on the revised carrying amount less its residual value over the asset's remaining useful life.

Goodwill and other intangible assets

Goodwill is an intangible asset with an indefinite life and is like all other intangible assets with indefinite lives not amortised but tested for impairment at least annually. Intangible assets with finite lives are amortised over the estimated useful life and reviewed at each reporting date. Any impairment identified is recognised in the income statement.

Other assets

For non-financial assets, the recoverable amount is measured as the higher of the fair value less cost of disposal and the value in use. Fair value less cost of disposal is the price that would be received to sell an asset in an orderly transaction between market participants, after deducting any direct incremental disposal costs. Value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life.

2.10 Revenue recognition

2.10.1 Gross premium income

Premium income when received

Premiums from Life insurance policies and investment contracts with discretionary participation features that are considered long duration type contracts are recognised as revenue when due from the policyholder. Estimated future benefits and expenses are offset against such revenue in order to recognise profits over the estimated life of the policies. This matching is accomplished by the establishment of liabilities of the insurance policies and investment contracts with discretionary participation features and by the deferral and subsequent amortisation of policy acquisition costs.

Premium income when earned

For short duration type contracts (principally Non-life), premiums are recorded as written upon inception of the contract. Premiums are recognised in the income statement as earned on a pro-rata basis over the term of the related policy coverage. The unearned premium reserve represents the portion of the premiums written relating to the unexpired terms of the coverage.

2.10.2 Interest income and expense

Interest income and interest expense are recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective interest method based on the actual purchase price including direct transaction costs. Interest income includes coupons earned on fixed and floating rate income instruments and the accretion or amortisation of the discount or premium.

Once a financial asset has been written down to its estimated recoverable amount, interest income is thereafter recognised based on the effective interest rate that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

2.10.3 Realised and unrealised gains and losses

For financial instruments classified as available for sale, realised gains or losses on sales and divestments represent the difference between the proceeds received and the initial book value of the asset sold, minus any impairments recognised in the income statement after adjustment for the impact of any fair value hedge accounting.

For financial instruments carried at fair value through profit or loss, the difference between the carrying value at the end of the current reporting period and the previous reporting period is included in 'Result on sales and revaluations'.

For derivatives, the difference between the carrying clean fair value (i.e. excluding the unrealised portion of the interest accruals) at the end of the current reporting period and the previous reporting period is included in 'Result on sales and revaluations'.

Previously recognised unrealised gains and losses recorded directly in equity are transferred to the income statement upon derecognition or upon impairment of the financial asset.

2.10.4 Fee and commission income

Fees as integral part of effective interest rate

Fees that are an integral part of the effective interest rate of a financial instrument are generally treated as an adjustment to the effective interest rate. However, when the financial instrument is measured at fair value through profit or loss, the fees are recognised as revenue when the instrument is initially recognised.

Fees recognised as services are provided

Fees are generally recognised as revenue as the services are provided. If it is unlikely that a specific lending arrangement will be entered into and the loan commitment is not considered a derivative, the commitment fee is recognised as revenue on a time proportion basis over the commitment period.

Fees recognised upon completion of the underlying transaction

Fees arising from negotiating, or participating in the negotiation of, a transaction for a third party are recognised upon completion of the underlying transaction. Commission revenue is recognised when the performance obligation is complete. Loan syndication fees are recognised as revenue when the syndication has been completed.

Fee revenue from investment contracts

This relates to contracts, without discretionary participation features, issued by insurance companies that are classified as investment contracts, because the covered insurance risk is not significant. Revenues from these contracts consist of fees for the coverage of insurance, administration fees and surrender charges. Fees are recognised as revenue as the services are provided. Expenses include mortality claims and interest credited.

3 Acquisitions and disposals

The following significant acquisitions and disposals were made in 2014 and 2013. Details on acquisitions and disposals, if any, which took place after the date of the statement of financial position, are included in note 50 Events after the date of the statement of financial position.

3.1 Acquisitions in 2014

UBI Assicurazioni

On 5 August 2014, Ageas and BNP Paribas Cardif reached an agreement with UBI Banca to acquire the remaining 50% – 1 share in the share capital of UBI Assicurazioni (UBIA), for a total amount of EUR 75 million plus additional commissions subject to a closing adjustment.

UBIA is one of the leading Non-life bancassurance players in the Italian market. This transaction completes the 2009 joint acquisition of the majority stake in UBIA.

The transaction was closed at year-end 2014. Ageas paid EUR 46 million to acquire the additional 25%. Since Ageas already controlled UBI Assicurazioni the acquisition did not result in any purchase accounting, however, the acquisition resulted in a decrease of Ageas' shareholders equity of EUR 40 million due to the fact that the purchase consideration including the fair value of the additional commissions was above the net asset value.

BNP Paribas Cardif and Ageas jointly own 100% of UBIA with Ageas holding 50% + 1 share and BNP Paribas Cardif 50% - 1 share. Both shareholders agreed to further expand UBIA's activities in Italy, in order to continue the development of Non-life insurance products and services, including car and household insurance. At the same time, UBI Banca has agreed to renew and extend its long term distribution agreement with UBIA. UBI Assicurazioni has been renamed Cargeas Assicurazioni.

Médis and Occidental Seguros

MBCP Ageas, the joint venture with Banco Comercial Português (BCP) owned for 51% by Ageas, has dividdended out its shares in the Non-life companies to its two shareholders together with a capital distribution of EUR 225 million. Ageas has taken full ownership of these Portuguese Non-life activities by acquiring

MBCP's 49% stake on 30 June 2014 for an amount of EUR 126 million. The transaction includes a one-off price adjustment after 4 years to reflect actual versus projected commercial performance through the MBCP network.

In accordance with IFRS, Ageas did not recognise goodwill on this transaction since Ageas already controlled these companies. The difference between the acquisition price and the book value of the assets and liabilities amounting to EUR 72.4 million has been deducted from Shareholders' equity.

Other acquisitions

On 2 April 2014, Ageas France acquired an additional stake of 16% in equity associate Sicavonline. Due to this acquisition, the Ageas-share in Sicavonline became 65% and Ageas gained control over Sicavonline. As of this date, Sicavonline is therefore fully consolidated within the Ageas consolidation scope. The amounts relating to this transaction were relatively small. The total Goodwill recognised amounted to EUR 9.9 million. A EUR 1.1 million gain was recognised on the derecognition of the equity associate when control was established and the entity was fully consolidated.

On 15 April 2014, AG Insurance acquired Kievit, a group of real estate companies, for an amount of EUR 145.1 million. In December 2014, AG Insurance acquired Sofa invest, a real estate entity, for an amount of EUR 48.7 million.

3.2 Disposals in 2014

Interparking

On 18 July 2014, AG Real Estate, the majority (90%) shareholder of Interparking, signed an agreement with CPP Investment Board European Holdings S.à.r.l (CPPIBEH), a wholly-owned subsidiary of Canada Pension Plan Investment Board (CPPIB), to sell CPPIBEH a 39% stake in Interparking.

The parties have agreed on a purchase price of EUR 380 million for the 39% share, based on a 2013 EBITDA valuation multiple of around 13x.

The transaction was closed in November 2014. AG Insurance has retained control of Interparking. Because of this control, the net capital gain of EUR 138 million realised on this transaction has directly been accounted for in shareholders' equity.

At the same time, AG Real Estate granted an unconditional put option on its 10.05% ownership to Parkimo, the present minority shareholder of Interparking. The put option has been measured at the fair value of the expected settlement amount (EUR 88 million) and the resulting liability is classified under the heading 'Liabilities related to written put options on NCI' in the Statement of financial position. As a result of this reclassification, non-controlling

interests decreased with EUR 69 million and shareholders' equity decreased with EUR 19 million.

Ageas Protect

As per 31 December 2014, Ageas completed the sale of its 100% shareholding in Ageas Protect Limited (its Life Protection company in the UK) to AIG for a total consideration of GBP 197 million (EUR 253 million). The sale of the UK Life activities generated a net gain of EUR 33 million, including interest. This capital gain is included in the Income Statement in the line Result on sales and revaluations.

The impact of the sale of Ageas Protect on Ageas' Consolidated statement of financial position at the date of the sale was as follows.

Assets		Liabilities	
Cash & cash equivalents	38	Liabilities arising from Life insurance contracts	394
Financial investments and loans	114	Current and deferred tax liabilities	11
Reinsurance and other receivables	436	Accrued interest and other liabilities	166
Accrued interest and other assets	154		
		Total liabilities	571
		Equity	171
Total Assets	742	Total liabilities and equity	742

Louvresse development

On 23 July 2014, AG Real Estate concluded the sale of 80% of Campus Cristal (Louvresse Development) resulting in a capital gain of EUR 77 million (see note 36 Result on sales and revaluations). The remaining 20% is reported as equity associate.

3.3 Acquisitions in 2013

DTH Partners LLC

On 26 April 2013, AG Real Estate acquired through a capital contribution of USD 103 million (EUR 79 million) a 33% equity stake in DTH Partners LLC. This equity stake is included in the line Investments in associates.

Davina Bruckner, who succeeded her father, Ronny Bruckner, and became a board member of ageas SA/NV in April 2014 is affiliated to DTH Partners LLC. The Board of DTH Partners LLC is chaired by Mr Jozef De Mey (also chairman of the Board of Ageas). Under IFRS rules, transactions and commitments like this are regarded as a related party transaction and need as such to be disclosed. For further details see Note 8 Related parties.

The following additional agreements are related to this acquisition:

- a Mezzanine Loan Agreement between DTH Partners LLC and AG Insurance for an amount of USD 117.5 million;
- a bridge loan agreement between EBNB 70 Pine Development and AG Real Estate (North Star NV) for USD 23 million. This amount is part of a total bridge facility of USD 50 million by the shareholders of DTH to pre-finance a tax-credit structure, which has been delayed by the US Internal Revenue Service approval process.

At year-end 2013, the purchase accounting was completed. No goodwill or badwill was recognised as part of the valuation.

Other acquisitions

In addition to the before mentioned transaction, some small acquisitions in the normal course of real estate business were done in 2013.

3.4 Disposals in 2013

In December 2013, the subsidiaries North Light and Pole Star were deconsolidated due to the disposal of 60% of their shares. A capital gain of EUR 53 million was accounted for in the income statement in the line Result on sales and revaluations. At the same moment, the remaining 40% share in North Light and Pole Star is accounted for as equity associate.

3.5 Assets and liabilities of acquisitions and disposals

The table below provides details of the assets and liabilities resulting from the acquisition or disposal of subsidiaries, associates at the date of acquisition or disposal.

	2014		2013	
	Acquisitions	Disposals	Acquisitions	Disposals
Assets and liabilities of acquisitions and divestments				
Cash and cash equivalents	24.6	(38.4)	0.8	(0.1)
Financial investments	1.3	(113.9)		
Investment property	341.2	(202.1)	64.4	(219.5)
Loans		186.5		161.0
Investments in associates, including capital (re)payments	45.1		403.3	(744.2)
Reinsurance and other receivables	10.6	(438.6)	0.9	(11.9)
Current and deferred tax assets	0.2			
Accrued interest and other assets	2.8	(154.0)		(10.6)
Property, plant and equipment	3.5	(0.6)		
Goodwill and other intangible assets	46.6	(0.2)	3.1	(5.6)
Liabilities arising from insurance and investment contracts		(393.8)		
Borrowings	153.9		49.2	
Current and deferred tax liabilities	40.8	(15.1)	4.8	(23.2)
Accrued interest and other liabilities	20.8	(117.6)	1.6	(5.1)
Provisions	0.4			
Non-controlling interests		232.0		
Changes in equity related to acquisitions and divestments	(40.1)	137.8		
Net assets acquired / Net assets disposed of	300.1	(552.0)	416.9	(802.6)
Result of disposal, gross		108.8		53.4
Result on discontinued operations, net of taxes		108.8		53.4
Cash used for acquisitions / received from disposals:				
Total purchase consideration / Proceeds from sale	(300.1)	660.8	(416.9)	856.0
Less: Cash and cash equivalents acquired / divested	24.6	(38.4)	0.8	(0.1)
Cash used for acquisitions / received from disposals	(275.5)	622.4	(416.1)	855.9

The positive amounts in 2013 and 2014 on the line Loans in the column Disposals relates to loans to former 100% subsidiaries.

In 2014, Ageas has decreased its interest in Campus Cristal (Louvresse Development) to 20% (see also under Disposals in 2014). In 2013, Ageas has decreased its interest in North Light and Pole Star to 40% (see also under Disposals in 2013). They are therefore at year-end consolidated as equity associates. The loans still exist in full, however, as these entities are now treated as equity associates instead of being fully consolidated, the loans are no longer eliminated (for details see note 14 Investments in associates).

Included in the line Investments in associates in the column Acquisitions in 2013 is the capital increase in the associate in China. In the column Disposals in 2013 is the capital repayment of Royal Park Investments included (for details see note 6 Regulatory supervision and solvency and note 14 Investments in associates).

The total purchase consideration for acquisitions of subsidiaries and associates amounted to EUR 300.1 million in 2014 (2013: EUR 416.9 million). There were in 2014 and 2013 no capital increases by non-controlling interests.

The increase in non-controlling interests under disposals in 2014 relates to the sale of part of Interparking (see section 3.2 Disposals in 2014 of this note).

4 Earnings per share

The following table details the calculation of earnings per share.

	2014	2013
Net result attributable to shareholders	475.6	569.5
Amortisation of costs of restricted shares	3.0	2.4
Net result used to determine diluted earnings per share	478.6	571.9
Weighted average number of ordinary shares for basic earnings per share (in thousands)	223,064	228,743
Adjustments for:		
- restricted shares (in thousands) expected to be awarded	563	512
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	223,627	229,255
Basic earnings per share (in euro per share)	2.13	2.49
Diluted earnings per share (in euro per share)	2.13	2.49

In 2014, weighted average options on 1,738,337 shares (2013: 2,064,018) with a weighted average exercise price of EUR 21.89 per share (2013: EUR 20.75 per share) were excluded from the calculation of diluted EPS because the exercise price of the options was higher than the average market price of the shares.

During 2014 and 2013, 4.0 million Ageas shares arising from the FRESH were excluded from the calculation of diluted earnings per share because the interest per share saved on these securities was higher than the basic earnings per share.

Ageas shares totalling 4.64 million (31 December 2013: 4.64 million) issued in relation to CASHES are included in the ordinary shares although they are not entitled to dividend nor do they have voting rights (see also note 48 Contingent Liabilities).

5 Risk Management

As a provider of both Life and Non-life insurance, Ageas faces a number of risks that, whether internal or external, may affect its operations, its earnings, its share price, the value of its investments or the sale of certain products and services. Moreover, besides its Insurance operations, Ageas has a General Account, which mainly comprises activities not related to the core Insurance business, such as group risk & finance and other holding activities.

5.1 Introduction: managing the Risk Strategy

The fundamental principle underlying the Risk Strategy of Ageas is to maximise shareholder value within the constraints of the risk appetite framework, taking into account the protection of policyholders. To this end, the risk exposure of Ageas is controlled and directed towards businesses providing attractive risk-adjusted returns.

The following sections present how the risk strategy is managed by explaining Ageas':

- risk management framework;
- risk management organisation and governance;
- risk taxonomy, and
- risk appetite.

They explain in more detail how the cascading down of Ageas' Risk Appetite philosophy is ensured by having local Boards approve Risk Appetite Visions at the level of every Governance Unit and how Risk Appetite Statements are then translated into a system of consistent limits and policies for all risk categories at the level of Ageas and its Governance Units.

These components provide the necessary framework ensuring both the proper articulation of the Risk Strategy and the alignment of all companies with the Ageas Strategy.

The embedding of the Risk Strategy is the final element guaranteeing that such a Risk Strategy is deployed consistently across the organization. Such embedding takes place in the Performance Management cycle, articulated around the annual Strategic Planning and ORSA (Own Risk and Solvency Assessment) process, supported by relevant modelling approaches. Those are indeed an intrinsic part of the gathering of information which are crucial contributors to the proper realization of forecasts and projections based on specific events and parameters (which in turn are embedded among others in KPI and pricing value propositions).

In the last section of this note, we provide additional insight in Ageas' risk profile in terms of financial risks, insurance liabilities risk and other risks such as operational and strategic risks.

5.2 Risk management framework

As a multinational insurance provider, Ageas creates value through the acceptance, warehousing and transformation of risks that can be properly managed either at the individual or at the overall portfolio level within an appropriate Enterprise Risk Management framework.

Ageas defines risk as the deviation from anticipated outcomes that may have an impact on the capital, earnings or value of Ageas, its business objectives or future opportunities. Ageas' risk therefore stems from its exposure to external or internal risk factors in conducting its business activities. Ageas seeks to take on only risks that:

- it understands well;
- can be adequately managed either at the individual or at the overall portfolio level;
- it can afford (i.e. within the Ageas risk appetite);
- have an acceptable risk/reward trade-off.

The goal of Ageas' approach to risk management is to ensure that all material risks are understood and effectively managed through a well-designed enterprise risk management framework. The objective of this framework is to add value to the business as well as ensure adequate control by:

- ensuring that risks which affect the achievement of objectives are identified, assessed, monitored and managed (including, if needed, mitigated);
- defining and implementing a risk appetite framework expressed in terms of solvency, earnings and value;
- ensuring that the risk of insolvency is at all times kept within the risk appetite;
- supporting the decision making process by ensuring that consistent, reliable and timely risk information is available to the decision makers;
- creating a culture of risk awareness in which each manager fulfils his duty to be aware of the risks of his business, to manage them adequately and to report them transparently.

Ageas' risk framework has four dimensions:

- a documented risk policy framework (which includes a Risk Appetite Policy);
- a defined risk organisation and governance;
- a formal model framework;
- a set of reporting tools.

Risk management at Ageas is based on a set of guiding principles, which are captured by the enterprise risk management (ERM) framework (see illustration). Ageas seeks to ensure that all significant risks are identified, assessed, monitored and managed in accordance with the Group's guidelines and standards, and intends (implicitly) to guide all business conduct within the group.

This enterprise risk management framework is reviewed regularly to ensure that it remains fit for purpose and adapted to meet any changing needs of Ageas. The framework is targeted at supporting the mission, objectives and high standards of risk management at group and local operating company level and at ensuring that the above-mentioned objectives are met.



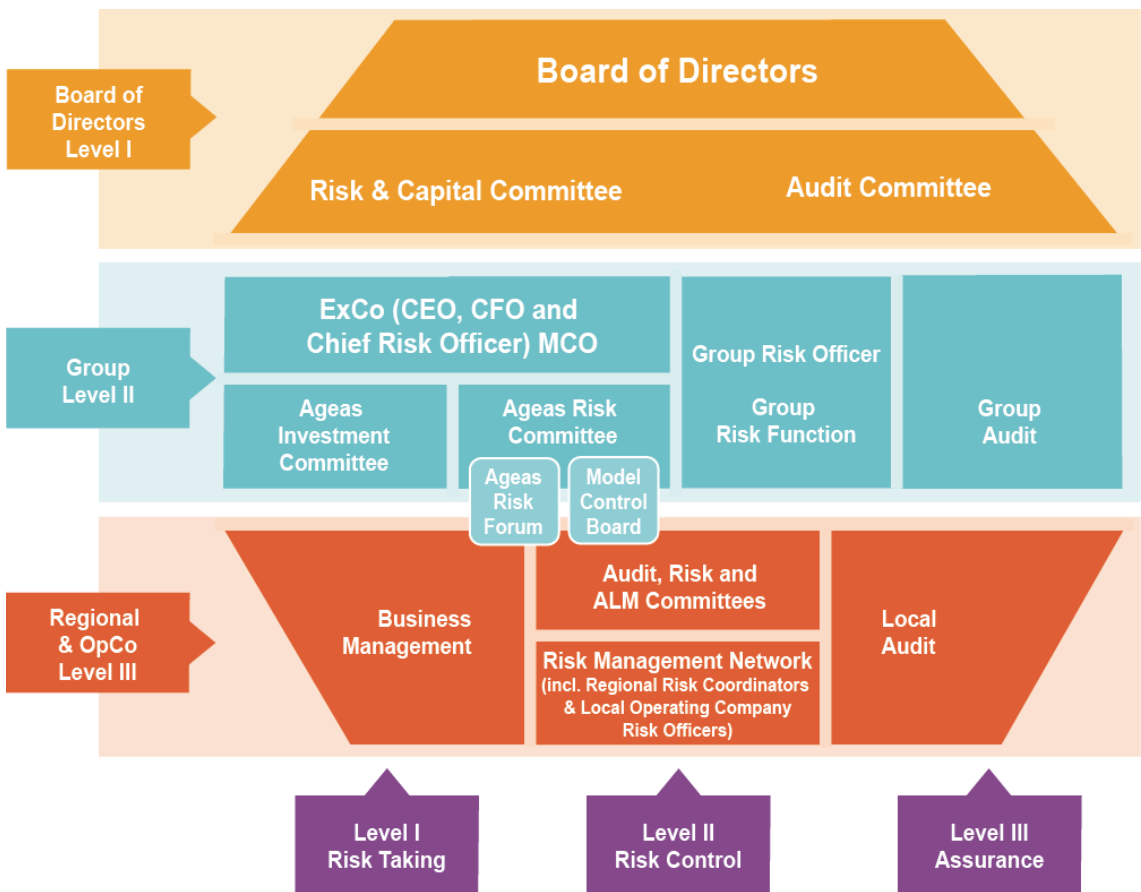
5.3 Risk management organisation and governance

The mission of the Risk management department at group level and within the operations is to ensure that risks that affect the achievement of our objectives (strategic, operational, financial, etc.) are promptly identified, assessed, managed and monitored.

The Risk management organisation is designed to ensure:

- clear responsibility and accountability for risk management and a culture of risk awareness;
- independence of the risk management functions;
- transparent and coherent risk-related decision-making, covering all risks in Ageas' risk taxonomy;
- knowledge and best practice sharing, and high standards of risk management;
- consistency to enable aggregate risk reporting and oversight at group level.

Ageas' risk governance and organisation is summarised below.



Ageas' risk framework emphasises the importance of ensuring clear responsibilities for efficient risk management.

To monitor the design of the overall risk and control framework, detect deficiencies and optimise its risk management framework, Ageas has adopted the 'three lines of defence' approach:

- first line of defence: Local businesses have the primary responsibility to ensure that Ageas does not suffer from unexpected events and to manage the full taxonomy of risks arising in their area. They are responsible for the execution of the business strategy ranging from the CEO, line management and business managers to employees at the business lines. They must have in place a robust risk culture and risk awareness all the way down to the deepest levels of their organisation. They are responsible to manage risks in line with local internal requirements which are designed to be consistent with group requirements. They are responsible for ensuring that appropriate processes and controls are in place and duly implemented;
- second line of defence: The Group Risk and Local Risk Functions ensure high standards of risk management throughout the organisation through the development of the risk framework and more specifically through risk type specific guidelines and policies. They coordinate the implementation of risk initiatives and raise senior management's awareness of risk at the consolidated level and assist the Executive Committee (ExCo) or local Management Committee and Board to optimise Ageas' overall risk appetite, risk limits, risk/return profile and utilisation of risk bearing capacity. Moreover, they are

responsible for communicating and embedding risk strategy, risk awareness and risk management throughout the entire organisation. Compliance has an overall assurance role in which it makes sure that the company and its employees comply with the laws, regulations, internal rules and ethical standards and checks. Compliance ensures that policies (both risk and compliance related) are in place and that they abide to internal and external rules and requirements. Local risk functions are responsible to make sure that the processes and controls are aligned to the risk-related requirements;

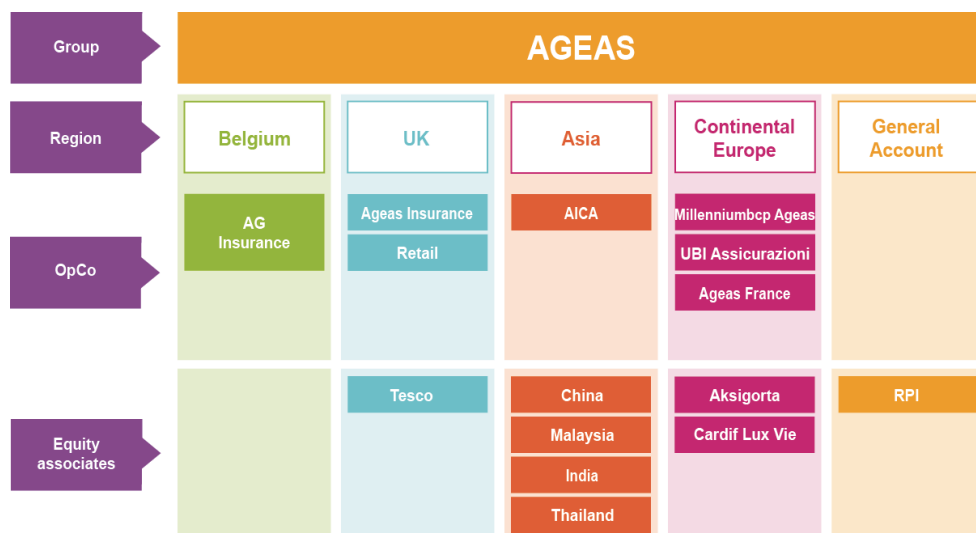
- third line of defence: Internal Audit provides assurance on the proper design and implementation of the risk governance framework and observance of guidelines, policies and processes.

Governance units

Ageas' Risk Governance Policy defines the requirements relating to the nature, roles and organisation of the risk committees, risk function and Risk Officer and risk interactions required between the Ageas Group, Regions and operating companies.

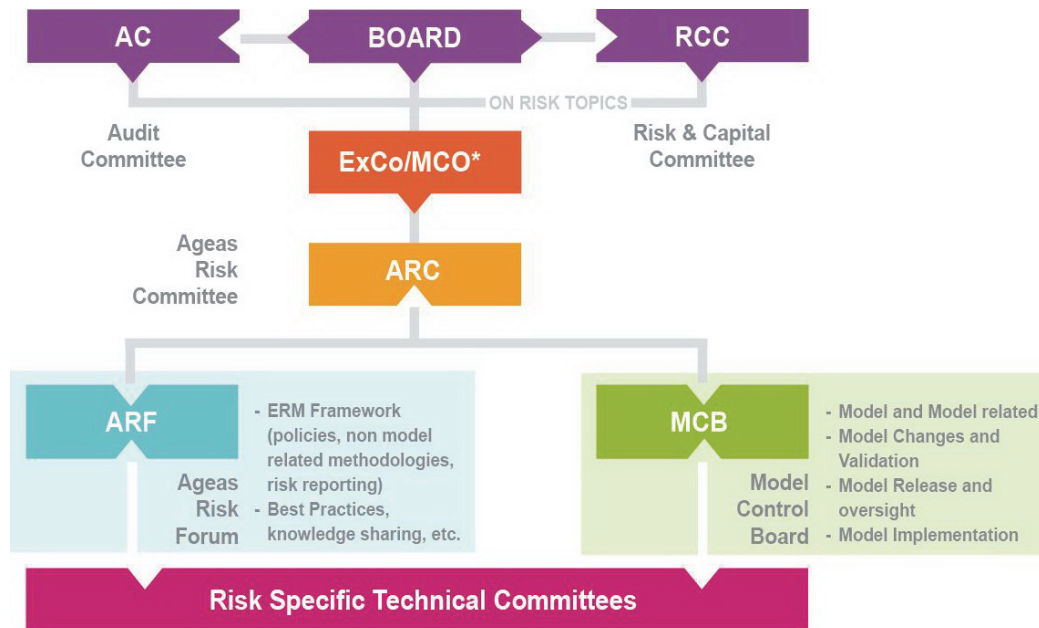
The policy applies to all governance units defined by the Ageas Board. Their risk governance is aligned with the Group governance requirements and allows Group oversight, full reporting and therefore accountability for contribution to group results (Income Statement, Statement of Financial Position and Value).

The following table shows Ageas' governance units as of 31 December 2014.



A. RISK MANAGEMENT ORGANISATION AT GROUP LEVEL

The Risk management function is built around a number of boards, committees and functions with various responsibilities in the enterprise risk management (ERM) Framework. At Group level, the following boards, committees and functions are in place to govern risks.



* Executive Committee / Management Committee

- the Board of Directors has the final responsibility for all risk management related activities. The Board is the ultimate decision-making body of Ageas, with the exception of matters reserved for the General Meetings of Shareholders by company law or by the Articles of Association. The Board approves the risk appetite for the group as a whole;
- the role of the Risk and Capital Committee is to advise the Board by making recommendations on all risk and capital matters and in particular on (i) the definition, supervision and monitoring of the risk profile of Ageas, compared to the targeted level of risk appetite as determined by the Board; (ii) on the adequacy of its capital allocation and (iii) on all financial aspects of legacy issues related to the former Fortis;
- the Audit Committee assists the Board to fulfil its supervision and monitoring responsibilities in respect of internal control in the broadest sense within Ageas, including internal control over financial and risk reporting;
- the ExCo and its CRO in particular have the responsibility towards the Risk & Capital Committee, Board and the markets/shareholders to assure that the relevant (legal) bodies of Ageas and of its local operating companies take adequate decisions regarding structures, risks and execution and to make sure adequate Ageas structures exist and are fully operational. The CRO is supported in his work by the Group Risk Officer, who heads the Group Risk function;
- the Board has created a Group Management Committee to advise the Group Executive Committee. The Group Executive Committee among others extensively discusses and seeks prior advice of the Management Committee on matters to be submitted to the Board for approval, such as: financial management (e.g. funding strategy, solvency matters, but excluding dividend policy) and risk management (e.g. risk appetite);

- an Ageas Risk Committee (ARC) advises Ageas' ExCo on all risk related topics ensuring that all risks that affect the achievement of strategic, operational and financial objectives are promptly identified, measured, managed, reported and monitored (through adequate risk appetite limits) and that adequate risk management governance and organizations are in place and followed (as stipulated in the context of the ERM Framework). It is itself advised by the Ageas Risk Forum on topics related to the risk management framework and by the Ageas Model Control Board (MCB) that makes sure the models used are appropriate and suited to the task they are used for;
 - Ageas Investment Committee advises Ageas' ExCo and monitors overall asset exposures to ensure that they are managed in accordance with the risk framework and within agreed limits. It advises management on decisions regarding investments. Its role also includes making recommendations relating to the Strategic Asset Allocation and Asset & Liability management and aims to optimise the overall investment strategy of the group and ensures that risk mitigation actions are taken when necessary. This committee is split into an Asian and a European part to ensure relevant regional focus;
 - risk specific technical committees, such as the Ageas' Financial Risk Technical Committee, Ageas' Life Technical Committee, Ageas' Non-life Technical Committee and Ageas' Operational Risk Technical Committee act as technical expert bodies. They assure consistency across Ageas' local operating companies on methodology and modelling approaches. They facilitate the collection of business requirements and align Ageas Group platforms supporting the relevant risk assessments with business requirements and overall regulatory requirements. They act as advisory bodies to the ARF and MCB;
 - the Group Risk Officer heads the Group Risk Function which is responsible for monitoring and reporting on the overall risk profile of the Group including the aggregate risk profile of the insurance companies. It develops, proposes and implements the ERM framework that it documents through regularly updated risk policies and a risk taxonomy and prepares and provides all relevant risk reports and opinions on risks across the Group, seeking the ARC's endorsements on them. It ensures the appropriateness of the overall model governance taking into account remarks made by Ageas' independent Model Validation. It coordinates major risk related projects.
- Ageas' Risk management gives guidance to management, but is not responsible for the management decisions nor the execution.
- It is considered part of the second line of defence – its role is primarily one of advising senior management on the setting of high level strategies and aggregate risk appetite and to coordinate, monitor, challenge and provide support for its management.
- The above-mentioned structures favour consistency, transparency, sharing of knowledge and make sure that Group-wide developments benefit from the practical experience and expertise of local operating companies. Regional Risk Officers are members of the ARF which meets regularly to share knowledge and best practice and to jointly develop and improve the Group's enterprise risk framework.
- The Chief Risk Officers and Chief Financial Officers from the regions are members of the ARC, which ensures that decisions or recommendations made by the ARC take into account the views and expertise of the operations. The most significant risk issues and methodologies are also reviewed and decided upon by the Executive Committee and by the Board. Once changes to the group risk framework have been agreed by the group level bodies, they are then taken to each local Board for formal adoption by the local operating companies.

B. RISK MANAGEMENT ORGANISATION AT OPERATING COMPANY LEVEL

Each Insurance company:

- is responsible to ensure that it has a comprehensive risk management framework in place;
- is responsible for managing its risks within the limits, policies and guidelines set by regulators, Ageas Group and its local Board.

Local operating companies are required to have the following in place:

- a Board level Risk Committee and Audit Committee to assist the Board in fulfilling its supervision;
- a Management Risk Committee, which supports its management team in ensuring that key risks are well understood and appropriate risk management procedures are in place;
- an ALM Committee whose role includes the monitoring of market risks to ensure they are managed in accordance with the risk framework and within agreed limits and to make specific decisions or recommendations relating to ALM;
- a local Model Control Board which coordinates with the Ageas MCB;
- a risk function (or risk officer) to support the work of the Risk Committee and to provide risk reporting and opinions to the local CEO, local Board and to Group management;
- an actuarial function setup to meet regulatory requirements;
- a compliance function that advises the administrative or management body on compliance with laws, regulations and administrative requirements and Group and local policies where these set additional requirements. Compliance assesses the possible impact of any changes in the legal

environment on the operations of the undertaking concerned and identifies any compliance risk;

- an internal audit function assessing the adequacy and effectiveness of the internal control system and other elements of the risk governance system.

For those elements defined as requiring local board level approval, the local board is required to know the opinion of the ARC as part of the local decision making process. Note that this is an opinion which is there to support the local boards in their decision making but responsibility for the final decision remains with the local Board. Ageas representatives on the local board are informed of the ARC opinion through its advice to the ExCo.

The General Account is managed separately from the insurance companies. Contingent liabilities, including those related to legacy issues, are directly supervised by Ageas' ExCo.

5.4 Risk taxonomy

Ageas offers a wide range of insurance products across many countries. Ageas is therefore exposed to a wide range of risks. The risk taxonomy has been developed with the objective of ensuring a consistent and comprehensive approach to risk identification, assessment, monitoring and response by highlighting and defining all identified risks within the Group. It should serve therefore as the basis for all risk management efforts.

The taxonomy cannot be considered as exhaustive, and it is the responsibility of business management and risk management to ensure that all risks are identified. While the aim is to keep a high degree of stability and consistency over time in this taxonomy, it will be reviewed on at least an annual basis and adjusted if appropriate.

Total Risk

Financial Risks

Market Risks

Interest rate (real & nominal)
Equity
Spread
Currency
Property
Market Risk Concentration

Default Risk

Counterparty Default
Investment Default

Liquidity Risk

Insurance Liability Risks

Life Underwriting Risks

Mortality
Longevity
Disability/Morbidity
Lapse/Persistency
Expense
Revision

P/C Underwriting Risks

Premium
Reserve
Lapse

Health Underwriting Risks

Similar to Life Techniques
- Mortality
- Longevity
- Disability/Morbidity
- Lapse/Persistency
- Expense
- Revision

Non-Similar to Life Techniques

- Premium
- Reserve
- Lapse

Catastrophe Risks

Operational Risks

Clients, Products and Business Practices

Legal

Compliance Risk

Execution, Delivery and Process Management

Governance
Model Process & Governance

Business Disruption and System Failures

IT Security

Employee Practices & Workplace Safety

Fraud

Internal Fraud
External Fraud

Damage to Assets

Model Adequacy

Outsourcing Risk

Strategic Risks

Regulatory change Risk

Competitor Risk

Distribution Risk

Reputation Risk

Country Risk

Economic Environment Risk

Inflation Risk

Other Environment Risk

Geopolitical environment
Technology
Emerging
Contagion

Concentration Risk

Intangible Asset Risks

5.5 Risk Appetite

Ageas has implemented a clear Risk Appetite Framework by means of a formal Risk Appetite Policy approved by its Board and ExCo.

The Risk Appetite Policy is intended to ensure that each local operating company and the Group overall are both willing to take and can afford the risks they take. The risk appetite sets formal maximum boundaries – it does not determine the optimal exposure, nor does it deal directly with how the detailed limits are implemented. It is not intended to imply that taking risks to the maximum level allowed by the policy is appropriate from a risk/return or any other business point of view, only that it is affordable. Controls are set within other policies (Market Risk and ALM Policy, Investment Framework Policy and the Insurance Risk Policy) through additional constraints on risk taking. Capital needed to support risk taking also needs to earn sufficient returns from a value creation point of view.

The Risk Appetite Framework sets out two types of criteria.

The *quantitative* criteria are based primarily on the company's ability and willingness to accept deviations in the following key measures¹:

- solvency;
- earnings;
- value.

Each local operating company and the Group set clear limits on the acceptable deviation of solvency, earnings and value following a range of clearly defined stress events. The current implementation of risk appetite covers the following risk factors:

- financial risk: equity risk, spread risk, property risk, interest rate risk and investment default risk;
- insurance Life risk: mortality risk, longevity risk, catastrophe risk, revision risk, lapse risk, expense risk and disability risk.

Qualitative criteria include elements that are not easily quantified but for which boundaries of acceptable activities can be described in a qualitative way.

Risk Appetite Statements concerns:

- hard limits on solvency: Local operating companies and Group must comply with them because solvency has particular significance: below certain levels, recapitalisation and/or other drastic actions may be needed to avoid potentially huge business and/or regulatory issues. Governance Units cannot opt to accept exposures that would endanger breaching minimum regulatory capital requirements within the approved risk appetite;

- soft limits on earnings and value: It is up to each (local) Board to decide if the risk appetite statement is appropriate or if they wish to define a more appropriate limit. Local Boards can accept greater deviations in earnings or value but they must do so after consultation with Ageas.

Risk Appetite Statement concerning Solvency

Local operating companies and Group are required to define their Target capital and Minimum acceptable capital in line with the Capital Management Policy and to comply with the following risk appetite statement:

- exposures must be limited to ensure that, starting with the Target capital, the available capital remains above the Minimum acceptable capital after applying certain individual predefined stress events;
- the stress events are calibrated to a '1 in 30' years type event which means that the probability that the business will need to seek external capital within a horizon of 1 year due to risk exposures is less than 3.34%.

Under currently applicable Solvency I regulations, the Target capital at Group level has been set at 200% of Regulatory Minimum and Minimum acceptable capital at 125%.

Ageas publishes and comments its Solvency I figures and ratios on a quarterly basis. The information may be found on Ageas' website under 'Investors – Reporting Centre' at this address: <http://www.ageas.com/en/investors/reporting-centre>.

Risk Appetite Statement concerning Earnings

Local operating companies and Group are required to define their earnings based risk appetite statements. The statement below is a guideline for Ageas and its local operating companies:

- exposures should be limited to ensure that the deviation from year-end budgeted IFRS earnings due to specific single stress events is limited to a set percentage;
- the stress events are calibrated to a '1 in 10' years type event which means that the probability that the loss of business results exceeds the above impact thresholds over the horizon of 1 year due to risk exposure is less than 10%.

¹ Some local level limits go further, namely at AG Insurance on liquidity or within the UK on reputation.

An early warning limit to trigger discussions at the ARC is also in place. It is based on forecasted earnings (instead of on budgeted earnings). It complements the above soft limit.

Risk Appetite Statement concerning Value

Local operating companies and Group are required to define their value based risk appetite statements. The statement below is a guideline for Ageas and its local operating companies:

- exposures should be limited to ensure that the reduction in the start year market consistent value due to any single specific stress event is limited to a set percentage;
- the stress events are calibrated to a '1 in 30' years type event which means that the probability that the business experiences a loss in value that exceeds the impact thresholds given above due to risk exposure is less than 3.34%.

Notes on stress events

The Ageas Risk Appetite Policy divides stress events into three groups:

- stress events defined by Group: the Group Minimum Standards on Risk Appetite define the stress events to be applied by all OpCos when monitoring if the risk appetite is met. These stress events may include standalone stress events (i.e. stress events which consider a shock on one of the risk factors) as well as combined stress events (i.e. stress events which consider a shock on multiple risk factors);
- local stress events: in addition to the standard group wide set of stress events, each local operating company can define additional stress tests if additional risks have been identified. The local stress events are provided by the local management (and regional office if applicable). At the same time, an advice is asked from the local independent Risk Officer on the results. Moreover, the results are communicated to the Group (to Group Risk Officer);
- additional reporting requirements: these are additional scenarios (standalone or combined) that are added due to specific concerns arising out of recent events or current market conditions. They are not part of the standard appetite framework and may not require actions but are important to obtain additional information on the risk profile of Group and its OpCos. They can either be defined by Group or by a local operating company (local stress events).

5.6 External Ratings

Ageas and its main local operating companies aim to maintain sound and quality ratings. These ratings are kept up to date on Ageas' website at the following address: <http://www.ageas.com/en/investors/rating-debt>.

5.7 Details on various risk exposures

5.7.1 Financial Risk

Financial risk encompasses all risks relating to the values and performance of assets and liabilities that may affect value, earnings and solvency due to changes in financial circumstances. These include:

- market risk which arises from adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments;
- credit risk which encompasses investment default risk, counterparty risk as well as concentration risk.

Financial risk is the most significant risk for many of Ageas' operations. The risk framework in place at all operations combines investment policies, limits, stress tests and regular monitoring in order to control the nature and level of financial risks and to ensure that risks being taken are appropriate for both customer and shareholder and are appropriately rewarded.

The overall asset mix is determined by local businesses based on asset mix studies to identify the appropriate strategic assets, their adequacy from an ALM perspective and on regular monitoring of the market situation and prospects to decide on the tactical allocation. The decision process needs to balance risk appetite, capital requirements, long-term risks and return, policyholder expectations, profit sharing requirements and tax and liquidity issues to arrive at an appropriate target mix. The mission of the Group Risk function includes monitoring aggregate risk appetite covering financial risks and working with the local businesses to develop the policies and best practice, which must be adopted by the local Boards to ensure they become part of the local regular activity.

Financial risk is composed of the following sub-risks:

- Market risk;
- Counterparty Default risk;
- Liquidity risk.

Market risk

Market risk means the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets and liabilities. Market risk is composed of the following sub-risks:

- a. interest rate risk;
- b. equity risk;
- c. currency risk;
- d. property risk;
- e. spread risk.

A. INTEREST RATE RISK

Interest rate risk exists for all assets and liabilities sensitive to changes in the term structure of interest rates or interest rate volatility.

Changes in interest rate risk can also impact the products the insurance companies sell, for example, through guarantees, profit sharing and the value of Ageas' investments. This risk arises as a result of a mismatch between the interest rate sensitivity of assets and liabilities to changes in interest rates.

Ageas measures, monitors and controls its interest rate risk using a number of indicators including cash flow mismatch analysis and stress testing. The investment policies usually require close

matching unless specifically approved otherwise. Longer term business can be difficult to match due to lack of availability of suitable assets. The matching strategy will be determined taking into account risk appetite, availability of (long-term) assets, current and prospective market rates and levels of guarantee. Derivatives are sometimes used to hedge interest-rate risk. Note that interest rate risk has been a point of attention during the ORSA process. Interest rate risk has now also become a strategic risk with focus on fixed/variable cost structure.

The typically long insurance liabilities and lack of long-term assets imply a negative gap in the long maturity buckets and a positive one at the shorter end of the curve.

Sensitivities

The risk appetite for interest rate risk reflects the risk that Ageas tolerates towards a predefined interest rate stress event. This predefined stress event is the worst case impact of an upward or a downward shift of the yield curve in line with the solvency II stress but converted from a 1 in 200 years event to a 1 in 30 years event for solvency & value and a 1 in 10 years event for earnings.

The table below shows the gross impact on the IFRS income statement and IFRS equity as a result of a decrease or increase of the interest rate with 100 basispoints, but not below zero, on the bond portfolio (including the risk free bonds and the floating rate bonds until the interest reset date).

	2014		2013	
	Impact on income statement	Impact on IFRS Equity	Impact on income statement	Impact on IFRS Equity
Interest - rate down (100 bp)	(25.1)	204.9	(23.5)	540.2
Interest - rate up + 100 bp	8.1	(396.8)	4.7	(1,453.5)

B. EQUITY RISK

Equity risk arises from the sensitivity of assets and liabilities to changes in the level or volatility of market prices for equities or their yield. This risk is controlled through limit setting based on the risk appetite and by investment policies that require a range of controls to be in place including the action that will be taken in the event of significant decreases in value. Earlier pro-active management of this risk has resulted in the rapid reduction in exposure to equity risk through sales and hedging. It helps to limit

losses and to ensure that the insurance companies remain solvent throughout a financial crisis. During 2012, Ageas relaxed the ban on new equity investments installed as a result of the market turmoil back in 2009. Today, Ageas allows new investments in equities provided that they are managed such that the indicators remain within the risk appetite limits. This evolution explains the gradually increasing equity exposure as represented in the next table.

For risk management purposes, Ageas bases its definition of equity exposure on the economic reality of underlying assets and risks. Taking a risk based approach; the total economic exposure to equities at fair value is given in the table below together with the reconciliation to the IFRS reported figures.

	2014	2013
Type of asset		
Direct equity investments	2,105.9	1,636.3
Equity funds	246.6	106.5
Private equity	64.3	50.9
Alternative investments	4.6	4.6
Asset allocation funds	54.6	39.9
Commodity funds	0.8	
Total Economic equity exposure	2,476.8	1,838.2
Debt funds	704.4	630.3
Money market funds	0.6	
Real estate funds (SICAFI/REITS)	597.9	735.1
Total IFRS equity exposure	3,779.7	3,203.6
of which:		
Available for Sale (see note 11)	3,721.1	3,171.7
Held at Fair Value (see note 11)	58.6	31.9

Sensitivities

The risk appetite for equity risk reflects the risk that Ageas tolerates towards a predefined stress event for equities. This predefined stress event represents an equity crash in line with the solvency II stresses but converted from a 1 in 200 years event into a 1 in 30 years event for solvency and value and a 1 in 10 years event for earnings.

The table below shows the gross impact on the IFRS income statement and IFRS equity as the result of stress tests that are calibrated based on a 1 in 10 years event (IFRS income) and a 1 in 30 years (IFRS equity) event. The stress test assumes that any exposure to equities (economically seen) is haircut by 30%. Equities are considered impaired when the fair value is significantly (25%) below cost for a prolonged period (four consecutive quarters) at the date of the Statement of financial position.

	2014		2013	
	Impact on income statement	Impact on IFRS Equity	Impact on income statement	Impact on IFRS Equity
Equity - market risk	(226.4)	(620.3)	(74.9)	(449.2)

C. CURRENCY RISK

Currency risk arises from the sensitivity of assets and liabilities to changes in the level of relevant currency exchange rates when there is a mismatch between the assets and liabilities in a relevant currency. At Group level, this includes situations where Ageas has assets (from participations and investments) other than euro denominated assets.

Ageas' investment policy limits this risk by requiring the currency mismatch between assets and liabilities to be minimised and in most cases it is eliminated entirely.

Ageas' policy is not to hedge the equity investments and permanent funding for subsidiaries and equity associates in foreign currency. Ageas accepts the mismatch arising from

ownership of local operating companies in non-euro currencies as a consequence of being an international group.

The risk appetite for currency risk reflects the risk that Ageas tolerates towards a predefined foreign exchange rate stress event. This predefined stress event is the worst case impact of an increasing or decreasing exchange rate in line with the solvency II stresses but converted from a 1 in 200 years event to a 1 in 30 years event for solvency & value and a 1 in 10 years event for earnings.

The main currency risk exposures to foreign currencies as at 31 December are stated in the next table. The exposures shown are net (assets minus liabilities), after any hedging denominated in euro.

At 31 December 2014	HKD	GBP	THB	MYR	CNY	TRY	USD	JPY	RON	INR	Other
Total assets	1,192.2	4,231.7	394.8	315.1	729.8	166.0	4,922.6	16.5	23.6	34.0	15.8
Total liabilities	1,203.8	3,129.7			23.1		2,451.3	5.6	1.8		4.2
Total assets minus liabilities	(11.6)	1,102.0	394.8	315.1	706.7	166.0	2,471.3	10.9	21.8	34.0	11.6
Off balance	392.5				1.6		(1,614.3)				
Net position	380.9	1,102.0	394.8	315.1	708.3	166.0	857.0	10.9	21.8	34.0	11.6
Of which invested in subsidiaries and equity associates	866.9	1,126.9	394.8	315.1	729.8	145.7	75.9		23.6	18.8	

At 31 December 2013	HKD	GBP	THB	MYR	CNY	TRY	USD	JPY	RON	INR	Other
Total assets	1,007.3	4,238.4	219.6	299.6	279.1	166.0	3,412.5	17.0	19.5	34.0	14.2
Total liabilities	831.9	3,198.9			14.4		1,923.5	10.3	1.6		6.4
Total assets minus liabilities	175.4	1,039.5	219.6	299.6	264.7	166.0	1,489.0	6.7	17.9	34.0	7.8
Off balance	345.9	0.3			1.2		(1,142.2)				
Net position	521.3	1,039.8	219.6	299.6	265.9	166.0	346.8	6.7	17.9	34.0	7.8
Of which invested in subsidiaries and equity associates	781.2	1,121.2	219.6	299.6	279.1	152.2	79.4		19.5	12.4	

D. PROPERTY RISK

Property risk arises as a result of sensitivity of assets and liabilities to the level or volatility of market prices of property or their yield.

For risk management purposes, Ageas defines the exposure to real estate based on the market value of these assets including

assets held for own use. This differs from the exposure reported under IFRS definitions, which excludes unrealised gains. The table below identifies what Ageas considers economic exposure to real estate and how this is reconciled to the figures reported under IFRS.

	2014	2013
Type of asset		
Carrying amount		
Investment properties (see note 12)	2,641.3	2,354.5
PP&E: land and buildings for own use (see note 18)	971.7	967.4
Property intended for sale (see note 17)	60.0	155.1
Total (at amortised cost)	3,673.0	3,477.0
Real estate funds (at fair value)	597.9	735.1
Total IFRS real estate exposure	4,270.9	4,212.1
Unrealised capital gain (Economic exposure)		
Investment properties	976.9	976.0
PP&E: land and buildings for own use	383.4	339.5
Total Economic real estate exposure	5,631.2	5,527.6

Sensitivities

The risk appetite for property risk reflects the risk that Ageas tolerates towards a predefined stress on the economic real estate exposure. This predefined stress event represents a drop in value in line with the solvency II stresses but converted from a 1 in 200 years event to a 1 in 30 years event for solvency and value and a 1 in 10 years event for earnings.

The table below shows the gross impact on the IFRS income statement and IFRS equity as the result of stress tests that are calibrated based on a 1 in 30 years event. The stress test assumes a haircut of 30%. It should be noted that Ageas values real estate property under IFRS at amortised cost. Unrealised gains and losses on real estate are therefore not recognised in equity. However, they nevertheless serve as a buffer to make the impact less severe.

	Impact on income statement	2014 Impact on IFRS Equity	Impact on income statement	2013 Impact on IFRS Equity
Real estate risk	(314.8)	(324.0)	(173.0)	(239.0)

E. SPREAD RISK

Spread risk results from the sensitivity of the value of assets and liabilities to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure.

A significant portion of Ageas' liabilities are relatively illiquid. Ageas generally aims to hold credit assets to maturity. This limits the impact of spread risk significantly because the liabilities which are relatively illiquid make that Ageas can hold these assets up to maturity. It is highly unlikely that Ageas is forced to sell at distressed prices, but Ageas can choose to sell if it considers this to be the best course of action. This is also why Ageas is using an internal measure of fundamental spread risk which takes only that part of spread risk into account that is related to default & downgrade of credit ratings which could lead to an actual loss. This evolution is aligned with the solvency II concept of volatility adjuster ignoring short term spread volatility not resulting in realised losses.

Sensitivities

The risk appetite for spread risk reflects the risk that Ageas tolerates towards a predefined credit spread stress event. This predefined stress event is the impact of increasing credit spreads in line with the solvency II stresses but converted from a 1 in 200 years event to a 1 in 30 years event for solvency and value and a 1 in 10 years event for earnings. Next to the basic stress scenario focussing on corporate bonds, an additional stress scenario is used to monitor as well exposures to (European) government bonds.

The table below shows the gross impact on the IFRS income statement and IFRS equity as the result of stress tests that are calibrated based on a 1 in 10 years (IFRS income) and a 1 in 30 years (IFRS equity) event.

The impact of spread risk is measured based on a factor times duration. The table below shows the factors for AAA and BBB corporate with a modified duration (shorter than) 5 year and equal to 10 year.

	Impact on income statement	Impact on IFRS Equity
Stress - AAA (5 year / 10 year)	+ 54 bps / + 42 bps	+ 68 pbs / + 53 bps
Stress - AA (5 year / 10 year)	+ 66 bps / + 51 bps	+ 83 pbs / + 64 bps
Stress - A (5 year / 10 year)	+ 84 bps / + 63 bps	+ 105 pbs / + 79 bps
Stress - BBB (5 year / 10 year)	+ 150 bps / + 200 bps	+ 188 bps / + 150 bps
Stress - BB (5 year / 10 year)	+ 270 bps / + 210 bps	+ 338 bps / + 263 bps
Stress - B (5 year / 10 year)	+ 450 bps / + 351 bps	+ 563 bps / + 439 bps
Spread - rate risk	(6.9)	(883.3)

5.7.1.2. Counterparty Default risk

Credit risk means the risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit rating of issuers of securities, counterparties and any debtors to which insurance and reinsurance undertakings are exposed. Credit risk is composed of the following sub-risks:

- a. investment default risk;
- b. counterparty default risk;
- c. concentration risk.

The following table provides an overview of the credit risk to which Ageas is exposed.

31 December 2014	Belgium	UK	Continental Europe	Asia	General	Eliminations	Total Ageas
Cash and cash equivalents (see note 10)	798.7	215.7	397.8	134.5	969.6		2,516.3
Derivatives held for trading (assets) (see note 11)	2.4		15.7				18.1
Loans	5,284.9	52.5	37.8	231.1	1,814.9	(1,327.6)	6,093.6
Impairments	(15.6)		(0.3)	(9.4)			(25.3)
Total Loans, net (see note 13)	5,269.3	52.5	37.5	221.7	1,814.9	(1,327.6)	6,068.3
Interest bearing investments	51,913.1	2,507.0	7,622.3	2,041.7	315.1		64,399.2
Impairments	(1.9)		(20.3)				(22.2)
Total Interest bearing investments, net (see note 11)	51,911.2	2,507.0	7,602.0	2,041.7	315.1		64,377.0
Reinsurance and other receivables	794.3	849.1	278.2	88.1	3.8	(7.0)	2,006.5
Impairments	(5.2)		(7.1)	(2.4)	(0.1)		(14.8)
Total Reinsurance and other receivables, net (see note 15)	789.1	849.1	271.1	85.7	3.7	(7.0)	1,991.7
Total credit risk exposure, gross	58,793.4	3,624.3	8,351.8	2,495.4	3,103.4	(1,334.6)	75,033.7
Impairments	(22.7)		(27.7)	(11.8)	(0.1)		(62.3)
Total credit risk exposure, net on balance	58,770.7	3,624.3	8,324.1	2,483.6	3,103.3	(1,334.6)	74,971.4
Off Balance commitments (see note 32)	4,380.3			65.1	4.6		4,450.0
Total credit risk exposure, off balance	4,380.3			65.1	4.6		4,450.0
Total credit risk exposure, net	63,151.0	3,624.3	8,324.1	2,548.7	3,107.9	(1,334.6)	79,421.4

31 December 2013	Belgium	UK	Continental Europe	Asia	General	Eliminations	Total Ageas
Cash and cash equivalents (see note 10)	685.9	178.7	384.6	126.1	781.3		2,156.6
Derivatives held for trading (assets) (see note 11)	7.6	0.3	5.4		1.1		14.4
Loans	4,725.3	47.5	78.0	234.3	1,946.8	(1,227.8)	5,804.1
Impairments	(13.3)		(0.4)	(6.0)			(19.7)
Total Loans, net (see note 13)	4,712.0	47.5	77.6	228.3	1,946.8	(1,227.8)	5,784.4
Interest bearing investments	46,730.5	2,405.7	7,444.3	1,526.3	357.1		58,463.9
Impairments	(2.3)		(11.9)				(14.2)
Total Interest bearing investments, net (see note 11)	46,728.2	2,405.7	7,432.4	1,526.3	357.1		58,449.7
Reinsurance and other receivables	787.4	941.7	242.1	70.3	3.7	(7.1)	2,038.1
Impairments	(4.6)	(3.5)	(8.5)	(1.4)	(0.1)		(18.1)
Total Reinsurance and other receivables, net (see note 15)	782.8	938.2	233.6	68.9	3.6	(7.1)	2,020.0
Total credit risk exposure, gross	52,936.7	3,573.9	8,154.4	1,957.0	3,090.0	(1,234.9)	68,477.1
Impairments	(20.2)	(3.5)	(20.8)	(7.4)	(0.1)		(52.0)
Total credit risk exposure, net on balance	52,916.5	3,570.4	8,133.6	1,949.6	3,089.9	(1,234.9)	68,425.1
Off Balance commitments (see note 32)	3,218.1			84.8	7.6		3,310.5
Total credit risk exposure, off balance	3,218.1			84.8	7.6		3,310.5
Total credit risk exposure, net	56,134.6	3,570.4	8,133.6	2,034.4	3,097.5	(1,234.9)	71,735.6

Details on the credit quality of the credit risk exposure are included here after.

The table below provides information on the impaired credit risk exposure as at 31 December.

	2014			2013		
	Impaired outstanding	Impairments for specific credit risk	Coverage ratio	Impaired outstanding	Impairments for specific credit risk	Coverage ratio
Interest bearing investments (see note 11)	27.0	(10.4)	38.5%	58.3	(14.2)	24.4%
Loans (see note 13)	97.3	(24.4)	25.1%	135.1	(18.9)	14.0%
Other receivables (see note 15)	29.3	(14.8)	50.5%	23.5	(18.1)	77.0%
Total impaired credit exposure	153.6	(49.6)	32.3%	216.9	(51.2)	23.6%

A. INVESTMENT DEFAULT RISK

Investment default risk is one aspect of credit risk. The investment default risk includes the risk of actual default of Ageas' obligors as well as the potential for indirect losses that may arise from a default event.

This risk is managed through limits which take into account the type of credit exposure, credit quality and, where needed, maturity, and through regular monitoring and early warning systems.

Investment exposures are therefore monitored through a quarterly Limit Breach Report. Limits are monitored on fair values based on asset classification in line with those of Ageas' Consolidated financial statements. The limits are defined by the following categories.

Limits on *Government bonds* are defined by country in multiple ways:

- 'macro limits' defined as percentages of Gross Domestic Product (GDP), government debt and investment assets;
- Total One Obligor (TOO) limits defined as maximum exposure to one obligor based on credit ratings;
- (re-) investment restrictions: No new investments in sovereign debt with a rating BBB or below without the approval of the ARC. Increases in exposure to Euro countries rated BBB are only allowed on the condition of having a stable outlook.

Limits on *Corporate bonds* are also defined on multiple criteria:

- total corporate exposure as a percentage of the portfolio;
- limits in function of the solvency capital required for spread risk;
- limits by sector based on the credit ratings;
- monitoring of exposure to financial institutions based on credit ratings;
- total One Obligor.

Ageas also has a stress scenario for single investment defaults in which as well the largest single sovereign investment default as the largest single corporate investment default should remain within the solvency risk appetite budgets.

Equity investments may require a stop loss protection mechanism assuring that the indicators remain within the risk appetite limits.

The credit rating applied by Ageas is based on the second best of available ratings from Moody's, Fitch and Standard & Poor's. In the paragraphs hereafter more detail is provided on the credit quality of:

- loans;
- interest bearing investments:
 - government bonds;
 - corporate bonds;
 - banks and other financials.

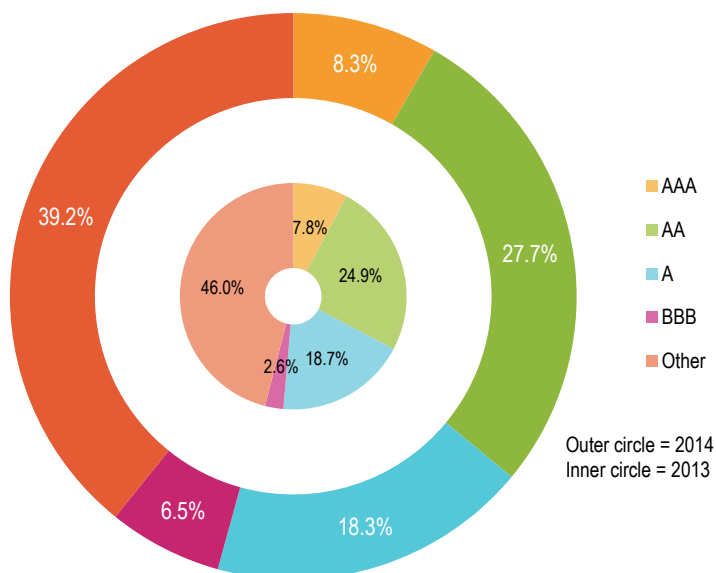
1 Loans

The table below provides information on the credit quality of Loans.

	2014		2013	
	Carrying value	Percentage	Carrying value	Percentage
Investment grade				
AAA	502.8	8.3%	452.2	7.8%
AA	1,686.4	27.7%	1,444.1	24.9%
A	1,116.8	18.3%	1,083.0	18.7%
BBB	398.2	6.5%	154.2	2.6%
Investment grade	3,704.2	60.8%	3,133.5	54.0%
Unrated	2,389.4	39.2%	2,670.6	46.0%
Total investments in loans, gross	6,093.6	100.0%	5,804.1	100.0%
Impairments	(25.3)		(19.7)	
Total investments in loans, net (see note 13)	6,068.3		5,784.4	

The chart below shows the credit quality of Loans.

The proportion of investment grade loans represents mainly an increase of loans towards sovereigns. The proportion of unrated loans, which mainly represents residential mortgage loans to customers, decreased during 2014.

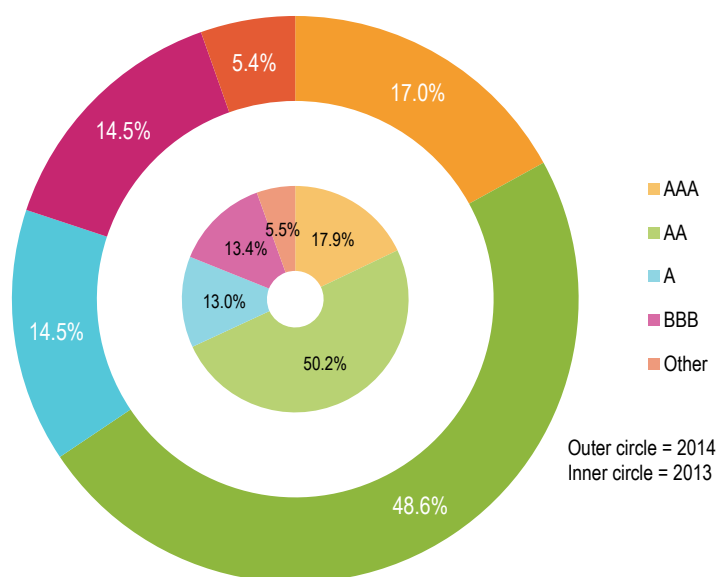


2 Interest bearing investments

The table below outlines the credit quality of Interest bearing investments.

	2014		2013	
	Carrying value	Percentage	Carrying value	Percentage
Investment grade				
AAA	10,915.1	17.0%	10,469.7	17.9%
AA	31,273.7	48.6%	29,366.0	50.2%
A	9,330.1	14.5%	7,580.9	13.0%
BBB	9,343.2	14.5%	7,838.8	13.4%
Investment grade	60,862.1	94.6%	55,255.4	94.5%
Below investment grade	2,954.8	4.5%	2,746.4	4.7%
Unrated	560.1	0.9%	447.9	0.8%
Total investments in interest bearing securities, net	64,377.0	100.0%	58,449.7	100.0%
Impairments	22.2		14.2	
Total investments in interest bearing securities, gross (see note 11)	64,399.2		58,463.9	

The chart below shows the credit quality of Interest bearing investments.



The bond portfolio is highly geared towards government and other investment grade bonds. Investment grade bonds make up 94.6% (2013: 94.5%) of the portfolio with 80.1% (2013: 81.1%) rated A or higher. The percentage below investment grade comprises mainly Portuguese exposure while the main exposure to AA rated bonds represents Belgian Exposure.

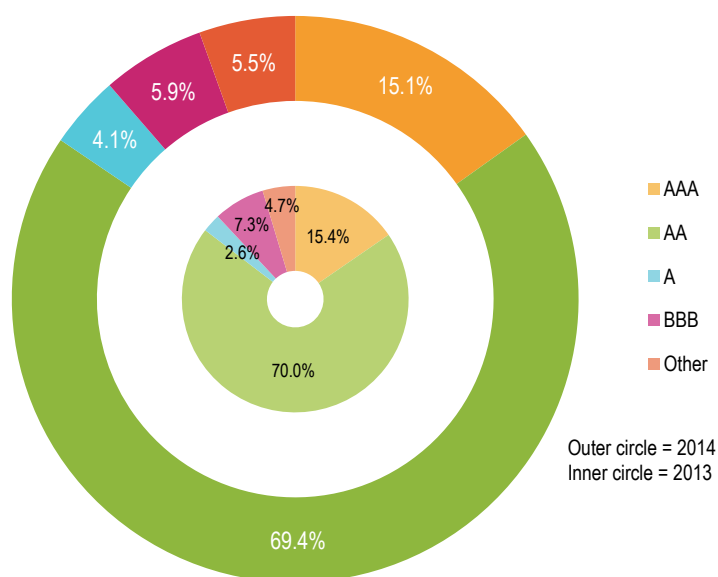
Details of the credit quality of Government bonds, Corporate bonds and Bank and other financials are included in 2a, 2b and 2c.

2a Government bonds

The table below provides information on the credit quality of Government bonds.

	31 December 2014	Percentage	31 December 2013	Percentage
By IFRS classification				
Available for sale	32,748.9	87.2%	29,449.7	85.9%
Held to maturity	4,801.3	12.8%	4,836.9	14.1%
Total government bonds (see note 11)	37,550.2	100.0%	34,286.6	100.0%
By rating				
AAA	5,683.5	15.1%	5,281.3	15.4%
AA	26,040.6	69.4%	23,999.1	70.0%
A	1,553.4	4.1%	897.0	2.6%
BBB	2,213.6	5.9%	2,511.0	7.3%
Total investment grade	35,491.1	94.5%	32,688.4	95.3%
BB or lower	2,048.0	5.5%	1,563.0	4.6%
Unrated	11.1	0.0%	35.2	0.1%
Total non-investment grade and unrated	2,059.1	5.5%	1,598.2	4.7%
Total government bonds	37,550.2	100.0%	34,286.6	100.0%

The chart below shows the credit quality of Government bonds.



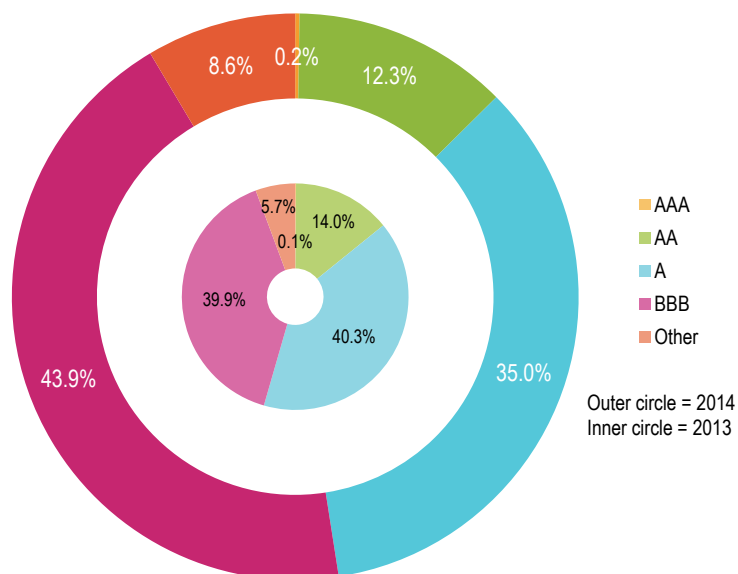
The held to Maturity exposure is completely represented by Belgian and Portuguese government bonds. The main part of the Government bond portfolio is invested in AA bonds, to a large extent explained by the exposure of Belgian Sovereign Bonds. More than 96% of the 'non-investment grade' exposure relates to Portuguese exposure.

2b Corporate bonds

The table below provides information on the credit quality of Corporate bonds.

	31 December 2014	Percentage	31 December 2013	Percentage
By IFRS classification				
Available for sale	13,000.1	99.5%	9,257.8	100.0%
Held to maturity	69.1	0.5%		
Total corporate bonds (see note 11)	13,069.2	100.0%	9,257.8	100.0%
By rating				
AAA	31.4	0.2%	10.2	0.1%
AA	1,610.7	12.3%	1,300.4	14.0%
A	4,572.6	35.0%	3,732.6	40.3%
BBB	5,737.5	43.9%	3,690.3	39.9%
Total investment grade	11,952.2	91.4%	8,733.5	94.3%
BB or lower	688.5	5.3%	281.7	3.0%
Unrated	428.5	3.3%	242.6	2.7%
Total non-investment grade and unrated	1,117.0	8.6%	524.3	5.7%
Total corporate bonds	13,069.2	100.0%	9,257.8	100.0%

The chart below shows the credit quality of Corporate bonds.



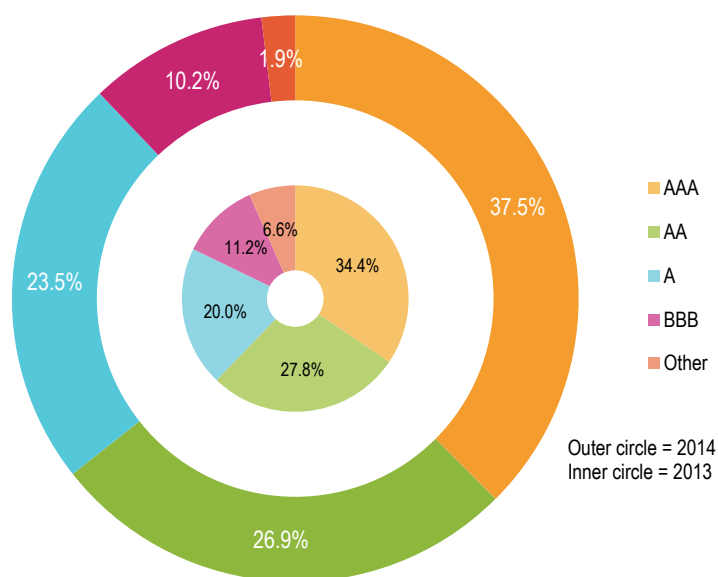
The Corporate bond portfolio focuses on investment grade bonds. These bonds comprise 91.5% (2013: 94.3%) of the portfolio with 47.4% (2013: 54.5%) rated A or higher. The percentage below investment grade concerns mainly corporate institutions in Portugal.

2c Banks and other financials

The table below provides information on the credit quality of Banks and other financial institutions.

	31 December 2014	Percentage	31 December 2013	Percentage
By IFRS classification				
Available for sale	13,308.6	99.3%	14,205.4	97.6%
Held at fair value through profit or loss	81.2	0.6%	214.4	1.5%
Held to maturity	16.6	0.1%	137.5	0.9%
Total banking and other financials (see note 11)	13,406.4	100.0%	14,557.3	100.0%
By rating				
AAA	5,027.8	37.5%	5,011.5	34.4%
AA	3,602.9	26.9%	4,042.9	27.8%
A	3,150.6	23.5%	2,907.8	20.0%
BBB	1,368.9	10.2%	1,635.8	11.2%
Total investment grade	13,150.2	98.1%	13,598.0	93.4%
BB or lower	197.3	1.5%	901.7	6.2%
Unrated	58.9	0.4%	57.6	0.4%
Total non-investment grade and unrated	256.2	1.9%	959.3	6.6%
Total banks and other financials	13,406.4	100.0%	14,557.3	100.0%

The chart below shows the credit quality of Banks and other financials.



The exposure to Banks and other financial institutions is in particular geared to investment grade (98,1%) with 87,9% rated A or above.

B. COUNTERPARTY DEFAULT RISK

Counterparty default risk can arise due to the purchase of re-insurance, other risk mitigation and 'Other assets'. Ageas minimises this risk through policies on counterparty selection, collateral requirements and diversification.

Within Ageas, this risk is mitigated through the application of Ageas' Default Policy and close monitoring of outstanding counterparty default credit positions. Diversification and avoidance of low rated exposures are key elements in the mitigation of this risk.

Impairment for specific credit risk is established if there is objective evidence that Ageas will not be able to collect all amounts due in accordance with contractual terms. The amount of the impairment is the difference between the carrying amount and the recoverable amount. In the case of market traded securities, the recoverable amount is the fair value.

Impairments are based on Ageas' latest estimate of the recoverable amount and represent the loss that Ageas considers it will incur. Conditions for write-off may be that the obligor's bankruptcy proceedings have been finalised and securities have been exhausted, the obligor and/or guarantors are insolvent, all normal recovery efforts have been exhausted, or the economic loss period (i.e. the period within which all expenses will exceed the recoverable amount) has been reached.

C. CONCENTRATION RISK

Concentration risk refers to risks stemming either from lack of diversification in the asset portfolio compared to representative benchmark or from large exposure to risk of default by a single issuer of securities or a group of related issuers.

Concentration risk can arise due to large aggregate exposures to single counterparties or an aggregate of exposures to a number of positively correlated counterparties (i.e. tendency to default under similar circumstances) with the potential to produce a significant amount of impairments due to a bankruptcy or failure to pay.

Avoidance of concentration is therefore fundamental to Ageas credit risk strategy of maintaining granular, liquid and diversified portfolios. Each local business is responsible for its own counterparty limits, taking into account its particular situation and any group requirements. Each local business is in charge of continuous monitoring. Periodic reporting allows the group to check these and monitor the overall position.

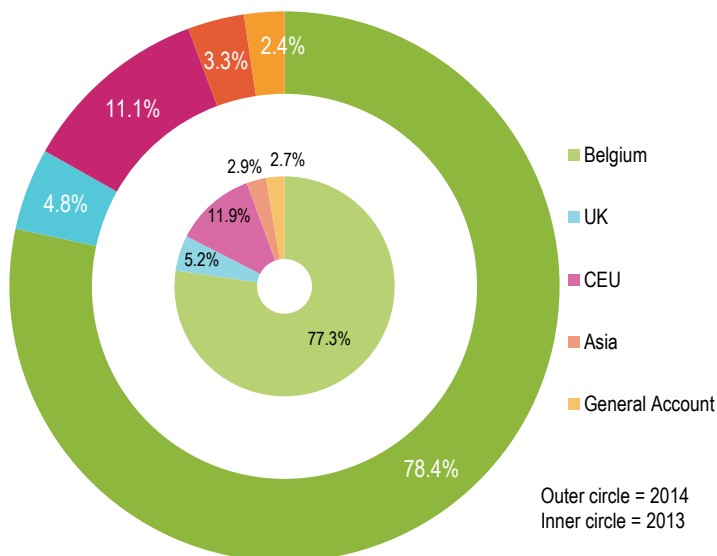
To manage the concentration of credit risk, Ageas' investment limits aim to spread the credit risk across different sectors and countries. Ageas monitors its largest exposures to individual entities, groups of companies (Total One Obligor) and other potential concentrations such as sectors and geographic areas to ensure adequate diversification and identification of significant concentration risk.

The table below provides information on the concentration of credit risk by location of the Ageas entity as at 31 December.

31 December 2014	Government and official institutions	Credit institutions	Corporate customers	Retail customers	Other	Total
Belgium	34,654.1	10,995.2	11,385.1	1,666.6	92.4	58,793.4
UK	537.9	962.9	1,981.0		142.5	3,624.3
Continental Europe	4,376.6	2,205.2	1,621.8	26.3	121.9	8,351.8
- France	1,319.0	694.3	491.6	26.3	92.3	2,623.5
- Italy	432.5	207.0	145.5		1.5	786.5
- Portugal	2,625.1	1,303.9	984.7		28.1	4,941.8
Asia	440.9	829.9	1,164.5	56.6	3.5	2,495.4
General Account	89.1	1,800.5	(142.5)		21.7	1,768.8
Total	40,098.6	16,793.7	16,009.9	1,749.5	382.0	75,033.7

31 December 2013	Government and official institutions	Credit institutions	Corporate customers	Retail customers	Other	Total
Belgium	31,265.2	10,825.0	9,044.9	1,698.0	103.6	52,936.7
UK	485.4	1,112.6	1,836.8		139.1	3,573.9
Continental Europe	3,821.0	3,478.7	674.3	23.6	156.8	8,154.4
- France	1,024.8	676.7	423.7	23.6	151.8	2,300.6
- Italy	432.1	65.1	174.8		1.8	673.8
- Portugal	2,364.1	2,736.9	75.8		3.2	5,180.0
Asia	311.8	735.0	862.3	45.9	2.0	1,957.0
General Account	357.1	1,681.2	(180.9)	0.1	(2.4)	1,855.1
Total	36,240.5	17,832.5	12,237.4	1,767.6	399.1	68,477.1

The chart below shows Ageas' credit risk broken down by its operating segments (as described in section 5.3) as at 31 December.

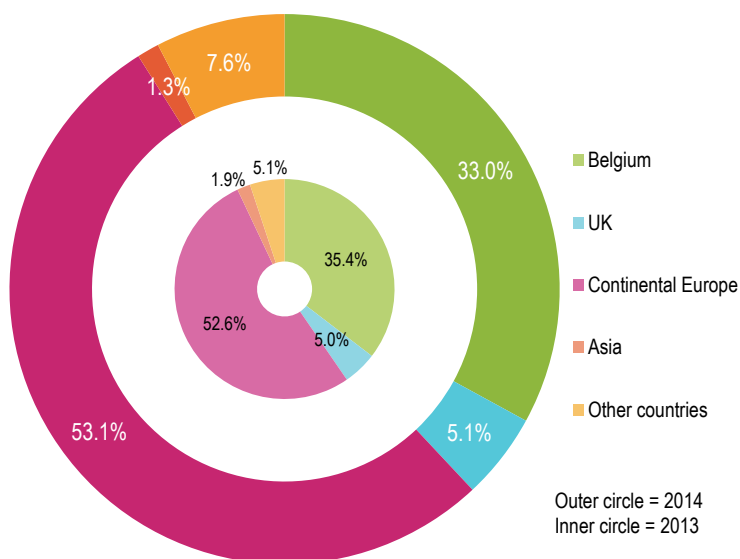


The table below provides information on the concentration of credit risk by type and location of counterparty as at 31 December.

31 December 2014	Government and official institutions	Credit institutions	Corporate customers	Retail customers	Other	Total
Belgium	21,065.5	428.5	1,495.7	1,666.6	68.6	24,724.9
UK	535.9	860.4	2,266.6		141.8	3,804.7
Continental Europe	18,034.0	12,727.8	8,860.6	26.3	165.4	39,814.1
- France	6,195.6	3,061.4	2,686.6	26.3	87.3	12,057.2
- Italy	1,599.9	267.4	843.2		3.5	2,714.0
- Portugal	2,039.2	385.2	318.3		30.0	2,772.7
- Other	8,199.3	9,013.8	5,012.5		44.6	22,270.2
Asia	34.6	386.6	495.4	56.6	3.5	976.7
Other countries	428.6	2,390.4	2,891.6		2.7	5,713.3
Total	40,098.6	16,793.7	16,009.9	1,749.5	382.0	75,033.7

31 December 2013	Government and official institutions	Credit institutions	Corporate customers	Retail customers	Other	Total
Belgium	20,049.1	857.0	1,609.0	1,698.1	44.4	24,257.6
UK	482.3	667.9	2,124.2		139.1	3,413.5
Continental Europe	15,342.5	14,071.2	6,326.3	23.6	222.0	35,985.6
- France	5,171.6	3,181.1	2,281.9	23.6	152.8	10,811.0
- Italy	1,565.9	202.5	383.3		3.5	2,155.2
- Portugal	1,534.6	1,046.2	62.7		3.2	2,646.7
- Other	7,070.4	9,641.4	3,598.4		62.5	20,372.7
Asia	21.3	510.4	748.9	45.9	2.0	1,328.5
Other countries	345.3	1,726.0	1,429.0		(8.4)	3,491.9
Total	36,240.5	17,832.5	12,237.4	1,767.6	399.1	68,477.1

The chart below shows the concentration of credit risk by location of counterparty as at 31 December. The main investment of each region is predominantly in the own regional environment. Given AG Insurance diversifies to a large extent throughout Europe, the main counterparties are located in Continental Europe (excluding Belgium).



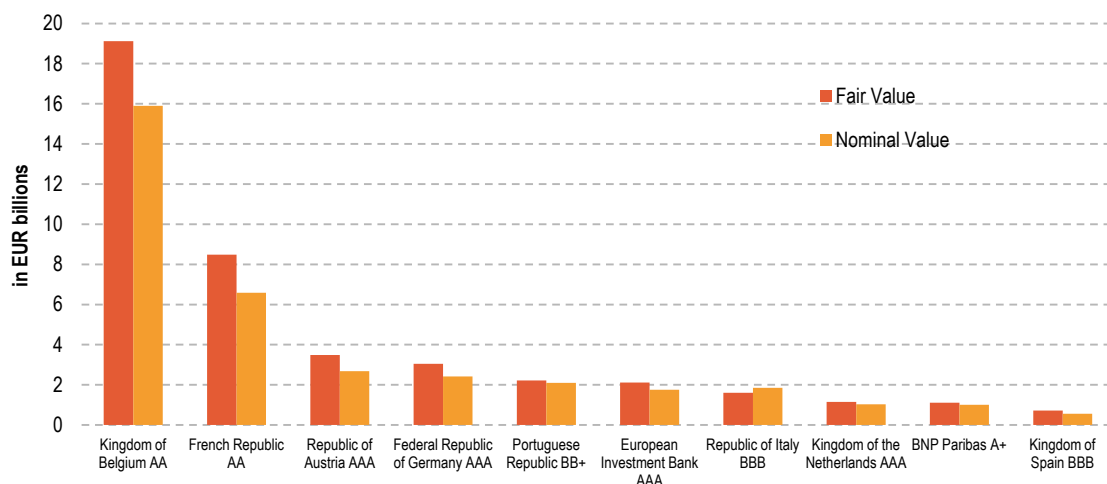
The graph below shows the concentration of credit risk by type of counterparty as at 31 December.



The table below shows the highest exposures on ultimate parents measured at fair value and nominal value with their ratings.

Highest Exposure Top 10	Group Rating	Fair Value	Nominal Value
Kingdom of Belgium	AA	19,119.4	15,894.2
French Republic	AA	8,484.0	6,584.3
Republic of Austria	AAA	3,488.3	2,676.5
Federal Republic of Germany	AAA	3,044.3	2,414.5
Portuguese Republic	BB+	2,215.6	2,097.0
European Investment Bank	AAA	2,115.7	1,757.6
Republic of Italy	BBB	1,601.0	1,850.9
Kingdom of the Netherlands	AAA	1,147.2	1,027.5
BNP Paribas	A+	1,109.4	1,008.4
Kingdom of Spain	BBB	717.1	554.9
Total		43,042.1	35,865.8

The highest exposures on ultimate parents can graphically be shown as follows.



5.7.1.3 Liquidity Risk

Liquidity risk arises when Ageas has insufficient liquid assets and is unable to realise investments and other assets in order to settle their financial obligations when they fall due. For example, this is the risk that expected and unexpected cash demands of policyholders, and other contract holders, cannot be met without suffering losses or without endangering the business franchise due to constraints on liquidating assets. These constraints may be structural or due to market disruption. Liquidity risk also covers the risk that any assumed illiquidity premium, used to value illiquid liabilities, will not materialise.

The financial commitments of Ageas and its local businesses are often long-term, and generally assets held to back these would be long-term and may not be liquid. Claims and other outflows can be unpredictable and may differ significantly from expected amounts. If liquid resources are not available to meet a financial commitment as it falls due, liquid funds will need to be borrowed and/or illiquid assets sold (which may trigger a significant loss in value) in order to meet the commitment. Losses would arise from the interest on borrowings and from any discount that would need to be offered to liquidate assets.

As an insurance group, Ageas is normally cash accretive and hence this risk is relatively remote. Recent years have been dominated by the effects of the (European) debt crises. Central Banks applied a very strong liquidity enhancing monetary policy to

overcome these crises. Ageas keeps a significant cash position in order to be able to withstand (relatively) adverse conditions if and when arising.

Causes of liquidity risk can be split into elements that can create a sudden increase in the need for cash and elements that can reduce unexpectedly the availability of expected resources to cover cash needs. Types of liquidity risk are the following:

- *funding liquidity risk* is the risk that Ageas or a local business will not be able to obtain sufficient outside funding, as its assets are illiquid, at the time it is needed (for example, to meet an unanticipated large claim);
- *market liquidity risk* is the risk that the process of selling in itself results in losses due to market conditions or high concentrations.

Each business ensures they can meet all liquidity requirements by identifying and monitoring liquidity risk, so that the circumstances under which liquidity issues are possible are known and understood (i.e. expected liability run-off profile, mass lapse event, slowdown in new business, change in rating, etc.), as well as the business's ability to respond to such issues (i.e. liquidity of assets in a crisis). In the General Account, the aggregate liquidity is monitored including payments relating to legacy instruments, transfers to/from local businesses, dividend payments to shareholders both under current conditions and stress conditions.

The following table shows Ageas' assets and liabilities under IFRS classified by relevant maturity grouping based on the remaining period to the contractual maturity date. It covers all Ageas' assets and liabilities and therefore includes both the insurance business and holding activities.

At 31 December 2014	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Fixed rate financial instruments	582.3	1,150.0	3,792.5	15,464.5	44,965.2	65,954.5
Variable rate financial instruments	1,057.4	152.1	256.8	495.3	4,696.8	6,658.4
Non-interest bearing financial instruments	609.4	251.1	469.6	514.8	6,597.3	8,442.2
Non-financial assets	73.1	425.4	1,796.6	2,789.8	17,419.0	22,503.9
Total assets	2,322.2	1,978.6	6,315.5	19,264.4	73,678.3	103,559.0
Liabilities						
Fixed rate financial instruments	221.2	270.1	620.5	87.6	954.8	2,154.2
Variable rate financial instruments	13.2	7.5	14.1	483.1	1,558.1	2,076.0
Non-interest bearing financial instruments	606.0	1,172.4	4,190.4	17,121.3	44,493.8	67,583.9
Non-financial liabilities	213.5	531.3	1,706.4	4,176.2	14,206.0	20,833.4
Total liabilities	1,053.9	1,981.3	6,531.4	21,868.2	61,212.7	92,647.5
Net liquidity surplus (gap)	1,268.3	(2.7)	(215.9)	(2,603.8)	12,465.6	10,911.5
Liabilities including future interest						
Fixed rate financial instruments	221.4	275.0	627.7	127.4	1,024.6	2,276.1
Variable rate financial instruments	14.7	7.7	14.8	491.5	308.1	836.8
Non-interest bearing financial instruments	606.0	1,172.4	4,190.4	17,121.3	44,493.8	67,583.9
Non-financial liabilities	213.5	531.3	1,706.4	4,176.2	14,206.0	20,833.4
Total liabilities including future interest	1,055.6	1,986.4	6,539.3	21,916.4	60,032.5	91,530.2
At 31 December 2013						
Total assets	2,467.8	2,427.0	7,276.3	19,654.4	62,957.1	94,782.6
Total liabilities	1,330.1	1,543.9	6,962.3	19,820.5	55,795.8	85,452.6
Net liquidity surplus (gap)	1,137.7	883.1	314.0	(166.1)	7,161.3	9,330.0

It should be noted that the IFRS representation of net liquidity is different from the economical view. The IFRS view does not include dividends on equities, rents on real estate and expected future premiums neither does it include liabilities which actually do not represent a cash outflow (e.g. Low Interest Rate Reserve, Longevity Reserve). In addition under IFRS, liquidity for some specific assets might be overestimated given that these assets are considered at their IFRS value while in reality these assets do not

represent a real cash flow (e.g. Goodwill, DAC and part of the intangible assets).

The FRESH are, in accordance with IFRS, excluded from the Liabilities including future interest since the principal amount of EUR 1,250 million can only be redeemed through conversion into Ageas shares.

5.7.2 Insurance Liability risks

Insurance risks refer to all insurance underwriting risks due to deviations in claims arising from uncertainty and timing of the claims as well as deviations in expenses and lapses, compared to underlying assumptions made at the start of the policy.

Life risk includes mortality risk, longevity risk, disability, morbidity risk (i.e. critical illness risk), lapse and persistency risk, life-expense risk and revision risk.

Non-life risks include reserve risk and premium risk. Reserve risk is related to outstanding claims while premium risk is related to future claims from which catastrophe claims are excluded. Catastrophe risk is related to claims arising from catastrophic events: either natural disasters or man-made events.

Each business manages insurance risks through a combination of Underwriting Policy, Pricing Policy, Reserving Policy and Reinsurance Policies. Particular attention is paid to ensuring that the customer segment that buys the product is consistent with the underlying assumptions made about the customers when the product was designed and priced.

Underwriting policies are adopted at local level as part of the overall management of insurance risk and are revised by actuarial staffs, who examine the actual loss experience. A range of indicators and statistical analysis tools are employed to refine underwriting standards in order to improve loss experience and/or ensure pricing is adjusted appropriately.

Insurance companies aim to set premiums at a level that will ensure that premiums received plus the investment income earned on them exceed total claims, costs of handling those claims and the cost of managing the business. The appropriateness of pricing is tested using a range of techniques and key performance indicators appropriate to a particular portfolio, on both a priori basis (e.g. profit testing) and a posteriori basis (e.g. embedded value, combined ratios).

The factors taken into consideration when pricing insurance vary by product according to the cover and benefits offered. In general they include:

- expected claims by policyholders and related expected pay-outs and their timing;
- the level and nature of variability associated with the expected benefits. This includes analysis of claims statistics as well as consideration of the evolution of jurisprudence, the economic climate and demographic trends;
- other costs of producing the relevant product, such as distribution, marketing, policy administration, and claim administration costs;
- financial conditions, reflecting the time value of money;
- solvency capital requirements;
- target levels of profitability;
- insurance market conditions, notably competitor pricing of similar products.

In its exposures to the above-mentioned risks, Ageas benefits from diversification across geographical regions, product lines and even across the different insurance risk factors so that Ageas is not exposed to significant concentrations of insurance risks. Moreover, Ageas' insurance companies have built in specific mitigation measures in order to minimise their risk exposures. Examples are, lapse supported products via lapse penalties and/or market value adjustments to the pay-out to the policyholders and reinsurance treaties leading to a limited exposure to large losses.

5.7.2.1 Life underwriting risks

The Life underwriting risk reflects the risk arising from Life insurance obligations, in relation to the perils covered and the processes used in the conduct of business.

Life underwriting risks are mainly composed of mortality/longevity, disability/morbidity, lapse and persistency, life expense, revision as well as catastrophe risks. This section will first describe these risks (sub-sections A to F). It will then provide an overview of their management within Ageas Operating Companies (sub-section G) and the main life risk sensitivities (sub-section H).

A. MORTALITY/LONGEVITY RISK

Mortality risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of mortality rates, where an increase in the mortality rate leads to an increase in the value of insurance liabilities. The mortality tables used in the pricing include prudential margins. As per industry practice, Ageas' Operating Companies use the population of experience tables with adequate safety loadings. Yearly review of the assumptions is necessary to compare the expected mortality of the portfolio with the experience. This analysis takes a number of criteria into account such as age, policy year, sum assured and other underwriting criteria.

Longevity risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of mortality rates, where a decrease in the mortality rate leads to an increase in the value of insurance liabilities. This risk is managed through yearly revision of the mortality experience within the portfolio. Where longevity is found to be rising faster than assumed in the mortality tables, additional provisions are set up and pricing of new products is adjusted accordingly.

B. DISABILITY/MORBIDITY RISK

Disability/morbidity risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of disability, sickness and morbidity rates. This can, for example, arise in the disability business, health business, workmen's compensation. Ageas insurance companies mitigate disability risk through medical selection strategies and appropriate reinsurance cover.

C. LAPSE AND PERSISTENCY RISKS

Lapse risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level or volatility of the rates of policy lapses and persistency, which include renewals, surrenders, premium reductions and other premium reducing factors. Note that persistency risk is another name sometimes used to describe the volatility in the policy premium lapses and reinstatements of lapsed policies, free look cancellations or surrenders.

When designing and pricing insurance policies, assumptions also need to be made relating to the costs of selling and then administering the policies until they lapse or mature and relating to the rate of persistency that will be experienced. The risks that in actual experience may be different from the potential impact are identified during the product development stage and can be mitigated by thorough product design. For example the use of early redemption penalties/loyalty bonuses, initial charges or spreading the commission paid to distributors to align interests or a market value adjustment for certain group contracts where the risks are completely born by the policyholders in case of lapse.

D. LIFE-EXPENSE RISK

Life-expense risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of the expenses incurred in servicing insurance or reinsurance contracts. Expense risk arises if the expenses anticipated when pricing a guarantee are insufficient to cover the actual costs accruing in the following year.

E. REVISION RISK

Revision risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the level, trend, or volatility of the revision rates applied to annuities, due to changes in the legal environment or in the state of health of the person insured.

F. CATASTROPHE RISK

Life Catastrophe risk stems from extreme or irregular events which are life threatening, for example nuclear explosion, new infectious disease pandemic, terrorism, or natural disasters.

G. MANAGEMENT OF LIFE RISKS IN AGEAS INSURANCE COMPANIES

The Life underwriting risks are monitored via internal quarterly risk reporting to better understand their exposure on certain events. Most of the Life insurance operating companies are exposed to similar events, such as (mass) lapse event, expenses or mortality/longevity.

H. LIFE RISK SENSITIVITIES

Life sensitivities are as follows.

Life Sensitivities	Impact on value at 31 December 2014	Impact on value at 31 December 2013
Mortality rates (5%)	11.4	23.2
Expenses (10%)	182.1	167.8
Lapse rates (10%)	79.7	156.2

Note that the above numbers are based on yearly embedded value calculations for which the scope is based on extended contract boundaries.

5.7.2.2 Non-life underwriting risks

Non-life underwriting risks are mainly composed of reserve, premium, catastrophe and lapse risks. This section will first describe these risks (sub-sections A to D). It will then provide an overview of their management within Ageas Operating Companies (sub-section E) and loss ratios (sub-section F), Non-life risk sensitivities (sub-section G) and loss reserve tables (sub-section H).

A. RESERVE RISK

Reserve risk is related to outstanding claims and represents the risk of adverse change in the value of insurance liabilities resulting from fluctuations in the timing and amount of claim settlements and claims expenses.

B. PREMIUM RISK

Non-life premium risk is the risk that the premium will not be sufficient to cover all liabilities including claims and expenses resulting from fluctuations in frequency, severity of claims, timing of claim settlements, or adverse changes in expenses.

Claims losses can differ from the expected outcome for a range of reasons. Analysis of claims will generally treat differently short and long-tail claims. Short-tail claims, such as motor damage and property damage claims, are generally reported within a few days or weeks and are settled soon afterwards. The resolution of long-tail claims, such as bodily injury or liability claims, can take years to complete. In the case of long-tail claims, information concerning the event, such as medical treatment required, may, due to its very nature, not be readily obtainable. Analysis of long-tail losses is also more difficult, requires more detailed work and is subject to greater uncertainties than analysis of short-tail losses.

Ageas' insurance companies take into account experience with similar cases and historical trends, such as reserving patterns, exposure growth, loss payments, pending levels of unpaid claims, as well as court decisions and economic conditions.

To mitigate the claims risk, Ageas' insurance companies adopt selection and underwriting policies based on their historical claims experience and modelling. They do this by client segment and class of business based on knowledge or expectations of future movements in claims frequency and severity. Ageas' insurance companies also benefits from diversification effects by engaging in a wide range of Non-life insurance classes and geographies. This does not reduce the average claims, however it does significantly reduce the variation in the total claims book and therefore the risk. The risk of unexpectedly large claims is contained by policy limits, concentration risk management and reinsurance.

C. CATASTROPHE RISK

Catastrophe risk is related to claims generated by catastrophic events, natural disasters such as storms, floods, earthquakes, freezes, tsunamis or man-made events such as terrorist attacks, explosions or train accidents.

D. LAPSE RISK

Lapse risk is related to future premiums included in the premium provision where an expected profit is foreseen. Lapse risk is the risk that more lapses will occur than the expected ones, generating less profit than foreseen.

E. MANAGEMENT OF NON-LIFE RISKS IN AGEAS INSURANCE COMPANIES

The management of Non-life risk in Ageas is in conformity with underwriting and risk taking management instructions and guidance issued at each Non-life entity of the Group. This includes, amongst other things, risk acceptance rules, claims management guidance for cost assessment and for funding allocations, reinsurance taking activity and management.

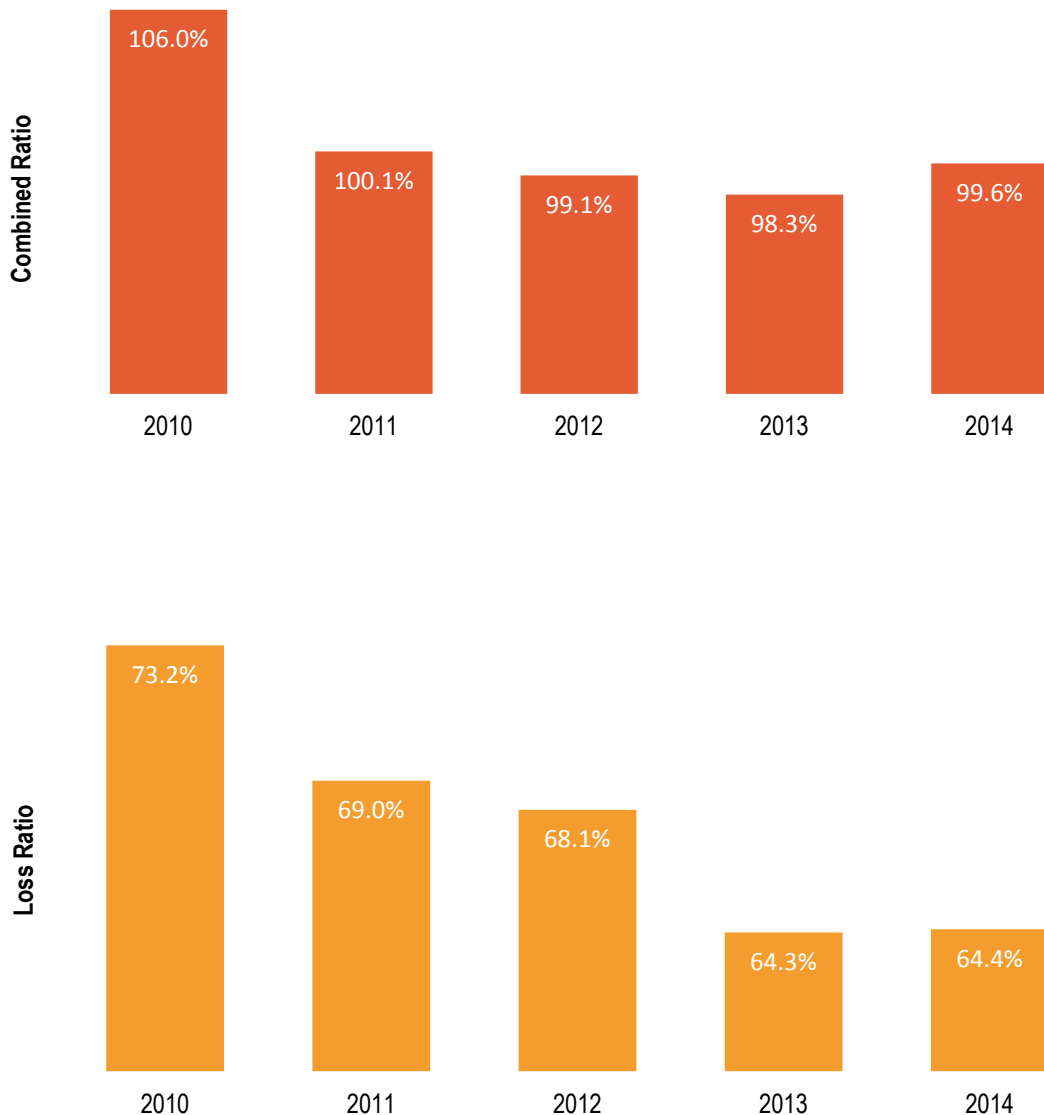
At group level a number of reporting schemes related to the above are put in place e.g. KPI reports and Adequacy testing both on claims- and premium-reserves to date and also historically for claims liabilities.

F. LOSS RATIOS

A loss ratio is the single measure used for assessing the appropriateness of the part of premium rates marketed to cover insurance claims. It is defined as the ratio of total claim cost (estimated) over Premiums Earned. Note that the other parts of the premium rate, management costs and profit, are not considered here. Combined ratio is the sum of loss ratio and expense ratio (including commissions).

Generally speaking one may expect to experience a combined ratio below 100 percent. For reasons of intrinsic variability of the claims process and/or premium inefficiency one might from time to time observe a combined ratio above 100 percent. The latter situation is tackled in the management of the Non-life risks (see point E. above).

The table below gives a history over the last five years of the Combined ratios and Loss ratios.



G. SENSITIVITIES

Non-life sensitivities shown assume the impact on the pre-taxation result considering a decrease of the expenses as included in the Consolidated income statement with 10% and an increase of Incurred claims as included in the Consolidated income statement with 5%.

Non-life Sensitivities	Impact on pre-taxation result at 31 December 2014	Impact on pre-taxation result at 31 December 2013
Expenses (10%)	135.2	127.7
Incurred claims 5%	(124.6)	(121.2)

H. LOSS RESERVE TABLES

The reserves for claims and claim expenses that appear in the statement of financial position are analysed by the actuaries and claims management departments by accident year. Payments and loss reserves are therefore represented in a two time-related dimension table: accident year (year of loss occurrence, in the columns) and calendar year (or development year, in the rows). This so-called run-off triangle shows how loss reserve develops over time due to payments made and new estimates of the expected ultimate loss at the respective date of the statement of financial position.

All contracts concerned are insurance contracts as defined by IFRS, including all accident & health and property and casualty contracts whose reserves can be reported in a triangular format. All material figures quoted are undiscounted. Claim reserves that are held on a discounted basis with similar to life techniques (e.g. permanent disability or death annuities deriving from health or workers compensation or other contracts) are included in the reconciliation lines.

All amounts in the table are calculated at the applicable exchange rate at year-end 2014 (the exposure mainly relates to the British pound).

The loss reserve development table per accident year is as follows.

Accident Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Payments at:										
N	725.6	841.9	1,074.0	1,062.1	1,132.7	1,203.3	1,126.7	1,124.0	1,074.6	1,186.3
N + 1	357.9	414.6	515.1	485.7	549.0	667.7	571.6	550.5	561.1	
N + 2	88.2	104.5	131.3	128.4	149.9	147.0	157.9	139.3		
N + 3	51.0	66.7	71.7	88.2	91.7	98.2	81.7			
N + 4	43.3	49.4	52.7	62.1	65.3	61.4				
N + 5	30.0	34.6	35.1	37.3	34.9					
N + 6	18.3	22.5	17.8	20.3						
N + 7	15.4	12.7	10.2							
N + 8	13.2	8.6								
N + 9	9.0									
Cost of claims:										
<i>(Cumulative Payments + Outstanding claims reserves)</i>										
N	1,531.8	1,696.7	2,054.6	2,045.5	2,210.2	2,415.5	2,340.0	2,336.4	2,312.1	2,407.1
N + 1	1,508.3	1,675.4	2,045.6	2,004.8	2,159.0	2,375.5	2,246.7	2,291.7	2,248.9	
N + 2	1,476.5	1,667.6	2,040.2	2,025.0	2,181.2	2,380.3	2,227.7	2,287.7		
N + 3	1,462.5	1,654.0	2,033.3	2,016.7	2,198.8	2,376.3	2,198.6			
N + 4	1,445.8	1,641.3	2,007.6	2,008.8	2,178.9	2,373.2				
N + 5	1,429.5	1,628.0	2,007.9	1,991.5	2,187.3					
N + 6	1,429.0	1,619.3	1,992.5	2,007.2						
N + 7	1,434.5	1,623.8	1,992.4							
N + 8	1,432.5	1,627.2								
N + 9	1,438.9									
Ultimate loss, estimated at initial date	1,531.8	1,696.7	2,054.6	2,045.5	2,210.2	2,415.5	2,340.0	2,336.4	2,312.1	2,407.1
Ultimate loss, estimated at prior year	1,432.5	1,623.8	1,992.5	1,991.5	2,178.9	2,376.3	2,227.7	2,291.7	2,312.1	
Ultimate loss, estimated at current year	1,438.9	1,627.2	1,992.4	2,007.2	2,187.3	2,373.2	2,198.6	2,287.7	2,248.9	2,407.1
Surplus (deficiency) current year vs initial accident year	92.9	69.5	62.2	38.3	22.9	42.3	141.4	48.7	63.2	
Surplus (deficiency) current year vs prior year	(6.4)	(3.4)	0.1	(15.7)	(8.4)	3.1	29.1	4.0	63.2	
Outstanding claims reserves prior to 2005										330.6
Outstanding claims reserves from 2005 to 2014										3,294.3
Other claims liabilities (not included in table)										773.0
Claims with regard to workers' compensation and health care										1,221.9
Total claims in the statement of financial position										5,619.8

The loss reserve development table per accident year shows the development of the ultimate total loss (as payments made and outstanding claims reserves) for each individual accident year (as indicated in the column), for each development year (as indicated in the row) since the year of occurrence through to the reporting year 2014.

The triangle related to 'Payments' reports the amount of claim payments net of recoveries.

The second triangle, 'Outstanding claims reserves', reports the outstanding loss reserve including IBN(E)R for each accident year, based on the new estimate of ultimate loss on the claims and the payments already made.

The lines 'Ultimate loss', estimated at the initial date of occurrence, at prior reporting year and at current reporting year reflect the fact that the estimate fluctuates with the knowledge and information gained on the claims. The longer the period of development of the claims, the more accurate is the estimate of the ultimate loss.

The loss reserve development table per accounting year is as follows.

Accounting Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Gross liabilities for unpaid claims and claims expenses developed initially at the booking date	2,322.2	2,436.7	2,595.3	2,701.6	2,805.5	3,046.2	3,104.6	3,260.1	3,402.6	3,624.9
Cumulative payments in:										
2006	645.8									
2007	909.0	677.8								
2008	1,099.9	973.2	810.5							
2009	1,248.5	1,188.5	1,157.1	832.4						
2010	1,343.7	1,332.9	1,373.2	1,176.9	893.5					
2011	1,415.5	1,439.4	1,532.3	1,424.3	1,285.9	1,049.0				
2012	1,481.5	1,527.9	1,656.0	1,610.0	1,563.3	1,473.4	996.1			
2013	1,535.8	1,594.9	1,740.8	1,732.0	1,750.7	1,758.9	1,439.5	993.9		
2014	1,576.5	1,644.1	1,800.3	1,811.8	1,865.4	1,935.0	1,697.3	1,391.0	958.2	
Reserves re-estimated for:										
2006	2,227.6									
2007	2,104.9	2,292.5								
2008	2,055.0	2,234.9	2,528.6							
2009	1,973.4	2,139.8	2,428.1	2,560.4						
2010	1,946.2	2,099.6	2,381.1	2,533.6	2,727.6					
2011	1,917.5	2,062.3	2,328.5	2,464.9	2,677.7	2,956.4				
2012	1,947.5	2,079.0	2,335.1	2,471.4	2,700.2	2,972.5	3,043.6			
2013	1,962.3	2,098.3	2,339.0	2,457.9	2,666.9	2,935.2	2,987.3	3,158.8		
2014	1,994.1	2,133.4	2,374.0	2,508.7	2,726.0	2,991.2	3,014.1	3,181.8	3,362.3	
Gross Outstanding Claims Liabilities (including IBNR)	417.6	489.3	573.7	696.9	860.6	1,056.2	1,316.8	1,790.8	2,404.1	3,624.9
Cumulative redundancy/deficiency of initial claims versus re-estimated reserves										
- Nominal	327.4	302.4	220.4	192.1	78.7	54.0	89.5	76.6	38.2	
- Percentage	14.1%	12.4%	8.5%	7.1%	2.8%	1.8%	2.9%	2.3%	1.1%	
Other claims liabilities (not included in table)										773.0
Claims with regard to workers' compensation and health care										1,221.9
Total claims in the statement of financial position										5,619.8

The loss reserve development table per accounting year shows the movements of accounting reserves from 31 December 2005 until 31 December 2014. This table shows cumulative values. The columns report all years of claims occurrence prior to and including the indicated year.

The row 'Gross liabilities for unpaid claims and claim expenses developed initially at the booking date' represents the liabilities reported in the statement of financial position on the reporting date for the year indicated in the column heading. As such, each amount in this row reflects the outstanding claim liabilities for all years of occurrence prior to and including the indicated year.

The first part of the runoff table related to 'Cumulative Payments' reports the cumulative amount of claim payments made per development period since the first of January of the year indicated (in the rows). The payments relate to the years of occurrence prior to and including the year of liability reporting (in the column).

The second part of the runoff table entitled 'Reserves re-estimated at' shows an estimate of the final liabilities carried at 31 December of the year indicated (in the rows) in respect of all years of occurrence prior to and including this year (in the column). The further the claims have developed, the more reliable the valuation of the liabilities becomes.

The table below provides details of risk retention by product line (in nominal amounts).

2014	Highest retention per risk	Highest retention per event
<i>Product</i>		
Motor, Third Party liability	3,900,000	
Motor Hull	42,500,000	
Property	2,500,000	58,500,000
General Third Party Liability	3,000,000	
Workmen's Compensation	2,700,000	
Personal Accident	300,000	

The table represents the highest amount across all entities of the Group for similar covers up to where Ageas Group assumes responsibility for mitigating emerging risks; any amount higher than the one in the table is transferred to third party reinsurers for cover. The measurement depends on the type of event covered by these reinsurance agreements: either per single risk or alternatively per event². Additionally, as the Catastrophe covers for 'Motor Hull' have been integrated in the regular reinsurance treaty, the retention mentioned considers this as the one up to which Ageas Group is responsible for.

The row 'Gross outstanding claim liabilities (including IBNR)' represents the amount reported at year end 2014.

The amount Total claims in the statement of financial position is further disclosed in note 21 Insurance Liabilities section 21.4 Liabilities arising from Non-life insurance contracts.

5.7.2.3 Reinsurance

Where appropriate, Ageas insurance companies enter into reinsurance contracts to limit their exposure to underwriting losses. This reinsurance may be on a policy-by-policy basis (per risk), or on a portfolio basis (per event), i.e. where individual policyholder exposures are within local limits but an unacceptable risk of accumulation of claims exists at group level (catastrophe risks). The latter events are mostly weather related or man-made. Reinsurance companies are selected based primarily on pricing and counterparty default risk considerations. The management of counterparty default risk is integrated into the overall management of credit risk.

The major uses of external reinsurance include the mitigation of the impact of natural disasters (e.g. hurricanes, earthquakes and floods), large single claims from policies with high limits and multiple claims triggered by a single man-made event.

2 The term 'event' is clearly defined in the reinsurance treaty covering it.

The table below provides details by product line on the proportion of premiums ceded to reinsurers in the year ended 31 December (amounts in millions).

2014	Gross written premiums	Ceded premiums	Net premiums
<i>Product</i>			
Life	5,155.3	(106.3)	5,049.0
Accident & Health	854.1	(29.3)	824.8
Property & Casualty	3,249.2	(218.8)	3,030.4
General and eliminations	(0.3)		(0.3)
Total	9,258.3	(354.4)	8,903.9

2013	Gross written premiums	Ceded premiums	Net premiums
<i>Product</i>			
Life	4,868.7	(95.5)	4,773.2
Accident & Health	854.2	(28.8)	825.4
Property & Casualty	3,116.9	(211.3)	2,905.6
General and eliminations	(0.9)		(0.9)
Total	8,838.9	(335.6)	8,503.3

5.8 Operational risks

All companies including financial institutions are subject to operational risk understood as the risk of losses arising from inadequate or failed internal processes, personnel or systems, or from external events.

Ageas at Group level as well as at local level has in place processes to manage operational risks. These processes are an integral part of the risk management framework and need to be approved by the appropriate group and local bodies. The operational risk management framework consists of company-wide policies and processes embedded at Group level and in all local businesses, which collectively aims at identifying, assessing, managing, monitoring and reporting on operational risks. These company-wide processes are:

- loss data collection;
- internal control adequacy assessment;
- key risk identification and assessment process;
- scenario-based analysis.

Through its Risk Taxonomy, Ageas has classified its potential sources of operational risks:

- clients, products and business practices.

It refers to the risk of losses arising from failures to meet an obligation to specific clients (including fiduciary and suitability requirements) or from the nature or design of products:

- compliance risk;
- execution, Delivery & Process Management.

This risk includes the inability to deliver and execute according to budget and/or strategic plan as well as risk of losses related to inadequately designed or implemented governance bodies, policies, guidance, processes and decision-rights. It also includes the risk that model process and governance are not followed:

- business disruption and system failures;
- employee practices and workplace safety;
- fraud risk;
- damage to assets;
- model adequacy risk: this is the risk of losses resulting from inadequately designed models or models that are not fit for purpose.

Ageas aims to keep these operational risks at appropriate levels by maintaining sound and well-controlled environments in light of the characteristics of its business, the markets and the regulatory environments in which it operates. While these control measures mitigate operational risks they can never completely eliminate them.

An Internal Control Assessment (INCA) process is performed each year and results in the annual management Control Statement issued by all local and group CEO's who express their confidence in their control frameworks.

5.9 Strategic risks

Ageas' definition of Strategic risks cover external and internal factors that can impact Ageas' ability to meet its current business plan and also to position itself for achieving on-going growth and value creation. Strategic risks include changes in the regulatory, economic and competitive environment. This risk also considers customers and staff behaviour. The risk can be triggered or increased by inadequate internal decision making and management. It may also arise from a loss of reputation and franchise value.

Business strategies need to take such risks into account and Ageas aims to be pro-active in identifying such risks and responding to them.

Ageas' regular risk identification and assessment processes take strategic risks. These are also explicitly considered throughout the strategic review and planning processes and followed up as part of the regular performance dialogues.

5.10 Total risk

Ageas has in place a group-wide Key Risk Report process to identify key risks that could impact the realisation of Ageas' objectives. It also assesses the control framework in place to ensure that these risks are managed on an on-going basis. Each business follows up on their key risks at least on a quarterly basis and the most significant risks are also monitored at group level. A wide range of internal and external sources are used in the identification of the key risks. The main sources used are:

- Key Risk Reports
- Risk Taxonomy
- Internal Control Reviews (INCA)
- ERM review including Model Assessments
- Actuarial opinions
- Performance notes /Performance targets (MYB).

Process

At least once a year, a full bottom-up risk and control self-assessment exercise is conducted, identifying in a bottom-up way all key risks the company is confronted with.

The thus identified risks, categorised in accordance with the Ageas Risk Taxonomy are assessed and reported to Ageas Group by the various entities using a standard likelihood and impact grid which provides an overview on the overall level of concern they represent (i.e. their materiality). The risks are qualitatively described and explained in relation to the objectives they are associated with.

Quarterly, the list with the top risks is communicated to the Risk and Capital Committee and Ageas Board.

Risk Officers from each local business and Regions (including Corporate Function) provide quarterly updates on those risk statements to Ageas' Group Risk with updates on those risk statements. Group Risk consolidates all reports and a consolidated view is then discussed at the level of the ARC and ExCo.

On a monthly basis at each Ageas Group Risk Committee the evolutions of the key risks are discussed.

6 Regulatory supervision and solvency

At the Ageas consolidated level, the National Bank of Belgium (NBB) supervises Ageas. The regulators in the countries in which the subsidiaries are located supervise the subsidiaries of Ageas in those countries, using their own solvency measures and based on local accounting principles.

Based on the rules and regulations for Insurance Groups applicable in Belgium, Ageas reports on a quarterly basis to the NBB its available regulatory capital and required solvency. This prudential supervision includes quarterly verification that Ageas, on a consolidated basis, meets the solvency requirements.

The reconciliation of the Shareholders' capital to the available regulatory capital and resulting solvency ratios is as follows.

	2014	2013
Share capital and reserves	7,151.4	6,659.6
Net result attributable to shareholders	475.6	569.5
Unrealised gains and losses	2,596.3	1,296.0
Shareholders' equity	10,223.3	8,525.1
Non-controlling interests	688.2	804.9
Total equity	10,911.5	9,330.0
Subordinated liabilities	2,086.3	1,971.0
Prudential filters		
Local required equalisation reserves for catastrophes	(240.7)	(241.3)
Pension adjustment		(18.0)
Revaluation of investment property, net of tax (at 90%)	792.5	764.1
Adjustment valuation of available for sale investments	(2,869.3)	(1,706.2)
Cash flow hedge	(20.9)	36.2
Goodwill	(911.0)	(857.6)
Other intangible assets	(381.6)	(347.6)
Proposed dividend	(518.8)	(308.0)
Regulatory capital	8,848.0	8,622.6
Solvency ratio's		
Solvency requirements	4,218.3	4,026.2
Solvency excess	4,629.7	4,596.4
Solvency ratio	209.8%	214.2%

6.1 Ageas capital management

Ageas considers a strong capital base in the individual insurance operations a necessity, on one hand as a competitive advantage and on the other as being necessary to fund the planned growth.

Ageas targets a minimum aggregate solvency I capital ratio of 200% of the minimum solvency requirements at the total Insurance level. Ageas is in the process of formulating capital targets for its Insurance operations under Solvency II.

The General Account comprises the group functions, financing transactions (net of on-lending), as well as so-called legacy issues. At General Account level, Ageas accepts a negative capital position, indicating that some leverage is applied. This leverage can be created by virtue of the existence of the RPN(I) and the AG put option. The RPN(I) represents permanent funding without any repayment commitment, while the AG put option has loss absorbing characteristics (see note 29 Liabilities related to written put options NCI).

Capital position Insurance

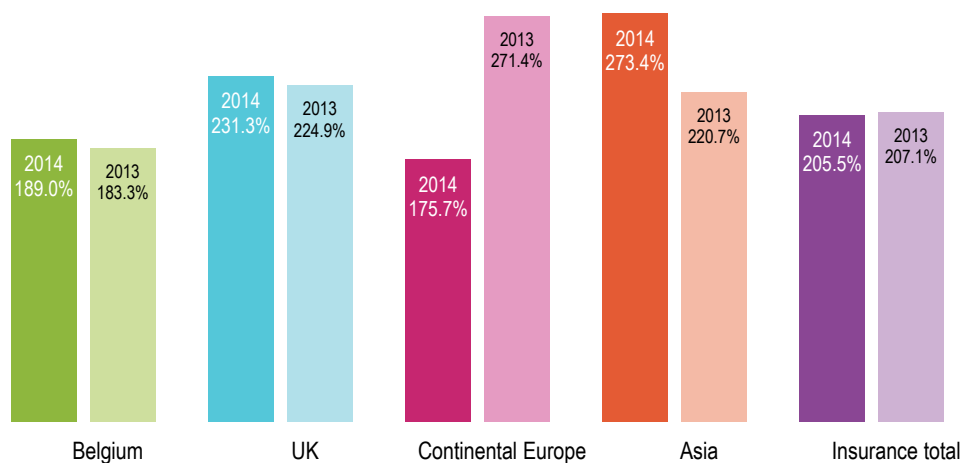
At 31 December 2014, the total available capital of the insurance operations stood at EUR 8.7 billion (31 December 2013: EUR 8.3 billion), 205.5% of the required minimum (31 December 2013: 207.1%).

31 December 2014	Belgium	UK	Continental Europe	Asia	Consolidation Adjustments	Insurance total	General (incl. elim)	Total Ageas
Total available capital	4,755.7	845.2	1,060.9	2,004.5	2.7	8,669.0	179.0	8,848.0
Minimum solvency requirements	2,515.8	365.4	603.9	733.2		4,218.3		4,218.3
Amount of total capital above minimum	2,239.9	479.8	457.0	1,271.3	2.7	4,450.7	179.0	4,629.7
Total solvency ratio	189.0%	231.3%	175.7%	273.4%		205.5%		209.8%

31 December 2013	Belgium	UK	Continental Europe	Asia	Consolidation Adjustments	Insurance total	General (incl. elim)	Total Ageas
Total available capital	4,493.0	901.5	1,552.6	1,330.2	59.6	8,336.9	285.7	8,622.6
Minimum solvency requirements	2,450.7	400.8	572.0	602.7		4,026.2		4,026.2
Amount of total capital above minimum	2,042.3	500.7	980.6	727.5	59.6	4,310.7	285.7	4,596.4
Total solvency ratio	183.3%	224.9%	271.4%	220.7%		207.1%		214.2%

The solvency calculation as at 31 December takes into consideration the dividends approved by the respective Boards prior to the date of the financial statements.

The solvency position per Insurance segment and for Insurance total can graphically be shown as follows.



Net cash position General Account

Based on the rules and regulations of the NBB, the available regulatory capital of the General Account (including eliminations) amounted to EUR 0.2 billion at 31 December 2014 (31 December 2013: EUR 0.3 billion).

For a holding, not only the available regulatory capital is relevant but also the financial flexibility to use this capital. Ageas therefore also monitors the Net Cash position of the General Account.

The Net cash position consists of the available Cash and cash equivalents as well as short term investments that can be liquidated at short notice and limited cost, currently primarily bank deposits, and netted for the debt securities that are due.

The net cash position stood per 31 December 2014 at EUR 1.6 billion (31 December 2013: EUR 1.9 billion). The main movements were:

- the General Account received EUR 0.7 billion dividend from subsidiaries and equity associates;
- the General Account paid EUR 0.2 billion in relation to the share buyback programmes for 2013 and 2014;
- the General Account paid EUR 0.2 billion for funding of subsidiaries and equity associates;
- the General Account paid EUR 0.3 billion dividend to its shareholders;
- the General Account paid EUR 0.2 billion for the purchase of bonds.

	31 December 2014	31 December 2013
Cash and cash equivalents	969.6	781.3
Due from banks	630.0	900.0
Due to banks short term		(0.2)
Treasury Bills	40.0	300.0
Debt certificates	(2.2)	(68.4)
Net cash position	1,637.4	1,912.7

7 Remuneration and benefits

7.1 Employee benefits

This note covers post-employment benefits, other long-term employee benefits and termination benefits. Post-employment benefits are employee benefits, such as pensions and post-employment medical care, which are payable after the end of employment. Other long-term employee benefits are employee benefits which do not fall fully due within twelve months of the period in which the employees rendered the related service, including long-service awards and long-term disability benefits. Termination benefits are employee benefits payable as a result of the premature end of the employee's employment contract.

On 16 June 2011, the International Accounting Standards Board published the final version of the IAS19 Amendments (IAS 19 R) coming into effect on 1 January 2013. This has impacted the reporting post-employment benefits as follows:

- the corridor principle is abolished and replaced with recognition in Other comprehensive income as from 2013. The recognition of any actuarial gains and losses for post-employment benefits according to the corridor was applied for the last time in 2012;
- the pension cost now includes net interest expense, calculated by applying the discount rate to the net pension liability. The discount rate remains a high quality corporate bond rate where there is a deep market in such bonds, and a government bond rate in other markets;
- in 2013, in Belgium due to the recognition of future premium taxes and social security contributions, a tax liability has been added to the defined benefit obligation.

All prior year amounts have been restated accordingly. The restatement resulting from applying the revised IAS19 standard has increased the defined benefit liabilities on 31 December 2012 with EUR 162.7 million.

The table below shows an overview of all the Employee benefits' liabilities (assets) at Ageas.

	2014	2013
Post-employment benefits - defined benefit plans - pensions	455.7	358.2
Post-employment benefits - defined benefit plans - other	116.3	91.6
Other long-term employee benefits	13.2	12.4
Termination benefits	8.5	10.7
Total net defined benefits liabilities (assets)	593.7	472.9

Liabilities and related service cost are calculated according to the Projected Unit Credit Method. The objective under this method is to expense each participant's benefits as they would accrue taking into account future compensation increases and the plan's benefit allocation principles.

The defined benefit obligation is the net present value of the participant's attributed benefits measured at the reporting date. The current service cost is the net present value of the participant's benefits attributed to service during the year.

The pension cost includes net interest expense, calculated by applying the discount rate to the net pension liability. The discount

rate is a high quality corporate bond rate where there is a deep market in such bonds, and a government bond rate in other markets.

Some assets might be restricted to their recoverable amount in the form of a reduction in future contributions or a cash refund (asset ceiling). Additionally, there might be recognition of a liability from a minimum funding requirement.

The recognition of actuarial gains and losses for post-employment benefits occurs in Other comprehensive income, whereas those for Other long-term employee benefits and Termination benefits occur in income statement.

7.1.1 Post-employment benefits

7.1.1.1 Defined benefit pension plans and other post-employment benefits

Ageas operates defined benefit pension plans covering the majority of its employees. Ageas' preferred approach is to replace defined benefit plans by defined contribution plans, in order to better monitor and control the employer costs, to facilitate cross-country mobility and to ease the understanding of the benefit. However, respecting earlier commitments, Ageas still does operate defined benefit pension plans covering a large part of its employees.

Under defined benefit pension plans, benefits are calculated based on years of service and level of salary. Pension obligations are determined on the basis of mortality tables, employee turnover, wage drift and economic assumptions such as inflation and discount rate. Discount rates are set per country or region on the basis of the yield (at closing date) of corporate AA-bonds. These defined benefit plans expose the group to actuarial risks, such as longevity, currency, interest rate and market risk.

In addition to pensions, post-employment benefits may also include other expenses such as reimbursement of part of health insurance premiums, which continue to be granted to employees after retirement.

The following table provides details of the amounts shown in the statement of financial position as at 31 December regarding defined-benefit pension obligations and other post-employment benefits.

	Defined benefit pension plans		Other post-employment benefits	
	2014	2013	2014	2013
Present value of funded obligations	281.7	211.2		
Present value of unfunded obligations	429.8	367.4	116.3	91.6
Defined benefit obligation	711.5	578.6	116.3	91.6
Fair value of plan assets	(271.1)	(220.4)		
	440.4	358.2	116.3	91.6
Asset ceiling / minimum funding requirement	15.3			
Net defined benefit liabilities (assets)	455.7	358.2	116.3	91.6
<i>Amounts in the statement of financial position:</i>				
Defined benefit liabilities	455.7	376.2	116.3	91.6
Defined benefit assets		(18.0)		
Net defined benefit liabilities (assets)	455.7	358.2	116.3	91.6

Defined benefit liabilities are classified under Accrued interest and other liabilities (see note 27) and defined benefit assets are classified under Accrued interest and other assets (see note 17).

As Ageas is a financial institution specialising in the management of employee benefits, some of its employees' pension plans are insured by Ageas insurance companies. Under IFRS, the assets backing these pension plans are non-qualifying and consequently

may not be considered as plan assets. For this reason, these plans are classified as 'unfunded'.

From an economic point of view, the net defined liability is offset by the non-qualifying plan assets which are held within Ageas (2014: EUR 300.4 million; 2013: EUR 282.7 million), resulting in a net liability of EUR 155.5 million in 2014 (2013: EUR 75.7 million) for defined benefit pension obligations.

The following table reflects the changes in net defined benefit liabilities (assets) as recognised in the statement of financial position.

	Defined benefit pension plans		Other post-employment benefits	
	2014	2013	2014	2013
Net defined benefit liabilities (assets) as at 1 January	358.2	419.1	91.6	93.5
Total defined benefit expense	38.4	38.5	5.8	6.9
Employer's contributions	(11.4)	(9.5)		
Benefits directly paid by the employer	(15.9)	(18.5)	(2.3)	(2.2)
Foreign exchange differences	(1.3)	(0.6)		
Other	1.3	(7.5)	(0.8)	(0.5)
Remeasurement	86.4	(63.3)	22.0	(6.1)
Net defined benefit liabilities (assets) as at 31 December	455.7	358.2	116.3	91.6

Benefits directly paid by the employer relate to defined benefit pension plans that are directly held within an Ageas entity. The line Other in 2014 includes mainly the transfer of defined benefit obligations and its correspondent qualified plan assets from another pension plan. The line Other in 2013 includes mainly the transfer of a part of the defined benefit obligations to another pension plan. These obligations were backed by non-qualifying assets.

The table below shows the changes in the defined benefit obligation.

	Defined benefit pension plans		Other post-employment benefits	
	2014	2013	2014	2013
Defined benefit obligation as at 1 January	578.6	630.9	91.6	93.5
Current service cost	26.8	28.0	3.0	4.4
Interest cost	18.4	17.8	2.9	2.5
Past service cost - vested benefits	(0.7)	0.6		
Curtailments	1.8			
Settlements	(0.3)	(17.7)	(0.1)	
Remeasurement	88.5	(45.8)	22.0	(6.1)
Participants' contributions	0.3	0.3		
Benefits paid	(8.4)	(6.3)		
Benefits directly paid by the employer	(15.9)	(18.5)	(2.3)	(2.2)
Foreign exchange differences	10.9	(3.7)		
Other	11.5	(7.0)	(0.8)	(0.5)
Defined benefit obligation as at 31 December	711.5	578.6	116.3	91.6

The following table shows the changes in the fair value of plan assets.

Defined benefit pension plans	2014	2013
Fair value of plan assets as at 1 January	220.4	211.8
Settlements		(17.0)
Interest income	9.3	7.7
Remeasurement (return on plan assets, excluding effect of interest rate)	16.2	17.5
Employer's contributions	11.4	9.5
Participants' contributions	0.3	0.3
Benefits paid	(8.4)	(6.3)
Foreign exchange differences	12.2	(3.1)
Other	9.7	
Fair value of plan assets as at 31 December	271.1	220.4

The following table shows the changes in the asset ceiling and/or minimum funding requirement.

	Defined benefit pension plans	
	2014	2013
Asset ceiling / minimum funding requirement as at 1 January		
Interest cost	1.2	
Remeasurement	14.1	
Asset ceiling / minimum funding requirement as at 31 December	15.3	

The following table shows the components affecting the income statement related to the defined benefit pension plans and other post-employment benefits for the year ended 31 December.

	Defined benefit pension plans		Other post-employment benefits	
	2014	2013	2014	2013
Current service cost	26.8	28.0	3.0	4.4
Net interest cost	10.3	10.1	2.9	2.5
Past service cost - vested benefits	(0.7)	0.6		
Curtailments	1.8			
Settlements	(0.3)	(0.7)	(0.1)	
Other	0.5	0.5		
Total defined benefit expense	38.4	38.5	5.8	6.9

Net interest cost is included in Financing costs (see note 42). All other items are included in Staff expenses (see note 45).

The following table shows the composition of remeasurements for the year ended 31 December.

	Defined benefit pension plans		Other post-employment benefits	
	2014	2013	2014	2013
Return on plan assets, excluding effect of interest rate	(16.2)	(17.5)		
Remeasurement on asset ceiling / minimum funding requirement	14.1			
Actuarial (gains) losses with regard to:				
change in demographic assumptions		0.6	1.1	
change in financial assumptions	101.5	(41.5)	18.9	(7.4)
experience adjustments	(13.0)	(4.9)	2.0	1.3
Remeasurement on net defined liability (asset)	86.4	(63.3)	22.0	(6.1)

Remeasurement of the net defined benefit liability is recognised in Other comprehensive income. Remeasurements on defined benefit obligations reflect the change in actuarial assumptions (i.e. demographic and financial assumptions) and the experience adjustment. Remeasurements on plan assets are mainly the difference between actual return on plan assets and expected discount rate.

Experience adjustments are actuarial gains and losses that arise because of differences between the actuarial assumptions made at the beginning of the year and actual experience during the year.

The following table reflects the weighted average duration of defined benefit obligation.

2014	Defined benefit pension plans		Other post-employment benefits
Weighted average duration of defined benefit obligation		16.3	18.6

The following table shows the principal actuarial assumptions made for the euro-zone countries.

	Defined benefit pension plans				Other post-employment benefits			
	2014		2013		2014		2013	
	Low	High	Low	High	Low	High	Low	High
Discount rate	0.8%	1.7%	2.4%	3.3%	1.3%	1.8%	2.4%	3.3%
Future salary increases (price inflation included)	1.5%	4.5%	2.0%	5.0%				
Future pension increases (price inflation included)	0.0%	1.5%	0.0%	2.0%				
Medical cost trend rates					3.8%	3.8%	3.8%	3.8%

The discount rate on pensions is weighted by the net defined benefit liability (asset) on pensions. The largest pension schemes are in Belgium, with discount rates varying from 0.80% to 1.70%. The discount rate on other post-employment benefits varies in 2014 from 1.3% in the Netherlands to 1.8% in Belgium. The future salary increases varies in 2014 from 1.5% for older employees group to 4.5% for the younger ones.

The following table shows the principal actuarial assumptions made for other countries.

Defined benefit pension plans	2014	2013
Discount rate	3.5%	4.5%
Future salary increases (price inflation included)	3.5%	3.5%
Future pension increases (price inflation included)	2.0% - 3.0%	5.0%

The euro-zone represents 73% of Ageas' total defined benefit obligations. Other countries include only obligations in the United Kingdom. Other post-employment benefits in countries outside the euro-zone are not regarded as significant.

A one-per-cent change in the actuarial assumptions would have the following effect on the defined benefit obligation for defined benefit pension plans and other post-employment benefits.

	Defined benefit pension plans		Other post-employment benefits	
	2014	2013	2014	2013
Defined benefit obligation	711.5	578.6	116.3	91.6
Effect of changes in assumed discount rate:				
One-percent increase	(15.8%)	(12.4%)	(17.5%)	(15.0%)
One-percent decrease	15.6%	15.6%	23.7%	19.5%
Effect of changes in assumed future salary increases:				
One-percent increase	14.3%	16.2%		
One-percent decrease	(11.1%)	(9.5%)		
Effect of changes in assumed pension increase:				
One-percent increase	7.0%	9.0%		
One-percent decrease	(8.9%)	(7.4%)		

A one-per-cent change in assumed medical cost trend rates would have the following effect on the defined benefit obligation for medical costs.

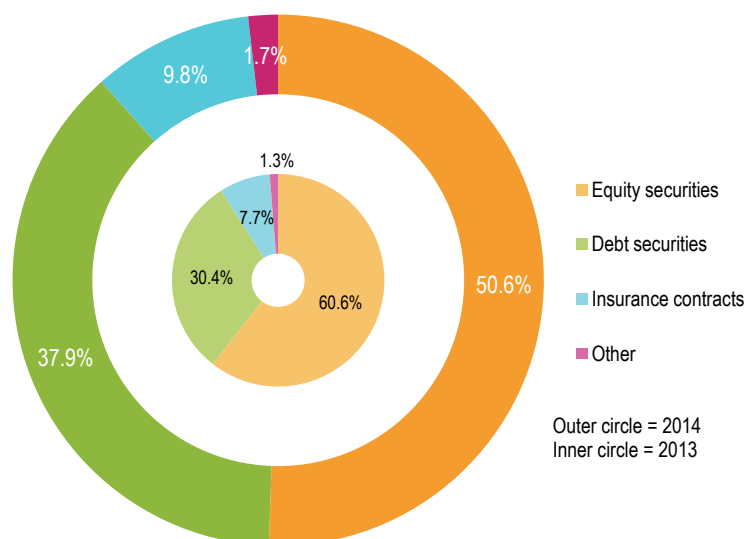
	2014	Medical Care 2013
Defined benefit obligation	113.8	89.0
Effect of changes in assumed medical costs and trend rates:		
One-percent increase	24.3%	22.0%
One-percent decrease	(18.3%)	(17.0%)

The plan assets comprise predominantly equity securities, fixed-income securities and investment contracts with insurance companies. Ageas' internal investment policy stipulates that investment in derivatives and emerging markets for the purpose of funding pension plans is to be avoided. Ageas gradually adjusts its asset allocation policy to ensure a close match between the duration of assets and that of pension liabilities.

The asset mix of the plan assets for pension obligations is as follows.

	31 December 2014	%	31 December 2013	%
Equity securities	137.3	50.6%	133.5	60.6%
Debt securities	102.6	37.9%	67.0	30.4%
Insurance contracts	26.5	9.8%	16.8	7.7%
Real estate	0.7	0.2%	0.3	0.1%
Cash	4.0	1.5%	2.1	0.9%
Other			0.7	0.3%
Total	271.1	100.0%	220.4	100.0%

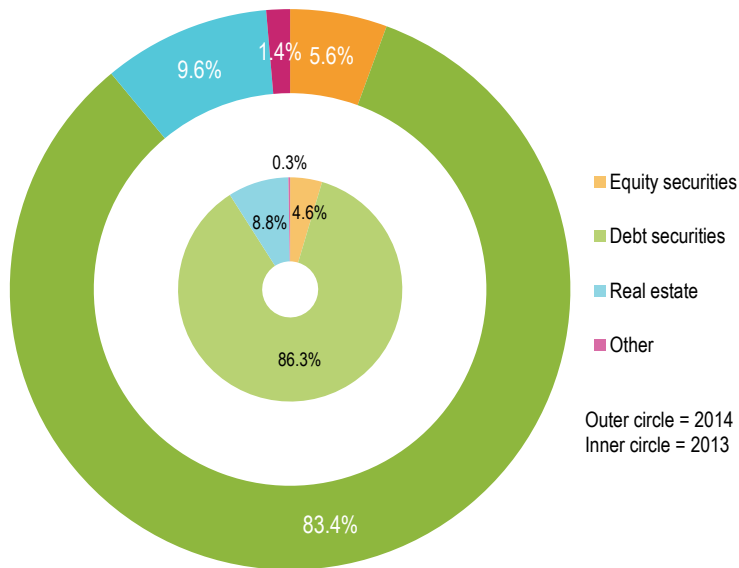
The asset mix of the plan assets can graphically be shown as follows.



The mix of the unqualified assets for pension obligations is as follows.

	31 December 2014	%	31 December 2013	%
Equity securities	16.8	5.6%	13.0	4.6%
Debt securities	250.5	83.4%	244.0	86.3%
Real estate	29.0	9.6%	24.8	8.8%
Convertible bonds	1.1	0.4%	1.0	0.3%
Cash	3.0	1.0%		
Total	300.4	100.0%	282.8	100.0%

The mix of the unqualified assets for pension obligations can graphically be shown as follows.



The employer's contributions expected to be paid to post-employment benefit plans for the year ending 31 December 2015 are as follows.

	Defined benefit pension plans
Expected contribution next year to plan assets	6.4
Expected contribution next year to unqualified plan assets	20.5

7.1.1.2 Defined-contribution plans

Ageas operates a number of defined contribution plans worldwide. The employer's commitment to a defined contribution plan is limited to the payment of contributions calculated in accordance with the plan's regulations. Employer contributions to defined-contribution plans amounted to EUR 24.2 million in 2014 (2013: EUR 22.7 million) and are included in Staff expenses (see note 45).

In Belgium, Ageas has defined contribution plans in accordance with the Law of 28 April 2003 regarding occupational pensions (WAP/LPC plans). Such plans commit the employer to the payment of contributions as the plan's terms provide, and a guaranteed minimum return of 3.75% on employee contributions and 3.25% on employer contributions.

Their total defined benefit obligation is EUR 88.2 million in 2014 (2013: EUR 77.3 million).

Due to these minimum return promises, WAP/LPC plans do not strictly meet the definition of defined contribution plans of IAS 19 R. However, IAS 19 R does not address accounting for hybrid plans and applying defined benefit plan accounting may not be relevant. Being simultaneously employee and insurer, Ageas has chosen to apply IAS 8.10. Therefore these plans are accounted in accordance with IFRS 4, as the risks associated with these contracts are fundamentally not different from the risks associated with our usual Life Group business insurance contracts. Accordingly, the liabilities related to these plans are included within the Liabilities arising from Life insurance contracts (see note 21.1). The Employer contributions to these plans are included in Staff expenses, as mentioned above.

7.1.2 Other long-term employee benefits

Other long-term employee benefits include long-service awards. The table below shows net liabilities. The liabilities related to other long-term employee benefits are included in the statement of financial position under Accrued interest and other liabilities (see note 27).

	2014	2013
Defined benefit obligation	13.2	12.4
Net defined benefit liabilities (assets)	13.2	12.4

The following table shows the changes in liabilities for other long-term employee benefits during the year.

	2014	2013
Net liability as at 1 January	12.4	13.1
Total expense	2.2	1.0
Benefits directly paid by the employer	(1.3)	(0.9)
Other	(0.1)	(0.8)
Net liability as at 31 December	13.2	12.4

The table below provides the range of actuarial assumptions applied when calculating the liabilities for other long-term employee benefits.

	2014		2013	
	Low	High	Low	High
Discount rate	0.9%	1.2%	2.5%	2.7%
Future salary increases	1.5%	4.5%	2.0%	5.0%

Expenses related to other long-term employee benefits are shown below. Interest cost is included in Financing costs (see note 42), all other expenses are included in Staff expenses (see note 45).

	2014	2013
Current service cost	0.6	0.6
Interest cost	0.3	0.3
Net actuarial losses (gains) recognised immediately	1.3	0.1
Total expense	2.2	1.0

Actuarial losses in 2014 are mainly related to a lower discount rate.

7.1.3 Termination benefits

Termination benefits are employee benefits payable as a result of either an enterprise's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits.

The table below shows liabilities related to termination benefits included in the statement of financial position under Accrued interest and other liabilities (see note 27).

	2014	2013
Defined benefit obligation	8.5	10.7
Net defined benefit liabilities (assets)	8.5	10.7

The following table shows the changes in liabilities for termination benefits during the year.

	2014	2013
Net liability as at 1 January	10.7	14.7
Total expense	1.0	0.3
Benefits directly paid by the employer	(3.2)	(4.0)
Other		(0.3)
Net liability as at 31 December	8.5	10.7

Expenses related to termination benefits are shown below. Interest cost is included in Financing costs (see note 42). All other expenses are included in Staff expenses (see note 45).

	2014	2013
Current service cost	1.1	0.5
Interest cost	0.1	
Net actuarial losses (gains) recognised immediately	(0.2)	(0.2)
Total expense	1.0	0.3

7.2 Employee share option and share purchase plans

Ageas' remuneration package for its employees and executive committee members may include share-related instruments.

These benefits can take the form of:

- employee share options;
- restricted shares.

7.2.1 Employee share options

Since 2009, no new options were granted to employees. Ageas has committed itself to fulfilling the existing option obligations towards employees of the discontinued operations. The number of options that is disclosed in this note therefore relates to current employees of Ageas and to former employees of Ageas who were employed by the discontinued operations Fortis Bank, Fortis Insurance Netherlands and Fortis Corporate Insurance.

The following option plans are outstanding as at 31 December 2014 (the exercise prices are expressed in euros).

2014	Outstanding options	Weighted average exercise price	Highest exercise price	Lowest exercise price
<i>Lapsing year</i>				
2015	326,502	185.48	186.50	184.10
2016	434,729	246.02	246.80	244.90
2017	494,376	280.25	286.20	272.30
2018	482,730	154.40	164.60	150.60
Total	1,738,337	218.94		

2013	Outstanding options	Weighted average exercise price	Highest exercise price	Lowest exercise price
<i>Lapsing year</i>				
2014	325,681	148.80	164.60	141.80
2015	326,502	185.48	186.50	184.10
2016	434,729	246.02	246.80	244.90
2017	494,376	280.25	286.20	272.30
2018	482,730	154.40	164.60	150.60
Total	2,064,018	207.88		

The average duration of the options outstanding at year end 2014 is 2.0 years (2013: 2.6 years). The changes in outstanding options are as follows.

	2014		2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance as at 1 January	2,064,018	207.88	2,410,735	198.48
Lapsed	(325,681)		(346,717)	
Balance as at 31 December	1,738,337	218.94	2,064,018	207.88
On existing ageas shares	8,720		20,825	
On new ageas shares	1,729,617		2,043,193	
Of which are conditional				
Of which are unconditional	1,738,337		2,064,018	
Exercisable out of the money	1,738,337		2,064,018	

In 2014 and 2013, Ageas recorded no expenses with respect to the option plans since they are all vested. As long as the options are not exercised, they have no impact on shareholders' equity, as the expenses recorded in the income statement are offset by a corresponding increase in shareholders' equity. When the options are exercised, an amount equal to the exercise price will be transferred within shareholders' equity from reserves to share capital and premium reserve. In 2014 and 2013 no options were exercised.

The options granted by Ageas are ten-year American at-the-money call options with a five-year vesting period, the value is based on the Simple-Cox model. The volatility is based on market information of external parties.

All option plans and restricted share plans (see below) are settled by the delivery of Ageas shares rather than in cash. Some option plans and restricted share plans specifically state that existing shares must be delivered upon exercise. New shares may be issued in other cases.

7.2.2 Restricted shares

In 2014, 2013, 2012 and 2011, Ageas created a restricted share programme for its senior management. Dependent on the relative performance of Ageas shares in relation to a peer group over the next three years and some additional conditions, the senior managers will be awarded, in total:

- between zero and 119,600 existing Ageas shares for free on 1 April 2015 (plan 2012);
- between zero and 167,000 existing Ageas shares for free on 1 April 2016 (plan 2013);
- between zero and 139,600 existing Ageas shares for free on 1 April 2017 (plan 2014).

In 2014, Ageas recorded EUR 3.0 million with respect to these commitments as staff expenses (2013: EUR 2.4 million).

The grant of the restricted shares for 2011 was confirmed early 2014 and amounted to 200% of the shares conditionally granted, totalling 146,000 Ageas shares. These shares were granted in April 2014.

The grant of the restricted shares for 2012 was confirmed early 2015 and amounts to 200% of the shares conditionally granted, totalling 111,600 Ageas shares. These shares will be granted in April 2015.

In addition to these plans, the members of the Management Committee have been committed to grant 100,997 shares as a long-term incentive.

The conditions of the commitments to grant and sell restricted shares are described in note 7 section 7.3 Remuneration of Board of Directors Members and Executive Committee Members.

The table below shows the changes in commitments for restricted shares during the year for senior management.

(number of shares in '000)	2014	2013
Number of restricted shares committed to be granted as at 1 January	411	272
Restricted shares committed to grant	140	166
Restricted shares granted	(112)	
Restricted shares cancelled	(30)	(27)
Number of restricted shares committed to be granted as at 31 December	409	411

The table below shows the changes in commitments for restricted shares during the year for ExCo and MCO Members.

(number of shares in '000)	2014	2013
Number of restricted shares committed to be granted as at 1 January	101	16
Restricted shares committed to grant and granted	53	85
Number of restricted shares committed to be granted as at 31 December	154	101

7.3 Remuneration of Board of Directors and Executive Committee members

This note describes the Ageas Remuneration Policy as applied in 2014. It contains detailed information on the remuneration of individual Board members and Executive Committee members who held office during 2014.

The remuneration of the Board of Directors members and Group Executive Committee members has been determined in accordance with the Remuneration Policy, which was approved by the General Meetings of Shareholders of ageas SA/NV and ageas N.V. on, respectively 28 and 29 April 2010, and which is set forth in the Ageas Corporate Governance Charter as may be amended from time to time (see <https://www.ageas.com/en/about-us/corporate-governance>).

Paragraph 7.3.1 describes the remuneration of the non-executive Board of Directors members. The remuneration of the executive Board member (the CEO) and the other members of the Group Executive Committee is clarified in paragraph 7.3.2 Remuneration of Ageas Executive Committee members.

7.3.1 Remuneration of the Board of Directors

Changes in the Board of Directors in 2014 – Remuneration 2014

In 2014, Davina Bruckner was appointed as a new Board member. The Board is currently composed of eleven members: Jozef De Mey (Chairman, non-executive), Bart De Smet (CEO, executive), Guy de Selliers de Moranville (vice-chairman, independent), Lionel Perl, Roel Nieuwdorp, Jan Zegering Hadders, Steve Broughton, Jane Murphy, Richard Jackson, Lucrezia Reichlin (non-executives, independent) and Davina Bruckner (non-executive).

Regarding Board membership of non-executive Board members in Ageas subsidiaries, Guy de Selliers de Moranville (Chairman), Jan Zegering Hadders and Steve Broughton continued to be members of the Board of Directors of Ageas UK, Ltd. Regarding AG Insurance SA/NV, Lionel Perl continued to be member of the Board of Directors and Jozef De Mey Chairman of the Board. Jozef De Mey is also non-executive Board member of Muang Thai Group Holding Company, Ltd., of Muang Thai Life Assurance Public Company, Ltd., of Bright Victory International, Ltd. and of Credimo Holding NV and Chairman of the Board of Directors of

Ageas Asia Holdings, Ltd. and Credimo NV. Roel Nieuwdorp is member of the Board of Directors of Ageas France S.A. To the extent that these positions are remunerated, the amounts paid out are disclosed in the tables below.

Total remuneration of non-executive Board members amounted to EUR 1.26 million in the 2014 financial year (2013: EUR 1.23 million). This remuneration includes the basic remuneration for Board membership and the attendance fees for Board meetings and Board Committee meetings both at the level of Ageas and at its subsidiaries.

Implementation of Remuneration Policy

In April 2010, the General Meetings of Shareholders of ageas SA/NV and ageas N.V. approved the Remuneration Policy applicable as of 1 January 2010 in respect of Ageas' non-executive Board members. In April 2011, the General Meetings of Shareholders of ageas SA/NV and ageas N.V. reconfirmed this Remuneration Policy.

The Ageas Remuneration Policy is in line with the Corporate Governance Act of 6 April 2010.

The remuneration levels for the non-executive Board members were validated by the General Meeting of Shareholders in April 2013 and did not change in 2014. These remuneration levels consist of a fixed annual remuneration on the one hand and an attendance fee on the other hand. The fixed annual remuneration amounts to EUR 90,000 for the Chairman and EUR 45,000 for the other non-executive Board members. Non-executive Board members receive an attendance fee of EUR 2,000 per Board Meeting and EUR 1,500 per Board Committee Meeting. For the Chairman of the Board of Directors and the Board Committees, the respective attendance fees are set at EUR 2,500 per Board Meeting and EUR 2,000 per Board Committee Meeting.

In accordance with the policy, non-executive Board members do not receive annual incentives or stock options and are not entitled to pension rights. The remuneration of the executive Board member (the CEO) is related exclusively to his position as CEO and is therefore determined in line with the Remuneration Policy for Executive Committee members (see paragraph 7.3.2).

Remuneration of the Board of Directors

The remuneration received by Board of Directors members in 2014, is mentioned in the table below. The number of Ageas shares held by Board members at 31 December 2014 is reported in the same table.

Function	From	Till	Remuneration in 2014 (in EUR) as Board Member of Ageas ^{1) 3)}	Ageas shares directly held at 31 December 2014 by current Board Members	
Jozef De Mey	Chairman	1 January 2014	31 December 2014	141,000	9,427
Guy de Selliers de Moranville	Vice-chairman	1 January 2014	31 December 2014	95,500	
Roel Nieuwdorp	Non-executive Board member	1 January 2014	31 December 2014	88,000	260
Lionel Perl	Non-executive Board member	1 January 2014	31 December 2014	89,000	
Jan Zegering Hadders	Non-executive Board member	1 January 2014	31 December 2014	93,500	
Steve Broughton	Non-executive Board member	1 January 2014	31 December 2014	84,000	
Jane Murphy	Non-executive Board member	1 January 2014	31 December 2014	86,000	
Richard Jackson	Non-executive Board member	1 January 2014	31 December 2014	76,000	
Lucrezia Reichlin	Non-executive Board member	1 January 2014	31 December 2014	74,000	
Davina Bruckner	Non-executive Board member	30 April 2014	31 December 2014	44,000	853,011
Bart De Smet	Chief Executive Officer (CEO)	1 January 2014	31 December 2014	See infra ²⁾	3,660 ⁴⁾
Total				871,000	866,358

1) Board Members also receive an attendance fee for committee meetings they attend as invitee.

2) Bart De Smet is not remunerated as Board Member but as CEO (see note 7.3.2 for details of his remuneration).

3) Excluding reimbursement of expenses.

4) Not including the shares committed to be granted for the LTI.

The remuneration received by Board of Directors Members in 2014 for their mandates in subsidiaries of Ageas is mentioned in the table below.

From	Till	Total Remuneration in 2014 (in EUR) as member of the Board of directors of Ageas subsidiaries ²⁾	
Jozef De Mey	1 January 2014	31 December 2014	85,340
Guy de Selliers de Moranville	1 January 2014	31 December 2014	52,969
Roel Nieuwdorp	1 January 2014	31 December 2014	60,000
Lionel Perl	1 January 2014	31 December 2014	63,000
Jan Zegering Hadders	1 January 2014	31 December 2014	52,710
Steve Broughton	1 January 2014	31 December 2014	75,577
Jane Murphy	1 January 2014	31 December 2014	
Richard Jackson	1 January 2014	31 December 2014	
Lucrezia Reichlin	1 January 2014	31 December 2014	
Davina Bruckner	30 April 2014	31 December 2014	
Bart De Smet	1 January 2014	31 December 2014	See infra ¹⁾
Total			389,596

1) Bart De Smet is not remunerated as Board Member but as CEO (see note 7.3.2 for details of his remuneration).

2) Excluding reimbursement of expenses.

7.3.2 Remuneration of Ageas Executive Committee Members

The composition of the Executive Committee changed during 2014. As of 1 July 2014, Filip Coremans succeeded Kurt De Schepper as CRO of the company. At 31 December 2014, the Executive Committee of Ageas is composed of Bart De Smet (CEO), Christophe Boizard (CFO) and Filip Coremans (CRO). The CEO is the only executive member of the Board of Directors.

In 2014, the total remuneration of the Executive Committee amounted to EUR 2,997,708 compared to EUR 3,773,708 in 2013. This comprised:

- a base remuneration of EUR 1,425,000 (compared to EUR 1,425,000 in 2013);
- a short-term incentive (STI) of EUR 801,151 in 2014 compared to EUR 780,404 in 2013. In line with the approved Remuneration Policy, only 50% of the short-term incentive for 2012 was paid in 2013, 25% has been adjusted and paid in 2014, the remainder is to be adjusted and paid in 2015. Additionally, only 50% of the short-term incentive for 2013 was paid in 2014, the remainder is to be adjusted and paid in 2015 and 2016. The STI for the 2014 financial year will be paid partly in 2015, 2016 and 2017;
- taking into account the relative TSR-performance of the Ageas share over the year 2014, there is no granting of a long-term incentive for 2014 (compared to 2013 when 25.033 shares – with a value of EUR 801,579 – were granted);
- pension costs of EUR 551,351 (excluding taxes) (compared to EUR 549,994 in 2013);
- an amount of EUR 220,206 (compared to EUR 216,731 in 2013) representing other usual benefits, such as health, death, disability cover and company car;
- no termination compensation was paid in 2014.

The remuneration of each Executive Committee member is further detailed below.

Remuneration Policy

The Remuneration Policy for the members of the Executive Management was determined by the Board of Directors, upon proposals by the Remuneration Committee, approved in April 2010 and amended in April 2011 by the General Meetings of Shareholders of ageas SA/NV and ageas N.V. For more detailed information on the remuneration applicable to the Ageas Executive Committee Members, please refer to the Report of the Remuneration Committee.

The remuneration package is part of a contract specifying terms and conditions: a description of the components of the package, termination clauses and various other clauses such as confidentiality and exclusivity. With effect from 1 December 2009, the contracts include a termination indemnity in accordance with the regulations laid down by the Belgian government.

The members of the Executive Committee are self-employed.

Remuneration of the ExCo Members in 2014

CEO

The remuneration of the CEO, who is also a member of the Board of Directors, relates solely to his position as CEO.

The remuneration of Bart De Smet has been determined after consultation with an external firm specialised in executive compensation and benefits, upon recommendation of the Remuneration Committee and in accordance with the Remuneration Policy.

Bart De Smet's remuneration in 2014 was comprised of:

- a base remuneration of EUR 575,000, well within the range approved by the shareholders in 2013;
- a short-term incentive of EUR 327,750. In line with the remuneration policy, he will be paid EUR 330,773 during 2015 of which:
 - EUR 163,875 is related to the 2014 financial year. In line with the Remuneration Policy, only 50% of the EUR 327,750 of STI related to the 2014 financial year will be paid in 2015. The balance of the STI related to the 2014 financial year will be paid in the next two years, subject to – upward or downward – revision as foreseen in the Remuneration Policy approved by the General Meetings of Shareholders in 2010;
 - the initial amount corresponding to 25% of the STI for the 2013 financial year was EUR 86,394, this amount was revised downwards taking into account the 2014 result to EUR 84,381. The balance of the STI related to the 2013 financial year will be paid next year, subject to – upward or downward – revision, and;
 - the initial amount corresponding to 25% of the STI for the 2012 financial year was EUR 98,563, this amount was revised downwards, taking into account the 2013 and 2014 results, to EUR 82,517.

- there was no granting of a long-term incentive over the year 2014. For 2013, 10,101 shares were conditionally granted. In line with the Remuneration Policy, and except for those that would be sold at vesting in 2017 (up to 50%) in order to allow financing of the related income tax, these shares are blocked until 2018, and are further adjusted taking into account the evolution over the years 2014, 2015 and 2016. All numbers mentioned are after the reverse stock split;
- an amount of EUR 226,934 (excluding taxes) representing the costs of the defined contribution pension plan;
- an amount of EUR 85,201 representing other usual benefits such as health, death, disability cover and company car.

Other members of the Executive Committee

The composition of the executive committee changed during 2014. As of 1 July 2014, Filip Coremans succeeded Kurt De Schepper as CRO of the company.

In 2014, the remuneration of Christophe Boizard, CFO was comprised of:

- a base remuneration of EUR 425,000, unchanged since 2011;
- a short-term incentive of EUR 222,488. In line with the remuneration policy, he will be paid EUR 235,153 during 2015 of which :
 - EUR 111,244 is related to the 2014 financial year. In line with the Remuneration Policy, only 50% of the EUR 222,488 of STI related to the 2014 financial year will be paid in 2015. The balance of the STI related to the 2014 financial year will be paid in the next two years, subject to – upward or downward – revision as foreseen in the Remuneration Policy;
 - the initial amount corresponding to 25% of the STI for the 2013 financial year was EUR 59,075, this amount was revised downwards taking into account the 2014 result to EUR 57,587. The remaining 25% of the STI related to the 2013 financial year will be paid next year subject to – upward or downward – revision;
 - the initial amount corresponding to the remaining 25% of the STI for the 2012 financial year was EUR 79,954 this amount was revised downwards, taking into account the 2013 and 2014 result, to EUR 66,322.
- there was no granting of a long-term incentive over the year 2014. For 2013, 7,466 shares were conditionally granted. In line with the Remuneration Policy, and except for those that would be sold at vesting in 2017 (up to 50%) in order to

allow financing of the related income tax, these shares are blocked until 2018, and are further adjusted taking into account the evolution over the years 2014, 2015 and 2016. All numbers mentioned are after the reverse stock split.

- an amount of EUR 158,051 (excluding taxes) representing the costs of the defined contribution pension plan;
- an amount of EUR 79,117 representing other usual benefits such as health, death, disability cover and company car.

In 2014, the remuneration of Kurt De Schepper, CRO (termination date 30 June 2014) was comprised of:

- a base remuneration of EUR 212,500;
- a short-term incentive of EUR 114,113. In line with the remuneration policy, he will be paid EUR 177,690 during 2015 of which:
 - EUR 57,057 is related to the 2014 financial year. In line with the Remuneration Policy only 50% of the EUR 114,113 of STI related to the 2014 financial year will be paid in 2015. The balance of the STI related to the 2014 financial year will be paid in the next two years, subject to – upward or downward – revision as foreseen in the Remuneration Policy;
 - the initial amount corresponding to 25% of the STI for the 2013 financial year was EUR 59,554, this amount was revised downwards, taking into account the 2014 result, to EUR 58,066. The remaining 25% of the STI related to the 2013 financial year will be paid next year subject to – upward or downward – revision;
 - the initial amount corresponding to the remaining 25% of the STI for the 2012 financial year was EUR 75,400 this amount was revised downwards, taking into account the 2013 and 2014 result, to EUR 62,567.
- there was no granting of a long-term incentive over the year 2014. For 2013, 7,466 shares were conditionally granted. In line with the Remuneration Policy, and except for those that would be sold at vesting in 2017 (up to 50%) in order to allow financing of the related income tax, these shares are blocked until 2018, and are further adjusted taking into account the evolution over the years 2014, 2015 and 2016. All numbers mentioned are after the reverse stock split;
- an amount of EUR 113,241 (excluding taxes) representing the costs of the defined contribution pension plan;
- an amount of EUR 27,521 representing other usual benefits such as health, death, disability cover and company car.

In 2014, the remuneration of Filip Coremans, CRO (start date 1 July 2014) comprised:

- a base remuneration of EUR 212,500;
- a short-term incentive of EUR 115,069. In line with the remuneration policy, he will be paid EUR 57,535 during 2015. Only 50% of the EUR 115,069 of STI related to the 2014 financial year will be paid in 2015. The balance of the STI related to the 2014 financial year will be paid in the next two years, subject to – upward or downward – revision as foreseen in the Remuneration Policy;
- there was no granting of a long-term incentive over the year 2014;

- an amount of EUR 53,125 (excluding taxes) representing the costs of the defined contribution pension plan;
- an amount of EUR 28,367 representing other usual benefits such as health, death, disability cover and company car.

Long-term incentive

As mentioned above, in 2014, there is no granting of a long term incentive taking into account the relative TSR- performance of the Ageas share over the year 2014.

The below table gives an overview of the number of shares granted in previous years. These shares vest only at 30 June of N+4 and are adjusted taking into account performance over the intermediate period.

	Number of shares committed to be granted for 2011	Number of shares committed to be granted for 2012	Number of shares committed to be granted for 2013	Number of shares committed to be granted for 2014
Bart De Smet	3,365	16,576	10,101	
Christophe Boizard	932	14,090	7,466	
Filip Coremans				
Kurt De Schepper	2,692	13,261	7,466	
Total	6,989	43,927	25,033	

There are no restricted shares outstanding from previous years.

Before appointment

Details of the share options (granted) awarded to the ExCo members in the past in relation to their previous positions with the Group are as follows.

	Year	Number of options granted	Exercise price	Expiry date	Exercised before 2014	Options exercised in 2014	Outstanding at 31 December 2014
Kurt De Schepper	2005	8,959	18.41	11-04-2015			8,959
Filip Coremans	2005	4,778	18.65	11-04-2015			4,778
	2006	5,973	24.68	03-04-2016			5,973
	2007	4,778	28.62	02-04-2017			4,778
	2008	4,000	16.46	05-03-2018			4,000

In the table above, the number of options granted and the exercise price relate to the share units prior to the reverse stock split in August 2012. To express them as current shares and at current share prices, the number of options has to be divided by ten and the exercise price multiplied by ten.

Details of the restricted shares (granted), relating to the Restricted Stock Unit-plans awarded to the ExCo-members in the past in relation to their previous positions with the Group are as follows.

	Year	Number of RSU granted	Vesting date	Vested in 2014	RSU committed to be granted at 31 December 2014
Filip Coremans	2012	800	1-04-2015		800
	2013	1,000	1-04-2016		1,000
	2014	800	1-04-2017		800

8 Related parties

Parties related to Ageas include associates, pension funds, Board members (i.e. non-executive and executive members of the Ageas Board of Directors), Executive Managers, close family members of any individual referred to above, entities controlled or significantly influenced by any individual referred to above and other related entities. Ageas frequently enters into transactions with related parties in the course of its business operations. Such transactions mainly concern loans, deposits and reinsurance contracts and are entered into under the same commercial and market terms that apply to non-related parties.

Ageas companies may grant credits, loans or guarantees in the normal course of business to Board members and Executive Managers or to close family members of the Board members or close family members of Executive Managers.

As at 31 December 2014, no outstanding loans, credits or bank guarantees have been granted to Board members and Executive Managers or to close family members of the Board members and close family members of Executive Managers.

Transactions entered into with the following related parties during the year ended 31 December are summarised below:

- associates;
- other related parties such as pension funds;
- Board members.

In April 2013, Ageas closed a transaction comprising the acquisition of a 33% stake in DTH Partners LLC. Davina Bruckner, who succeeded her father, Ronny Bruckner, and became a board member of ageas SA/NV in April 2014 is affiliated with DTH Partners LLC. The Board of DTH Partners LLC is chaired by Mr Jozef De Mey (also the chairman of the Board of Ageas). Under IFRS rules, transactions and commitments like this are regarded as a related party transaction and need as such to be disclosed.

Details of the transaction

In December 2011, AG Insurance issued DTH Partners LLC and NB 70 Pine LLC (joint and several borrowers), both real estate investment companies in the U.S., a convertible bridge loan of

USD 70 million (EUR 53 million) to help finance the acquisition of a landmark building in New York City on 70 Pine Street in Manhattan. The loan matured on 26 April 2013 and consequently the following agreements were finalised and closed:

- a DTH Operating Agreement between Westbridge SARL and AG Real Estate Westinvest SA resulting in a capital contribution of USD 103 million (EUR 84.8 million) representing a 33% equity stake in DTH Partners LLC. This equity stake is included in the statement of financial position in the caption Investments in associates. At year-end 2013 the purchase accounting was completed resulting in recognising neither goodwill nor badwill;
- a Mezzanine Loan Agreement between DTH Partners LLC and AG Insurance for a nominal amount of USD 117.5 million (EUR 96.8 million) at initial interest rates between 10.5% and 15%;
- a bridge loan agreement between EBNB 70 Pine Development and AG Real Estate (North Star NV) for USD 23 million (EUR 18.9 million). This amount is part of a total bridge facility of USD 50 million by the shareholders of DTH to pre-finance a tax-credit structure, which has been delayed by the US Internal Revenue Service approval process.

The Mezzanine loan benefits from a security package that featured (i) pledges over all shares of DTH Partners LLC., (ii) guarantee agreements, (iii) pledges over receivables.

In 2013, a transaction took place between ageas SA/NV and one of its independent Board members, Mr Guy de Selliers de Moranville. The transaction relates to the renting by ageas SA/NV of a property belonging to Mr Guy de Selliers de Moranville. This property is regarded as an appropriate venue to host VIP-guests of the Board and Executive Management and is rented against an annual rent of EUR 50,000 (see the Report of the Board of Directors). Although these are unique circumstances, management considers the transactions with DTH Partners and Mr Guy de Selliers de Moranville to be concluded at arm's length.

The tables below show the lines of the income statement and statement of financial position in which amounts for related parties are included.

	2014			2013		
	Associates	Other	Total	Associates	Other	Total
Income statement - related parties						
Interest income	7.2	15.9	23.1	5.5	10.5	16.0
Fee and commission income	11.3		11.3	11.0		11.0
Other income	0.7		0.7	0.7		0.7
Operating, administrative and other expenses	(0.2)		(0.2)			

	2014			2013		
	Associates	Other	Total	Associates	Other	Total
Statement of financial position - related parties						
Financial Investments	220.3		220.3	137.2		137.2
Due from customers	133.6	120.8	254.4	136.1	103.7	239.8
Other assets	9.0	18.9	27.9	5.6	6.4	12.0
Debt certificates, subordinated liabilities and other borrowings	7.2		7.2	4.7		4.7
Other liabilities	5.1		5.1	2.7	0.1	2.8

The changes in Loans to related parties during the year ended 31 December are as follows.

	2014	Loans 2013
Related party loans as at 1 January	239.8	100.4
Additions or advances	17.1	139.4
Repayments	(2.5)	
Related party loans as at 31 December	254.4	239.8

9 Information on operating segments

9.1 General information

Ageas has an organisational structure based on an Executive Committee and a Management Committee consisting of the ExCo, the Chief Operating Officer, the Chief Executive Officers of the four geographical regions and the Group Risk Officer.

Operating segments

Ageas is organised into five operating segments (for details see below):

- Belgium;
- United Kingdom (UK);
- Continental Europe;
- Asia;
- General Account.

Ageas decided that the most appropriate way of reporting operating segments under IFRS is per region in which Ageas operates, meaning Belgium, United Kingdom, Continental Europe and Asia. In addition, Ageas reports activities not related to the core insurance business such as group finance and other holding activities within the General Account that is presented as a separate operating segment.

Ageas' segment reporting based on IFRS reflects the full economic contribution of the businesses of Ageas. The aim is direct allocation to the businesses of all statements of financial positions and income statement items for which the businesses have full managerial responsibility.

Transactions between the different businesses are executed under the standard commercial terms and conditions.

Allocation rules

In accordance with Ageas' business model, insurance companies report support activities directly in the business.

When allocating items from the statement of financial position to operating segments, a bottom-up approach is used based on the products sold to external customers.

For the items of the statement of financial position not related to products sold to customers, a tailor-made methodology adapted to the specific business model of each reportable segment is applied.

9.2 Belgium

The Belgian insurance activities, operating under the name of AG Insurance, have a longstanding history. The company serves approximately 3.5 million customers and its premium income amounts to EUR 5.9 billion. Some 68% of this income comes from Life insurance; the remainder from Non-life insurance. AG Insurance is also a 100% owner of AG Real Estate, which manages its real estate activities and has grown into the largest real estate group in Belgium.

AG Insurance targets private individuals as well as small, medium-sized and large companies. It offers its customers a comprehensive range of Life and Non-life insurance through various channels: more than 3,500 independent brokers and via the bank channels of BNP Paribas Fortis SA/NV and its subsidiaries. AG Employee Benefits is the dedicated business unit offering group pension and health care solutions, mainly to larger enterprises. Since May 2009, BNP Paribas Fortis SA/NV owns 25% of AG Insurance.

9.3 United Kingdom (UK)

Ageas' business in the UK is a leading national provider of Non-life insurance solutions. The UK business has a strong presence in the Personal lines market and is continuing to expand its Commercial lines proposition. The split is around 82% Personal lines, 16% Commercial lines and 2% Life. The UK business is the affinity partner of a number of very strong brands including Tesco Bank, John Lewis Partnership, Age UK and Toyota (GB) Limited. The UK business adopts a multi-channel distribution strategy across brokers, affinity partners and own distribution. Its 100% owned subsidiaries include Ageas 50 (former RIAS and Castle Cover) which have over a million customers in the growing 50+ age market segment and Ageas Insurance Solutions which provides white label solutions to affinity partners, outsourcing services as well as direct internet promotion of its own brands.

Recent acquisitions over the last years (the successful start-up of Tesco Underwriting, the partnership with Tesco Bank (49%) and the integration of the acquired business of Kwik-Fit Insurance Services have further strengthened Ageas' respective market positions in the UK.

In order to provide transparency in respect of the contribution from its various business segments, Ageas took the decision to break down the UK results in three sub-segments – Life, Non-life and Other Insurance. Other Insurance includes the results of its retail operations and UK head offices costs.

The Life activities in the UK (Ageas Protect) were sold at year-end 2014 (see also note 3 Acquisitions and disposals).

9.4 Continental Europe

Continental Europe consists of the insurance activities of Ageas in Europe, excluding Belgium and the United Kingdom. Active in five markets: Portugal, France, Italy and Luxembourg and since 2011 Turkey, the product range includes Life (in Portugal, France and Luxembourg) and Non-life (in Portugal, Italy and Turkey). Access to markets is facilitated through a number of key partnerships with companies enjoying a sizeable position in their respective markets.

In 2014, about 76% of total inflows were Life related and 24% Non-life.

9.5 Asia

Ageas is active in a number of countries in Asia with its regional office and the fully-owned subsidiary both based in Hong Kong. The other activities are organised in the form of joint ventures with leading local partners and financial institutions in China (20-24.9% owned by Ageas), Malaysia (30.95% owned by Ageas), Thailand (15-31% owned by Ageas) and India (26% owned by Ageas). In terms of reporting, Ageas reports on a consolidated basis the Hong Kong subsidiary while the other stakes are accounted for as equity associates.

9.6 General Account

The General Account comprises activities not related to the core Insurance business, such as group finance and other holding activities. In addition, the General Account also includes the investment in Royal Park Investments, the liabilities related to CASHES/RPN(I) and the written put option on AG Insurance.

9.7 Statement of financial position by operating segment

31 December 2014	Belgium	UK	Continental Europe	Asia	General Account	Eliminations	Total
Assets							
Cash and cash equivalents	798.7	215.7	397.8	134.5	969.6		2,516.3
Financial investments	54,840.3	2,507.3	8,404.6	2,089.9	343.8	(11.1)	68,174.8
Investment property	2,607.6	14.2	19.5				2,641.3
Loans	5,269.3	52.5	37.5	221.7	1,814.9	(1,327.6)	6,068.3
Investments related to unit-linked contracts	6,713.3		7,246.0	871.9		(72.3)	14,758.9
Investments in associates	342.2	98.4	266.8	1,458.6	48.3	7.0	2,221.3
Reinsurance and other receivables	789.1	849.1	271.1	85.7	3.7	(7.0)	1,991.7
Current tax assets	8.9	1.4	1.5				11.8
Deferred tax assets	24.6	37.7	44.1				106.4
Accrued interest and other assets	1,445.2	287.3	229.2	483.9	150.8	(136.2)	2,460.2
Property, plant and equipment	1,040.4	65.9	6.3	6.0	0.8		1,119.4
Goodwill and other intangible assets	382.3	270.0	431.5	404.8			1,488.6
Total assets	74,261.9	4,399.5	17,355.9	5,757.0	3,331.9	(1,547.2)	103,559.0
Liabilities							
Liabilities arising from Life insurance contracts	24,422.7		3,114.7	1,887.1		(4.8)	29,419.7
Liabilities arising from Life investment contracts	26,448.9		4,120.0	0.8			30,569.7
Liabilities related to unit-linked contracts	6,713.3		7,243.7	872.0			14,829.0
Liabilities arising from Non-life insurance contracts	3,710.1	2,691.4	746.1				7,147.6
Debt certificates					2.2		2.2
Subordinated liabilities	1,233.1	127.8	178.0		1,549.1	(1,001.7)	2,086.3
Borrowings	1,978.1	201.4	23.1	506.1	172.9	(398.1)	2,483.5
Current tax liabilities	37.3	7.7	28.8	10.7	0.3		84.8
Deferred tax liabilities	1,418.0	0.4	43.5		1.7		1,463.6
RPN(I)					467.0		467.0
Accrued interest and other liabilities	1,697.2	242.5	366.5	154.9	107.4	(131.6)	2,436.9
Provisions	20.2	1.4	10.3		139.5		171.4
Liabilities related to written put options on NCI	94.8				1,391.0		1,485.8
Total liabilities	67,773.7	3,272.6	15,874.7	3,431.6	3,831.1	(1,536.2)	92,647.5
Shareholders' equity	4,688.1	1,126.9	1,046.6	2,325.4	1,047.3	(11.0)	10,223.3
Non-controlling interests	1,800.1		434.6		(1,546.5)		688.2
Total equity	6,488.2	1,126.9	1,481.2	2,325.4	(499.2)	(11.0)	10,911.5
Total liabilities and equity	74,261.9	4,399.5	17,355.9	5,757.0	3,331.9	(1,547.2)	103,559.0
Number of employees	6,117	4,626	905	437	119		12,204

31 December 2013	Belgium	UK	Continental Europe	Asia	General Account	Eliminations	Total
Assets							
Cash and cash equivalents	685.9	178.7	384.6	126.1	781.3		2,156.6
Financial investments	49,268.0	2,406.7	8,045.2	1,575.1	384.3	(11.6)	61,667.7
Investment property	2,332.3		21.8	0.4			2,354.5
Loans	4,712.0	47.5	77.6	228.3	1,946.8	(1,227.8)	5,784.4
Investments related to unit-linked contracts	6,399.9		7,115.0	655.4		(72.8)	14,097.5
Investments in associates	305.8	92.2	258.4	810.7	55.6	7.5	1,530.2
Reinsurance and other receivables	782.8	938.2	233.6	68.9	3.6	(7.1)	2,020.0
Current tax assets	52.6	18.9	2.4				73.9
Deferred tax assets	17.7	38.4	24.0				80.1
Accrued interest and other assets	1,522.3	422.1	245.7	311.5	34.6	(20.0)	2,516.2
Property, plant and equipment	1,001.2	78.2	4.8	3.7	1.0		1,088.9
Goodwill and other intangible assets	351.8	252.6	437.6	370.5	0.1		1,412.6
Total assets	67,432.3	4,473.5	16,850.7	4,150.6	3,207.3	(1,331.8)	94,782.6
Liabilities							
Liabilities arising from Life insurance contracts	22,070.8	153.3	2,730.6	1,311.9		(3.9)	26,262.7
Liabilities arising from Life investment contracts	24,696.4		4,095.7	0.7			28,792.8
Liabilities related to unit-linked contracts	6,399.9		7,114.7	655.4			14,170.0
Liabilities arising from Non-life insurance contracts	3,552.7	2,524.2	720.3				6,797.2
Debt certificates					68.4		68.4
Subordinated liabilities	1,177.0	119.5	28.0		1,548.5	(902.0)	1,971.0
Borrowings	1,907.3	191.5	21.2	460.8	181.5	(398.6)	2,363.7
Current tax liabilities	39.3	6.6	16.5	8.2	0.1		70.7
Deferred tax liabilities	1,045.3	25.6	53.1				1,124.0
RPN(I)					370.1		370.1
Accrued interest and other liabilities	1,501.9	325.7	153.6	121.7	84.8	(25.7)	2,162.0
Provisions	16.6	5.9	11.5		11.0		45.0
Liabilities related to written put options on NCI					1,255.0		1,255.0
Total liabilities	62,407.2	3,352.3	14,945.2	2,558.7	3,519.4	(1,330.2)	85,452.6
Shareholders' equity	3,676.1	1,121.2	1,224.1	1,591.9	913.4	(1.6)	8,525.1
Non-controlling interests	1,349.0		681.4		(1,225.5)		804.9
Total equity	5,025.1	1,121.2	1,905.5	1,591.9	(312.1)	(1.6)	9,330.0
Total liabilities and equity	67,432.3	4,473.5	16,850.7	4,150.6	3,207.3	(1,331.8)	94,782.6
Number of employees	6,083	4,876	1,070	418	123		12,570

9.8 Income statement by operating segment

2014	Belgium	UK	Continental Europe	Asia	General Account	Eliminations	Total
Income							
- Gross premium income	5,444.1	1,865.8	1,630.8	317.9		(0.3)	9,258.3
- Change in unearned premiums	(5.7)	3.3	(9.6)				(12.0)
- Ceded earned premiums	(77.1)	(167.6)	(81.1)	(28.6)			(354.4)
Net earned premiums	5,361.3	1,701.5	1,540.1	289.3		(0.3)	8,891.9
Interest, dividend and other investment income	2,550.8	69.9	265.5	108.3	59.7	(60.1)	2,994.1
Realised gain (loss) on call option BNP Paribas shares							
Unrealised gain (loss) on RPN(I)					(96.9)		(96.9)
Result on sales and revaluations	264.1	23.5	47.4	10.8	12.5	(9.3)	349.0
Income related to investments for unit-linked contracts	541.8		710.7	20.2			1,272.7
Share of result of associates	(1.0)	(2.3)	6.1	153.1	7.6		163.5
Fee and commission income	134.3	108.2	105.9	71.9			420.3
Other income	112.2	115.8	3.3	4.3	6.8	(18.5)	223.9
Total income	8,963.5	2,016.6	2,679.0	657.9	(10.3)	(88.2)	14,218.5
Expenses							
- Insurance claims and benefits, gross	(5,955.3)	(1,147.6)	(1,461.8)	(270.9)		0.9	(8,834.7)
- Insurance claims and benefits, ceded	127.9	73.8	35.8	13.7			251.2
Insurance claims and benefits, net	(5,827.4)	(1,073.8)	(1,426.0)	(257.2)		0.9	(8,583.5)
Charges related to unit-linked contracts	(577.1)		(731.9)	(28.1)			(1,337.1)
Financing costs	(120.3)	(13.4)	(1.8)	(41.1)	(50.6)	59.4	(167.8)
Change in impairments	(20.9)	(0.2)	(37.4)	(3.3)			(61.8)
Change in provisions	(3.3)	(2.1)	(1.1)		(131.0)		(137.5)
Fee and commission expenses	(630.3)	(414.8)	(154.4)	(100.8)			(1,300.3)
Staff expenses	(491.2)	(219.0)	(65.7)	(37.2)	(19.3)	1.6	(830.8)
Other expenses	(662.4)	(179.3)	(128.5)	(14.6)	(38.8)	16.9	(1,006.7)
Total expenses	(8,332.9)	(1,902.6)	(2,546.8)	(482.3)	(239.7)	78.8	(13,425.5)
Result before taxation	630.6	114.0	132.2	175.6	(250.0)	(9.4)	793.0
Tax income (expenses)	(101.0)	3.4	(34.1)	(3.7)	(1.8)		(137.2)
Net result for the period	529.6	117.4	98.1	171.9	(251.8)	(9.4)	655.8
Attributable to non-controlling interests	138.1		42.1				180.2
Net result attributable to shareholders	391.5	117.4	56.0	171.9	(251.8)	(9.4)	475.6
Total income from external customers	8,950.9	1,954.1	2,679.0	649.9	(15.4)		14,218.5
Total income internal	12.6	62.5		8.0	5.1	(88.2)	
Total income	8,963.5	2,016.6	2,679.0	657.9	(10.3)	(88.2)	14,218.5
Non-cash expenses (excl. depreciation & amortisation)	(27.1)		(109.2)	(2.5)			(138.8)

Gross inflow (sum of gross written premiums and premium inflow from investment contracts without discretionary participation features) can be calculated as follows.

2014	Belgium	UK	Continental Europe	Asia	General Account	Eliminations	Total
Gross premium income	5,444.1	1,865.8	1,630.8	317.9		(0.3)	9,258.3
Inflow deposit accounting	412.0		565.7	163.1			1,140.8
Gross inflow	5,856.1	1,865.8	2,196.5	481.0		(0.3)	10,399.1

2013	Continental				General		Total
	Belgium	UK	Europe	Asia	Account	Eliminations	
Income							
- Gross premium income	5,393.5	1,762.6	1,385.4	298.3		(0.9)	8,838.9
- Change in unearned premiums	(3.6)	29.1	(7.1)				18.4
- Ceded earned premiums	(70.4)	(157.3)	(79.4)	(28.5)			(335.6)
Net earned premiums	5,319.5	1,634.4	1,298.9	269.8		(0.9)	8,521.7
Interest, dividend and other investment income	2,498.1	74.3	277.7	99.3	109.5	(56.3)	3,002.6
Realised gain (loss) on call option BNP Paribas shares					(90.0)		(90.0)
Unrealised gain (loss) on RPN(I)					(205.1)		(205.1)
Result on sales and revaluations	162.2	8.2	29.5	7.6	(6.0)		201.5
Income related to investments for unit-linked contracts	377.1		584.4	17.2		(0.1)	978.6
Share of result of associates	(1.7)	8.2	33.4	120.4	275.6	(0.7)	435.2
Fee and commission income	138.0	101.6	126.2	63.4			429.2
Other income	125.9	82.8	3.7	0.4	6.9	(19.4)	200.3
Total income	8,619.1	1,909.5	2,353.8	578.1	90.9	(77.4)	13,474.0
Expenses							
- Insurance claims and benefits, gross	(5,718.3)	(1,114.9)	(1,253.8)	(229.6)		1.4	(8,315.2)
- Insurance claims and benefits, ceded	26.2	86.1	25.8	9.4			147.5
Insurance claims and benefits, net	(5,692.1)	(1,028.8)	(1,228.0)	(220.2)		1.4	(8,167.7)
Charges related to unit-linked contracts	(430.6)		(585.1)	(23.7)			(1,039.4)
Financing costs	(97.5)	(13.8)	(1.4)	(37.4)	(112.6)	55.9	(206.8)
Change in impairments	(46.6)		(17.6)	(1.2)	2.1	0.7	(62.6)
Change in provisions	(1.0)	3.5	(0.1)		(0.1)		2.3
Fee and commission expenses	(624.7)	(349.8)	(138.3)	(109.6)	(0.4)		(1,222.8)
Staff expenses	(474.0)	(212.8)	(72.7)	(31.8)	(19.5)	1.3	(809.5)
Other expenses	(639.1)	(188.4)	(125.1)	(8.3)	(44.9)	18.1	(987.7)
Total expenses	(8,005.6)	(1,790.1)	(2,168.3)	(432.2)	(175.4)	77.4	(12,494.2)
Result before taxation	613.5	119.4	185.5	145.9	(84.5)		979.8
Tax income (expenses)	(161.4)	(19.1)	(57.1)	(3.6)	(0.2)		(241.4)
Net result for the period	452.1	100.3	128.4	142.3	(84.7)		738.4
Attributable to non-controlling interests	117.2		51.7				168.9
Net result attributable to shareholders	334.9	100.3	76.7	142.3	(84.7)		569.5
Total income from external customers	8,562.8	1,891.2	2,353.6	571.8	52.5		13,431.9
Total income internal	14.2	18.3	0.2	6.3	38.4	(77.4)	
Total income	8,577.0	1,909.5	2,353.8	578.1	90.9	(77.4)	13,431.9
Non-cash expenses (excl. depreciation & amortisation)	(94.5)		(157.1)	(1.2)			(252.8)

Gross inflow (sum of gross written premiums and premium inflow from investment contracts without discretionary participation features) can be calculated as follows.

2013	Continental				General		Total
	Belgium	UK	Europe	Asia	Account	Eliminations	
Gross premium income	5,393.5	1,762.6	1,385.4	298.3		(0.9)	8,838.9
Inflow deposit accounting	562.6		916.3	186.2			1,665.1
Gross inflow	5,956.1	1,762.6	2,301.7	484.5		(0.9)	10,504.0

9.9 Statement of financial position split into Life, Non-life and Other Insurance

31 December 2014	Life	Non-life	Other Insurance	General Account	Eliminations	Total
Assets						
Cash and cash equivalents	1,024.5	393.2	129.0	969.6		2,516.3
Financial investments	60,724.9	7,116.9	0.3	343.8	(11.1)	68,174.8
Investment property	2,395.7	245.6				2,641.3
Loans	5,057.3	479.8	95.3	1,814.9	(1,379.0)	6,068.3
Investments related to unit-linked contracts	14,831.2				(72.3)	14,758.9
Investments in associates	1,771.6	394.4		48.3	7.0	2,221.3
Reinsurance and other receivables	532.1	1,235.6	248.6	3.7	(28.3)	1,991.7
Current tax assets	8.3	2.2	1.3			11.8
Deferred tax assets	37.6	63.2	5.6			106.4
Accrued interest and other assets	1,959.4	482.8	112.7	150.8	(245.5)	2,460.2
Property, plant and equipment	963.5	138.3	16.8	0.8		1,119.4
Goodwill and other intangible assets	1,070.2	148.4	270.0			1,488.6
Total assets	90,376.3	10,700.4	879.6	3,331.9	(1,729.2)	103,559.0
Liabilities						
Liabilities arising from Life insurance contracts	29,424.5				(4.8)	29,419.7
Liabilities arising from Life investment contracts	30,569.7					30,569.7
Liabilities related to unit-linked contracts	14,829.0					14,829.0
Liabilities arising from Non-life insurance contracts		7,147.6				7,147.6
Debt certificates				2.2		2.2
Subordinated liabilities	1,249.4	213.1	127.8	1,549.1	(1,053.1)	2,086.3
Borrowings	2,348.9	159.1	200.7	172.9	(398.1)	2,483.5
Current tax liabilities	59.2	23.4	1.9	0.3		84.8
Deferred tax liabilities	1,206.8	255.1		1.7		1,463.6
RPN(I)				467.0		467.0
Accrued interest and other liabilities	1,661.9	704.1	225.7	107.4	(262.2)	2,436.9
Provisions	19.4	12.5		139.5		171.4
Liabilities related to written put options on NCI	82.6	12.2		1,391.0		1,485.8
Total liabilities	81,451.4	8,527.1	556.1	3,831.1	(1,718.2)	92,647.5
Shareholders' equity	7,135.1	1,728.4	323.5	1,047.3	(11.0)	10,223.3
Non-controlling interests	1,789.8	444.9		(1,546.5)		688.2
Total equity	8,924.9	2,173.3	323.5	(499.2)	(11.0)	10,911.5
Total liabilities and equity	90,376.3	10,700.4	879.6	3,331.9	(1,729.2)	103,559.0
Number of employees	4,192	5,431	2,462	119		12,204

31 December 2013	Life	Non-life	Other Insurance	General Account	Eliminations	Total
Assets						
Cash and cash equivalents	988.1	352.7	34.5	781.3		2,156.6
Financial investments	54,934.9	6,359.3	0.8	384.3	(11.6)	61,667.7
Investment property	2,137.2	217.3				2,354.5
Loans	4,718.2	306.2	120.3	1,946.8	(1,307.1)	5,784.4
Investments related to unit-linked contracts	14,170.3				(72.8)	14,097.5
Investments in associates	1,091.3	375.8		55.6	7.5	1,530.2
Reinsurance and other receivables	740.7	1,118.8	251.9	3.6	(95.0)	2,020.0
Current tax assets	45.3	26.5	2.1			73.9
Deferred tax assets	22.1	52.2	5.8			80.1
Accrued interest and other assets	1,918.8	569.1	15.7	34.6	(22.0)	2,516.2
Property, plant and equipment	908.6	162.9	16.4	1.0		1,088.9
Goodwill and other intangible assets	1,016.8	143.5	252.2	0.1		1,412.6
Total assets	82,692.3	9,684.3	699.7	3,207.3	(1,501.0)	94,782.6
Liabilities						
Liabilities arising from Life insurance contracts	26,266.6				(3.9)	26,262.7
Liabilities arising from Life investment contracts	28,792.8					28,792.8
Liabilities related to unit-linked contracts	14,170.0					14,170.0
Liabilities arising from Non-life insurance contracts		6,797.2				6,797.2
Debt certificates				68.4		68.4
Subordinated liabilities	1,094.2	190.1	119.4	1,548.5	(981.2)	1,971.0
Borrowings	2,247.6	142.1	191.1	181.5	(398.6)	2,363.7
Current tax liabilities	45.0	23.6	2.0	0.1		70.7
Deferred tax liabilities	1,032.2	91.8				1,124.0
RPN(I)				370.1		370.1
Accrued interest and other liabilities	1,449.8	607.1	136.0	84.8	(115.7)	2,162.0
Provisions	16.7	16.9	0.4	11.0		45.0
Liabilities related to written put options on NCI				1,255.0		1,255.0
Total liabilities	75,114.9	7,868.8	448.9	3,519.4	(1,499.4)	85,452.6
Shareholders' equity	5,865.4	1,497.1	250.8	913.4	(1.6)	8,525.1
Non-controlling interests	1,712.0	318.4		(1,225.5)		804.9
Total equity	7,577.4	1,815.5	250.8	(312.1)	(1.6)	9,330.0
Total liabilities and equity	82,692.3	9,684.3	699.7	3,207.3	(1,501.0)	94,782.6
Number of employees	5,017	4,902	2,528	123		12,570

9.10 Income statement split into Life, Non-life and Other Insurance

2014	Life	Non-life	Other Insurance	General Account	Eliminations	Total
Income						
- Gross premium income	5,155.3	4,103.3			(0.3)	9,258.3
- Change in unearned premiums		(12.0)				(12.0)
- Ceded earned premiums	(106.3)	(248.1)				(354.4)
Net earned premiums	5,049.0	3,843.2			(0.3)	8,891.9
Interest, dividend and other investment income	2,722.3	286.3	(10.4)	59.7	(63.8)	2,994.1
Realised gain (loss) on call option BNP Paribas shares						
Unrealised gain (loss) on RPN(I)				(96.9)		(96.9)
Result on sales and revaluations	300.6	25.9	19.3	12.5	(9.3)	349.0
Income related to investments for unit-linked contracts	1,272.7					1,272.7
Share of result of associates	148.2	7.7		7.6		163.5
Fee and commission income	293.6	22.9	145.9		(42.1)	420.3
Other income	78.1	64.3	125.6	6.8	(50.9)	223.9
Total income	9,864.5	4,250.3	280.4	(10.3)	(166.4)	14,218.5
Expenses						
- Insurance claims and benefits, gross	(6,144.6)	(2,691.0)			0.9	(8,834.7)
- Insurance claims and benefits, ceded	75.1	176.1				251.2
Insurance claims and benefits, net	(6,069.5)	(2,514.9)			0.9	(8,583.5)
Charges related to unit-linked contracts	(1,337.1)					(1,337.1)
Financing costs	(155.5)	(14.2)	(10.6)	(50.6)	63.1	(167.8)
Change in impairments	(61.6)		(0.2)			(61.8)
Change in provisions	(3.2)	(3.3)		(131.0)		(137.5)
Fee and commission expenses	(517.6)	(807.7)	(17.1)		42.1	(1,300.3)
Staff expenses	(396.1)	(314.7)	(102.3)	(19.3)	1.6	(830.8)
Other expenses	(558.1)	(359.1)	(100.0)	(38.8)	49.3	(1,006.7)
Total expenses	(9,098.7)	(4,013.9)	(230.2)	(239.7)	157.0	(13,425.5)
Result before taxation	765.8	236.4	50.2	(250.0)	(9.4)	793.0
Tax income (expenses)	(90.3)	(44.3)	(0.8)	(1.8)		(137.2)
Net result for the period	675.5	192.1	49.4	(251.8)	(9.4)	655.8
Attributable to non-controlling interests	142.4	37.8				180.2
Net result attributable to shareholders	533.1	154.3	49.4	(251.8)	(9.4)	475.6
Total income from external customers	9,827.8	4,246.2	222.3	(77.8)		14,218.5
Total income internal	36.7	4.1	58.1	67.5	(166.4)	
Total income	9,864.5	4,250.3	280.4	(10.3)	(166.4)	14,218.5
Non-cash expenses (excl. depreciation & amortisation)	(135.1)	(3.7)				(138.8)

Gross inflow (sum of gross written premiums and premium inflow of investment contracts without Discretionary Participation Features) can be calculated as follows.

2014	Life	Non-life	Other Insurance	General Account	Eliminations	Total
Gross premium income	5,155.3	4,103.3			(0.3)	9,258.3
Inflow deposit accounting	1,140.8					1,140.8
Gross inflow	6,296.1	4,103.3			(0.3)	10,399.1

2013	Life	Non-life	Other Insurance	General Account	Eliminations	Total
Income						
- Gross premium income	4,868.7	3,971.1			(0.9)	8,838.9
- Change in unearned premiums		18.4				18.4
- Ceded earned premiums	(95.5)	(240.1)				(335.6)
Net earned premiums	4,773.2	3,749.4			(0.9)	8,521.7
Interest, dividend and other investment income	2,684.8	280.6	(12.3)	109.5	(60.0)	3,002.6
Realised gain (loss) on call option BNP Paribas shares				(90.0)		(90.0)
Unrealised gain (loss) on RPN(I)				(205.1)		(205.1)
Result on sales and revaluations	174.1	33.4		(6.0)		201.5
Income related to investments for unit-linked contracts	978.7				(0.1)	978.6
Share of result of associates	108.9	51.4		275.6	(0.7)	435.2
Fee and commission income	307.8	23.7	148.4		(50.7)	429.2
Other income	81.9	64.8	80.6	6.9	(33.9)	200.3
Total income	9,109.4	4,203.3	216.7	90.9	(146.3)	13,474.0
Expenses						
- Insurance claims and benefits, gross	(5,779.5)	(2,537.1)			1.4	(8,315.2)
- Insurance claims and benefits, ceded	58.2	89.3				147.5
Insurance claims and benefits, net	(5,721.3)	(2,447.8)			1.4	(8,167.7)
Charges related to unit-linked contracts	(1,039.4)					(1,039.4)
Financing costs	(128.4)	(13.3)	(12.2)	(112.6)	59.7	(206.8)
Change in impairments	(60.5)	(4.9)		2.1	0.7	(62.6)
Change in provisions	(0.4)	2.8		(0.1)		2.3
Fee and commission expenses	(508.5)	(759.7)	(4.8)	(0.4)	50.6	(1,222.8)
Staff expenses	(385.0)	(311.0)	(95.3)	(19.5)	1.3	(809.5)
Other expenses	(531.7)	(350.3)	(93.4)	(44.9)	32.6	(987.7)
Total expenses	(8,375.2)	(3,884.2)	(205.7)	(175.4)	146.3	(12,494.2)
Result before taxation	734.2	319.1	11.0	(84.5)		979.8
Tax income (expenses)	(165.9)	(76.7)	1.4	(0.2)		(241.4)
Net result for the period	568.3	242.4	12.4	(84.7)		738.4
Attributable to non-controlling interests	130.6	38.3				168.9
Net result attributable to shareholders	437.7	204.1	12.4	(84.7)		569.5
Total income from external customers	9,030.7	4,191.0	167.8	42.4		13,431.9
Total income internal	36.6	12.3	48.9	48.5	(146.3)	
Total income	9,067.3	4,203.3	216.7	90.9	(146.3)	13,431.9
Non-cash expenses (excl. depreciation & amortisation)	(241.2)	(11.6)				(252.8)

Gross inflow (sum of gross written premiums and premium inflow of investment contracts without Discretionary Participation Features) can be calculated as follows.

2013	Life	Non-life	Other Insurance	General Account	Eliminations	Total
Gross premium income	4,868.7	3,971.1			(0.9)	8,838.9
Inflow deposit accounting	1,665.1					1,665.1
Gross inflow	6,533.8	3,971.1			(0.9)	10,504.0

9.11 Operating result insurance

To analyse the insurance results, Ageas uses the concept of operating result.

Operating result includes premiums, fees and allocated financial income minus claims and benefits and operating expenses. Realised gains and losses on investments backing certain insurance liabilities, including separated funds, are part of the allocated financial income and are thus included. Financial income, net of the related investment costs, is allocated to the various Life and Non-life branches based on the investment portfolios backing the insurance liabilities of these branches.

The reconciliation of the operating margin and profit before taxation, includes all income and costs, not allocated to the insurance or investment contracts and thus not reported in the operating margin.

Within its insurance operating segments, Ageas manages its Life and Non-life businesses separately. Life business includes insurance contracts covering risks related to the life and death of individuals. Life business also includes investment contracts with and without discretionary participation features (DPF). Non-life comprises four lines of business: Accident & Health, Motor, Fire and Other damage to property (covering the risk of property losses or claims liabilities) and Other.

The operating margin for the different segments and lines of business and the reconciliation with profit before taxation are shown below.

2014	Belgium	UK	Continental Europe	Asia	General Account	Eliminations	Total Ageas
Gross inflow Life	3,962.7	137.6	1,714.8	481.0		(0.3)	6,295.8
Gross inflow Non-life	1,893.4	1,728.2	481.7				4,103.3
Operating costs	(520.6)	(196.3)	(148.6)	(50.9)			(916.4)
- <i>Guaranteed products</i>	414.6	(4.1)	53.8	39.6			503.9
- <i>Unit linked products</i>	16.7		6.4	1.6			24.7
Life operating result	431.3	(4.1)	60.2	41.2			528.6
- <i>Accident & Health</i>	58.2	(2.4)	34.0				89.8
- <i>Motor</i>	38.7	47.2	13.5				99.4
- <i>Fire and other damage to property</i>	31.5	30.0	4.0				65.5
- <i>Other</i>	(39.8)	(8.3)	(2.2)				(50.3)
Non-life operating result	88.6	66.5	49.3				204.4
Operating result	519.9	62.4	109.5	41.2			733.0
Share of result of associates non allocated		(2.2)	6.1	153.0	7.6	0.1	164.6
Other result, including brokerage	110.7	53.8	16.6	(18.6)	(257.6)	(9.5)	(104.6)
Result before taxation	630.6	114.0	132.2	175.6	(250.0)	(9.4)	793.0
Key performance indicators Life							
Net underwriting margin	(0.04%)	(1.52%)	0.00%	1.75%			0.02%
Investment margin	0.85%	0.00%	0.43%	0.15%			0.74%
Operating margin	0.81%	(1.52%)	0.43%	1.90%			0.76%
- <i>Operating margin Guaranteed products</i>	0.87%	(1.52%)	0.70%	2.77%			0.89%
- <i>Operating margin Unit linked products</i>	0.30%		0.10%	0.21%			0.20%
Life cost ratio in % of Life technical liabilities (annualised)	0.38%	11.44%	0.46%	2.35%			0.50%
Key performance indicators Non-life							
Expense ratio	37.7%	33.5%	30.8%				35.2%
Claims ratio	63.5%	66.3%	61.3%				64.4%
Combined ratio	101.2%	99.8%	92.1%				99.6%
Operating margin	4.9%	4.1%	11.9%				5.3%
Technical Insurance liabilities	61,295.0	2,691.4	15,224.5	2,759.9		(4.8)	81,966.0

2013	Belgium	UK	Continental Europe	Asia	General Account	Eliminations	Total Ageas
Gross inflow Life	4,101.4	108.1	1,839.8	484.5		(0.9)	6,532.9
Gross inflow Non-life	1,854.7	1,654.5	461.9				3,971.1
Operating costs	(495.7)	(189.2)	(154.7)	(48.0)			(887.6)
- <i>Guaranteed products</i>	410.8	(4.1)	69.3	55.2			531.2
- <i>Unit linked products</i>	22.2		29.7	(17.4)			34.5
Life operating result	433.0	(4.1)	99.0	37.8			565.7
- <i>Accident & Health</i>	48.6	(7.2)	37.4				78.8
- <i>Motor</i>	30.2	68.7	(2.9)				96.0
- <i>Fire and other damage to property</i>	32.9	30.3	5.1				68.3
- <i>Other</i>	(3.4)	2.5	1.8				0.9
Non-life operating result	108.3	94.3	41.4				244.0
Operating result	541.3	90.2	140.4	37.8			809.7
Share of result of associates non allocated		8.2	32.9	120.4	275.6		437.1
Other result, including brokerage	72.2	21.0	12.2	(12.3)	(360.1)		(267.0)
Result before taxation	613.5	119.4	185.5	145.9	(84.5)		979.8
Key performance indicators Life							
Net underwriting margin	0.05%	(3.49%)	0.36%	1.76%			0.16%
Investment margin	0.78%		0.35%	0.19%			0.68%
Operating margin	0.84%	(3.49%)	0.71%	1.95%			0.83%
- <i>Operating margin Guaranteed products</i>	0.89%	(3.49%)	0.91%	4.14%			0.96%
- <i>Operating margin Unit linked products</i>	0.41%		0.47%	(2.86%)			0.28%
Life cost ratio in % of Life technical liabilities (annualised)	0.37%	25.04%	0.53%	2.47%			0.51%
Key performance indicators Non-life							
Expense ratio	36.7%	32.2%	30.0%				34.0%
Claims ratio	63.2%	65.6%	63.7%				64.3%
Combined ratio	99.9%	97.8%	93.7%				98.3%
Operating margin	6.1%	6.0%	10.3%				6.5%
Technical Insurance liabilities	56,719.8	2,677.5	14,661.3	1,968.0		(3.9)	76,022.7

Claims ratio : the cost of claims, net of reinsurance, as a percentage of net earned premiums, excluding the internal costs of handling claims.

Expense ratio : expenses as a percentage of net earned premiums, net of reinsurance. Expenses include internal costs of handling claims, plus net commissions charged to the year, less internal investment costs.

Combined ratio : the sum of the claims ratio and the expense ratio.



**NOTES TO THE
CONSOLIDATED STATEMENT
OF FINANCIAL POSITION**

10 Cash and cash equivalents

Cash includes cash on hand, current accounts and other financial instruments with a term of less than three months from the date on which they were acquired.

The composition of cash and cash equivalents as at 31 December is as follows.

	31 December 2014	31 December 2013
Cash on hand	2.4	2.6
Due from banks	2,295.2	1,883.1
Other	218.7	270.9
Total cash and cash equivalents	2,516.3	2,156.6

11 Financial investments

The composition of Financial investments is as follows.

	31 December 2014	31 December 2013
Financial investments		
- Held to maturity	4,887.0	4,986.2
- Available for sale	63,294.2	56,564.6
- Held at fair value through profit or loss	139.8	296.6
- Derivatives held for trading	18.1	14.4
Total, gross	68,339.1	61,861.8
Impairments:		
- of investments held to maturity		(11.8)
- of investments available for sale	(164.3)	(182.3)
Total impairments	(164.3)	(194.1)
Total	68,174.8	61,667.7

11.1 Investments held to maturity

	Government bonds	Corporate debt securities	Total
Investments held to maturity at 1 January 2013	4,884.4	169.7	5,054.1
Maturities	(65.9)	(29.5)	(95.4)
Amortisation	18.4	9.1	27.5
Impairments		(11.8)	(11.8)
Investments held to maturity at 31 December 2013	4,836.9	137.5	4,974.4
Maturities	(52.6)	(40.0)	(92.6)
Sales		(26.6)	(26.6)
Amortisation	17.0	3.0	20.0
Reversal of impairments		11.8	11.8
Investments held to maturity at 31 December 2014	4,801.3	85.7	4,887.0
Gross value excluding impairments at 31 December 2013	4,836.9	149.3	4,986.2
Gross value excluding impairments at 31 December 2014	4,801.3	85.7	4,887.0
Fair value at 31 December 2013	5,720.9	144.5	5,865.4
Fair value at 31 December 2014	7,028.6	92.7	7,121.3

The fair value of Government bonds classified as Investments held to maturity is based on quoted prices in active markets (level 1) and the fair value of Corporate debt securities classified as Investments held to maturity on unobservable inputs (counterparty quotes, level 3).

In the following table the government bonds that are classified as Held to maturity are detailed by country of origin as at 31 December.

31 December 2014	Historical/amortised cost	Fair value
Belgian national government	4,355.7	6,443.5
Portuguese national government	445.6	585.1
Total	4,801.3	7,028.6

31 December 2013	Historical/amortised cost	Fair value
Belgian national government	4,361.9	5,159.4
Portuguese national government	475.0	561.5
Total	4,836.9	5,720.9

11.2 Investments available for sale

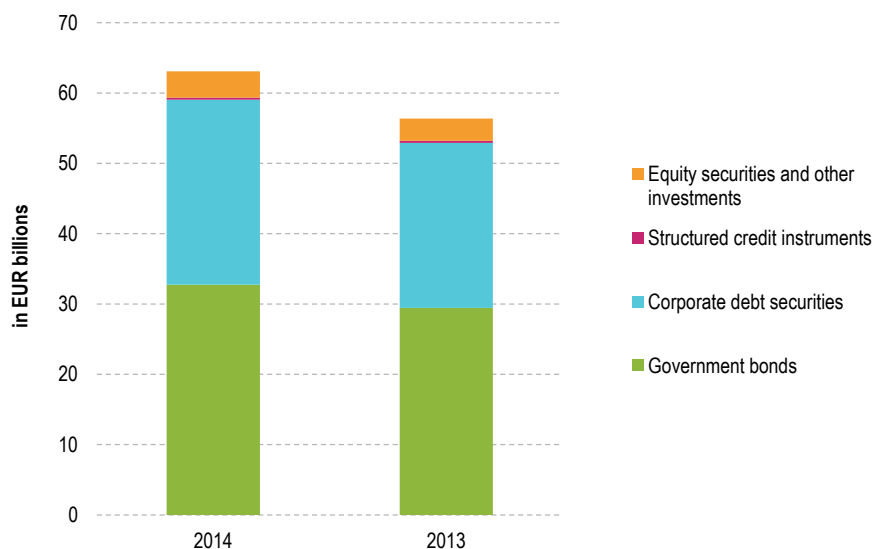
The fair value and amortised cost of Investments available for sale including gross unrealised gains, gross unrealised losses, and impairments are as follows.

31 December 2014	Historical/ amortised cost	Gross unrealised gains	Gross unrealised losses	Total gross	Adjustments from hedge accounting	Impairments	Fair value
Treasury bills	50.0			50.0			50.0
Government bonds	26,595.9	6,137.3	(0.2)	32,748.9	15.9		32,748.9
Corporate debt securities	23,966.7	2,403.8	(39.7)	26,330.8		(22.1)	26,308.7
Structured credit instruments	288.1	14.9	(1.7)	301.3		(0.1)	301.2
Available for sale investments in debt securities	50,900.7	8,556.0	(41.6)	59,431.0	15.9	(22.2)	59,408.8
Private equities and venture capital	62.0	3.0	(0.5)	64.5		(0.2)	64.3
Equity securities	3,292.0	538.5	(34.5)	3,796.0		(141.9)	3,654.1
Other investments	2.7			2.7			2.7
Available for sale investments in equity securities and other investments	3,356.7	541.5	(35.0)	3,863.2		(142.1)	3,721.1
Total investments available for sale	54,257.4	9,097.5	(76.6)	63,294.2	15.9	(164.3)	63,129.9

31 December 2013	Historical/ amortised cost	Gross unrealised gains	Gross unrealised losses	Total gross	adjustments from hedge accounting	Impairments	Fair value
Government bonds	27,143.5	2,345.9	(39.7)	29,449.7			29,449.7
Corporate debt securities	22,285.7	1,304.2	(126.6)	23,463.3		(0.1)	23,463.2
Structured credit instruments	289.5	13.5	(3.0)	300.0		(2.3)	297.7
Available for sale investments in debt securities	49,718.7	3,663.6	(169.3)	53,213.0		(2.4)	53,210.6
Private equities and venture capital	50.6	0.3		50.9			50.9
Equity securities	2,822.4	497.8	(24.8)	3,295.4		(179.9)	3,115.5
Other investments	5.3			5.3			5.3
Available for sale investments in equity securities and other investments	2,878.3	498.1	(24.8)	3,351.6		(179.9)	3,171.7
Total investments available for sale	52,597.0	4,161.7	(194.1)	56,564.6		(182.3)	56,382.3

An amount of EUR 1,082.3 million of the Investments available for sale has been pledged as collateral (2013: EUR 1,180.7 million).

The portfolio of the Investments available for sale can graphically be shown as follows at year-end.



The valuation of Investments available for sale is based on:

- Level 1: quoted prices in active markets;
- Level 2: observable market data in active markets;
- Level 3: unobservable inputs (counterparty quotes).

The valuation at year-end is as follows.

2014	Level 1	Level 2	Level 3	Total
Treasury bills	50.0			50.0
Government bonds	32,748.9			32,748.9
Corporate debt securities	25,049.0	1,257.2	2.5	26,308.7
Structured credit instruments	125.3	101.7	74.2	301.2
Equity securities, private equities and other investments	2,688.6	883.8	148.7	3,721.1
Total Investments AFS	60,661.8	2,242.7	225.4	63,129.9

2013	Level 1	Level 2	Level 3	Total
Government bonds	29,449.7			29,449.7
Corporate debt securities	22,748.9	713.1	1.2	23,463.2
Structured credit instruments	156.2	44.5	97.0	297.7
Equity securities, private equities and other investments	2,264.9	767.8	139.0	3,171.7
Total Investments AFS	54,619.7	1,525.4	237.2	56,382.3

The changes in level 3 valuation are as follows.

	2014	2013
Balance as at 1 January	237.2	108.5
Maturity/redemption or repayment	(22.6)	
Acquired	15.5	87.0
Proceeds from sales	(6.4)	(22.2)
Realised gains (losses)	(0.8)	
Reversal of impairments	2.3	
Impairments	(0.3)	(0.5)
Unrealised gains (losses)	0.5	2.6
Transfers between valuation categories		61.8
Balance as at 31 December	225.4	237.2

Level 3 valuations for valuing asset-backed securities use a discounted cash flow methodology. Expected cash-flows take into account original underwriting criteria, borrower attributes (such as age and credit scores), loan-to-value ratios, expected house price movements and expected prepayment rates, among other. Next, expected cash flows are discounted at risk-adjusted rates. Market participants often use such discounted cash flow technique to price asset-backed securities on which quotes we also rely to a certain extent when valuing these instruments. These techniques are subject to inherent limitations, such as estimation of the appropriate risk-adjusted discount rate, and different assumptions and inputs would yield different results.

The level 3 positions are mainly sensitive to a change in the level of credit spreads. If the general level of credit spreads increases by 1 basis point, it is estimated that the market value of these positions drops by 3 basis points. This would translate into a loss of value by approximately EUR 3 million. The changes in value of the level 3 instruments are accounted for within Other Comprehensive Income.

Transfers between valuation categories relate to unlisted Dutch real estate funds. We have transferred these investments to level 3 as the number of observed transactions in the Netherlands declined significantly and that valuations significantly depend on management judgment.

Government bonds detailed by country of origin

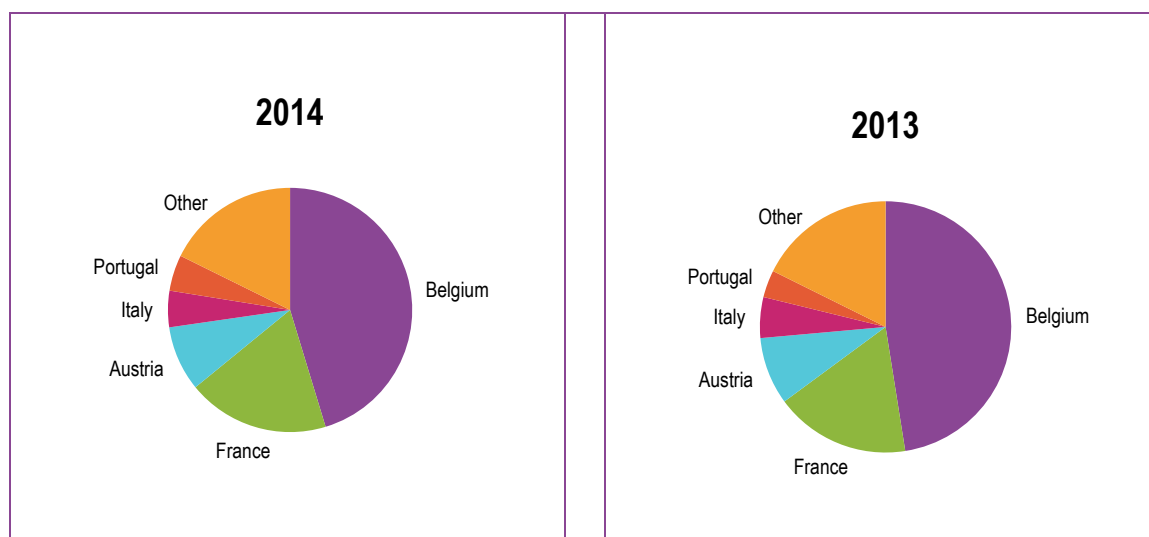
Government bonds detailed by country of origin as at 31 December are as follows.

31 December 2014	Historical/ amortised cost	Gross unrealised gains (losses)	Adjustments from hedge accounting	Fair value
Belgian national government	12,011.7	2,810.9	15.9	14,838.5
French national government	4,900.4	1,250.5		6,150.9
Austrian national government	2,253.1	569.3		2,822.4
Italian national government	1,263.0	318.3		1,581.3
Portuguese national government	1,371.6	187.4		1,559.0
German national government	936.3	339.9		1,276.2
Spanish national government	566.7	91.1		657.8
Irish national government	553.1	94.1		647.2
Dutch national government	465.7	96.5		562.2
British national government	513.8	22.1		535.9
US national government	306.7	91.3		398.0
Slovakian national government	300.2	51.6		351.8
Polish national government	247.5	72.3		319.8
Finnish national government	202.9	35.3		238.2
Czech Republic national government	198.1	36.5		234.6
Other national governments	505.1	70.0		575.1
Total	26,595.9	6,137.1	15.9	32,748.9

31 December 2013	Historical/ amortised cost	Gross unrealised gains (losses)	Adjustments from hedge accounting	Fair value
Belgian national government	12,813.9	1,175.9		13,989.8
French national government	4,751.1	369.7		5,120.8
Austrian national government	2,328.2	232.6		2,560.8
Italian national government	1,473.8	67.4		1,541.2
Portuguese national government	1,041.4	(6.6)		1,034.8
German national government	965.6	174.9		1,140.5
Spanish national government	357.3	11.9		369.2
Irish national government	552.3	51.7		604.0
Dutch national government	682.4	40.8		723.2
British national government	472.6	9.7		482.3
US national government	276.5	28.0		304.5
Slovakian national government	333.4	34.0		367.4
Polish national government	216.9	39.6		256.5
Finnish national government	201.1	18.7		219.8
Czech Republic national government	243.4	29.7		273.1
Other national governments	433.6	28.2		461.8
Total	27,143.5	2,306.2		29,449.7

In 2014 and 2013, there were no impairments on government bonds.

The share per country in the investment portfolio of government bonds based on fair value can graphically be shown as follows at year-end.



The table below provides the Net unrealised gains and losses on Investments available for sale included in equity (which includes debt securities, equity securities and other investments). Equity securities and other investments also includes private equities and venture capital.

	31 December 2014	31 December 2013
<i>Available for sale investments in debt securities:</i>		
Carrying amount	59,408.8	53,210.6
Gross unrealised gains and losses	8,514.4	3,494.3
- Related tax	(2,695.7)	(1,159.0)
Shadow accounting	(4,144.3)	(808.6)
- Related tax	1,222.0	247.6
Net unrealised gains and losses	2,896.4	1,774.3
<i>Available for sale investments in equity securities and other investments:</i>		
Carrying amount	3,721.1	3,171.7
Gross unrealised gains and losses	506.5	473.3
- Related tax	(54.9)	(65.5)
Shadow accounting	(237.4)	(100.5)
- Related tax	78.3	32.6
Net unrealised gains and losses	292.5	339.9

Impairments of Investments available for sale

The following table shows the breakdown of impairments of Investments available for sale.

	31 December 2014	31 December 2013
Impairments of investments available for sale:		
- debt securities	(22.2)	(2.4)
- equity securities and other investments	(142.1)	(179.9)
Total impairments of investments available for sale	(164.3)	(182.3)

The changes in impairments of Investments available for sale are as follows.

	2014	2013
Balance as at 1 January	182.3	190.5
Increase in impairments	40.1	22.7
Reversal on sale/disposal	(58.0)	(26.9)
Foreign exchange differences and other adjustments	(0.1)	(4.0)
Balance as at 31 December	164.3	182.3

11.3 Investments held at fair value through profit or loss

The following table provides information as at 31 December about the Investments held at fair value, for which unrealised gains or losses are recorded through profit or loss.

	31 December 2014	31 December 2013
Corporate debt securities	81.2	214.4
Structured credit instruments		50.3
Debt securities	81.2	264.7
Equity securities	58.6	31.9
Equity securities and other investments	58.6	31.9
Total investments held at fair value through profit or loss	139.8	296.6

Investments held at fair value through profit or loss include primarily investments related to insurance liabilities where cash flows are linked to the performance of these assets, either contractually or on the basis of discretionary participation and whose measurement incorporates current information. This measurement significantly reduces an accounting mismatch that would otherwise arise from measuring assets and liabilities and the related gains and losses on different bases.

The nominal value of the debt securities held at fair value through profit or loss as at 31 December 2014 is EUR 81.3 million (31 December 2013: EUR 254.9 million).

The valuation of Investments held at fair value through profit or loss is based on:

- Level 1: quoted prices in active markets;
- Level 2: observable market data in active markets;
- Level 3: unobservable inputs (counterparty quotes).

The valuation at year-end can be shown as follows.

2014	Level 1	Level 2	Level 3	Total
Corporate debt securities	5.0	76.2		81.2
Structured credit instruments				
Equity securities		58.6		58.6
Total Investments held at fair value through profit or loss	5.0	134.8		139.8

2013	Level 1	Level 2	Level 3	Total
Corporate debt securities	31.7	182.7		214.4
Structured credit instruments			50.3	50.3
Equity securities		31.9		31.9
Total Investments held at fair value through profit or loss	31.7	214.6	50.3	296.6

The changes in level 3 valuation are as follows.

	2014	2013
Balance as at 1 January	50.3	49.0
Maturity/redemption or repayment of the period	(50.0)	
Realised gains (losses)	(0.3)	
Unrealised gains (losses)		1.3
Balance as at 31 December		50.3

11.4 Derivatives held for trading (assets)

The following table provides a specification of the derivatives held for trading (assets).

	31 December 2014	31 December 2013
Over the counter (OTC)	17.6	14.4
Exchange traded	0.5	
Total derivatives held for trading (assets)	18.1	14.4

The Derivatives held for trading mainly relate to interest rate and equity options and interest rate swaps. Derivatives held for trading are in 2014 and 2013 based on a level 2 valuation (observable inputs from active markets) (see also note 31 Derivatives for further details).

12 Investment property

Investment property mainly comprises office buildings and retail space.

	31 December 2014	31 December 2013
Investment property	2,688.4	2,403.2
Impairments of investment property	(47.1)	(48.7)
Total investment property	2,641.3	2,354.5

The following table shows the changes in Investment property for the year ended 31 December.

	2014	2013
Acquisition cost as at 1 January	3,137.0	3,034.1
Acquisitions/divestments of subsidiaries	122.3	(159.8)
Additions/purchases	87.9	167.7
Capital improvements	19.7	44.3
Disposals	(35.8)	(93.9)
Transfer from (to) property, plant and equipment	15.4	130.4
Foreign exchange differences	0.5	
Other	129.1	14.2
Acquisition cost as at 31 December	3,476.1	3,137.0
Accumulated depreciation as at 1 January	(733.8)	(582.5)
Acquisitions/divestments of subsidiaries	16.8	4.7
Depreciation expense	(82.8)	(82.8)
Reversal of depreciation due to disposals	11.2	10.5
Transfer from (to) property, plant and equipment	(1.5)	(83.7)
Other	2.4	
Accumulated depreciation as at 31 December	(787.7)	(733.8)
Impairments as at 1 January	(48.7)	(36.1)
Increase in impairments charged to income statement	(3.2)	(12.7)
Reversal of impairments credited to income statement	3.4	0.1
Reversal of impairments due to disposals	1.4	
Impairments as at 31 December	(47.1)	(48.7)
Net investment property as at 31 December	2,641.3	2,354.5
Cost of investment property under construction	15.9	40.5

An amount of EUR 129.1 million in 2014 reported in the line Other under acquisition cost relates to the reclass of Property intended for sale to Investment property (2013: EUR 14.2 million) (see also note 17).

An amount of EUR 248.8 million of the Investment property has been pledged as collateral as at 31 December 2014 (31 December 2013: EUR 255.6 million).

Ageas conducts annual appraisals that cover about half of our investment property. Between successive appraisals, Ageas uses

in-house models to regularly adjust the fair value, of investment property, based on available market data and/or transactions reported annually. Ageas level 3 valuation techniques are based primarily on discounted cash-flows. Expected property cash flows take into account expected rental income growth rates, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. Ageas then discounts the expected net cash flows using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary, tenant credit quality and lease terms).

The fair value of Investment property is set out below.

	31 December 2014	31 December 2013
Fair values supported by market evidence	2,075.7	795.4
Fair value subject to an independent valuation	1,542.5	2,535.1
Total fair value of investment property	3,618.2	3,330.5
Total carrying amount	2,641.3	2,354.5
Gross unrealised gain/loss	976.9	976.0
Taxation	(322.1)	(321.8)
Net unrealised gain/loss (not recognised in equity)	654.8	654.2

The depreciation of buildings is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. Real estate is split into the following components: structure, closing, techniques and equipment, heavy finishing and light finishing.

The maximum useful life of the components is as follows:

- Structure50 years for offices and retail; 70 years for residential;
- Closing30 years for offices and retail; 40 years for residential;
- Techniques and equipment20 years for offices; 25 years for retail and 40 years for residential;
- Heavy finishing20 years for offices; 25 years for retail and 40 years for residential;
- Light finishing10 years for offices, retail and residential.

Land has an unlimited useful life and is therefore not depreciated. IT, office and equipment are depreciated over their respective useful lives, which are determined individually. As a general rule, residual values are considered to be zero.

Property rented out under operating lease

Ageas rents certain assets – mainly property held for investment purposes – to external parties based on operating lease agreements. As at 31 December the minimum payments to be received from irrevocable lease agreements amounted to:

	2014	2013
Less than 3 months	62.0	57.1
3 months to 1 year	176.9	161.5
1 year to 5 years	720.0	689.7
More than 5 years	867.8	951.9
Total	1,826.7	1,860.2

An amount of EUR 56.9 million in 2014 of the Total minimum payments to be received from irrevocable lease agreements relates to Property, Plant and Equipment (2013: EUR 22.6 million). The remainder relates to Investment Property.

13 Loans

The composition of Loans is as follows.

	31 December 2014	31 December 2013
Government and official institutions	2,443.4	1,875.2
Residential mortgages	1,485.4	1,547.4
Commercial loans	757.5	547.2
Interest bearing deposits	647.1	957.9
Loans to banks	471.1	624.1
Policyholder loans	249.2	210.9
Corporate loans	39.9	41.4
Total	6,093.6	5,804.1
Less impairments	(25.3)	(19.7)
Total Loans	6,068.3	5,784.4

13.1 Commercial loans

The composition of Commercial loans is as follows.

	31 December 2014	31 December 2013
Consumer Loans	14.9	9.3
Real Estate	234.8	199.8
Infrastructure	173.5	101.6
Other	334.3	236.5
Total Commercial Loans	757.5	547.2

The line Real Estate under Commercial loans includes the Mezzanine loan of USD 117.5 million to DTH partners LLC (see also note 8 Related parties and note 14 Investments in associates) whereas the bridge loan (USD 23 million) between EBNB 70 Pine Development and AG Real Estate (North Star NV) is included in the line Other under Commercial loans.

Ageas has granted credit lines for a total amount of EUR 412 million (31 December 2013: EUR 321 million).

13.2 Loans to banks

Loans to banks consists of the following.

	31 December 2014	31 December 2013
Loans and advances	467.9	457.0
Other	3.2	167.1
Loans to Banks	471.1	624.1

13.3 Collateral on Loans

The following table provides details on collateral and guarantees received as security for Loans.

Total credit exposure loans	2014	2013
Carrying amount	6,068.3	5,784.4
Collateral received		
Financial instruments	451.6	539.9
Property, plant & equipment	2,380.6	2,397.7
Other collateral and guarantees	43.7	39.3
Collateral amounts in excess of credit exposure ¹⁾	1,142.8	1,237.0
Unsecured exposure	4,335.2	4,044.5

1) Collateral amounts in excess of credit exposure¹⁾ related to loans for which the collateral is higher than the underlying individual loan. As this additional collateral cannot be off set with loans for which the collateral is lower than the underlying individual loan, an excess position is shown.

13.4 Impairments on Loans

Changes in the impairments of Loans are as follows.

	2014		2013	
	Specific credit risk	IBNR	Specific credit risk	IBNR
Balance as at 1 January	18.9	0.8	15.6	1.0
Increase in impairments	6.7	0.1	7.5	0.1
Release of impairments	(2.2)		(4.4)	(0.3)
Write-offs of uncollectible loans			0.5	
Foreign exchange differences and other adjustments	1.0		(0.3)	
Balance as at 31 December	24.4	0.9	18.9	0.8

The following table provides details on collateral and guarantees received as security for impaired Loans.

Total impaired credit exposure on loans	2014	2013
Impaired outstanding	97.3	135.1
Collateral received		
Financial instruments	0.8	0.8
Property, plant & equipment	132.6	146.1
Collateral and guarantees in excess of impaired credit exposure ¹⁾	48.3	24.0
Unsecured exposure	12.2	12.2

1) Collateral amounts in excess of credit exposure related to loans for which the collateral is higher than the underlying individual loan. As this additional collateral cannot be off set with loans for which the collateral is lower than the underlying individual loan, an excess position is shown.

14 Investments in associates

The following table provides an overview of the most significant Investments in associates as at 31 December. The percentage of interest may include more than one percentage if interests held in more than one entity of the associate group and these percentages are not the same.

		% interest	2014 Carrying amount	2013 Carrying amount
Associates				
Mayban Ageas Holding Berhad	Malaysia	31.0%	315.1	299.6
Muang Thai Group Holding	Thailand	7.8% - 30.9%	394.8	219.6
Taiping Holdings	China	20.0% - 24.9%	729.8	279.1
Royal Park Investments	Belgium	44.7%	38.1	37.5
IDBI Federal Life Insurance	India	26.0%	18.8	12.4
Tesco Insurance Ltd	UK	50.1%	98.4	92.2
Aksigorta	Turkey	36.0%	145.7	152.2
Cardif Lux Vie	Luxembourg	33.3%	121.2	95.4
DTHP	Belgium	33.0%	75.9	79.4
Predirec	Belgium	29.4%	56.8	39.0
Aviabel	Belgium	24.7%	26.5	26.5
North Light	Belgium	40.0%	22.6	22.5
Pole Star	Belgium	40.0%	22.3	22.3
BITM	Belgium	50.0%	20.4	20.4
Credimo	Belgium	34.4%	20.2	20.2
Louvre Development I	Belgium	20.0%	23.9	
Frey SA	Belgium	20.0%	17.4	19.5
Other			73.4	92.4
Total			2,221.3	1,530.2

The increase of the carrying amount of Muang Thai Group Holding and Taiping Holdings is mainly due to a strong increase of unrealised gains in the investment portfolio and foreign exchange effects.

Louvre development I is a former 100% subsidiary. Ageas has decreased its interest in this entity in 2014 to 20% and it is therefore from year-end 2014 onwards consolidated as an equity associate (see also note 3 Acquisitions and disposals).

The details of the associates are as follows.

2014	Total assets	Total liabilities	Equity	Ageas part	Total income	Total expenses	Net Result	Ageas part	Dividend received
Mayban Ageas Holding Berhad	6,792.7	5,774.8	1,017.9	315.0	1,296.7	(1,171.9)	124.8	38.6	40.7
Muang Thai Group Holding	6,807.3	5,552.8	1,254.5	363.2	2,043.3	(1,869.0)	174.3	50.7	11.2
Taipng Holdings	38,294.2	35,361.0	2,933.2	726.3	9,142.8	(8,906.8)	236.0	59.1	3.3
Royal Park Investments	85.3	0.1	85.2	38.1	31.2	(9.8)	21.4	9.6	8.9
IDBI Federal Life Insurance	515.4	443.2	72.2	18.8	150.5	(132.9)	17.6	4.6	
Tesco Insurance Ltd	1,179.0	982.5	196.5	98.4	548.2	(552.6)	(4.4)	(2.2)	8.8
Aksigorta	585.0	446.9	138.1	49.7	435.1	(452.7)	(17.6)	(6.3)	7.8
Cardif Lux Vie	17,934.4	17,570.9	363.5	121.2	5,513.3	(5,475.8)	37.5	12.5	4.0
DTHP	1,056.4	739.7	316.7	104.5	39.4	(73.5)	(34.1)	(11.3)	
Predirec	192.9	0.2	192.7	56.7	3.3	(0.2)	3.1	0.9	
Aviabel	229.3	116.3	113.0	27.9	44.8	(35.7)	9.1	2.2	
North Light	149.2	92.8	56.4	22.6	7.1	(7.0)	0.1		
Pole Star	167.7	111.8	55.9	22.4	7.8	(7.7)	0.1		
BITM	87.1	46.4	40.7	20.4	16.7	(16.7)			
Credimo	1,089.2	1,025.8	63.4	21.8	131.4	(129.4)	2.0	0.7	
Louvsse Development I	329.8	210.0	119.8	24.0	11.0	(9.5)	1.5	0.3	
Frey SA	320.4	222.3	98.1	19.6	18.3	(23.7)	(5.4)	(1.1)	
Related Goodwill				131.2					
Other				39.7				5.1	14.1
Total				2,221.3				163.5	98.8

2013	Total assets	Total liabilities	Equity	Ageas part	Total income	Total expenses	Net Result	Ageas part	Dividend received
Mayban Ageas Holding Berhad	6,110.1	5,142.2	967.9	299.6	1,311.9	(1,170.6)	141.3	43.7	11.7
Muang Thai Group Holding	4,542.3	3,871.0	671.3	65.8	1,759.1	(1,591.6)	167.5	53.6	5.7
Taipng Holdings	23,926.4	22,808.0	1,118.4	147.5	7,263.0	(7,135.4)	127.6	59.3	
Royal Park Investments	83.8		83.8	37.5	764.8	(146.5)	618.3	276.4	294.2
IDBI Federal Life Insurance	382.6	334.9	47.7	12.4	121.3	(114.2)	7.1	1.8	
Tesco Insurance Ltd	1,089.2	905.2	184.0	92.2	595.7	(579.3)	16.4	8.2	
Aksigorta	526.1	357.9	168.2	60.6	470.4	(407.0)	63.4	22.8	7.0
Cardif Lux Vie	15,818.5	15,532.4	286.1	95.4	5,207.3	(5,177.0)	30.3	10.1	4.6
DTHP	977.1	652.3	324.8	107.2	34.3	(38.2)	(3.9)	(1.3)	
Predirec	132.8	0.5	132.3	38.9	1.6	(1.7)	(0.1)	-	
Aviabel	215.0	107.7	107.3	26.5	41.9	(36.6)	5.3	1.3	
North Light	147.8	91.5	56.3	22.5	0.4	(0.4)			
Pole Star	169.9	114.1	55.8	22.3	0.5	(0.3)	0.2	0.1	
BITM	96.4	55.6	40.8	20.4	17.2	(29.2)	(12.0)	(6.0)	
Credimo	1,017.8	958.6	59.2	20.3	129.5	(127.4)	2.1	0.7	
Frey SA	329.2	220.1	109.1	21.8	5.7	(11.0)	(5.3)	(1.1)	
Related goodwill				131.1					
Other				308.3				(34.6)	6.7
Total				1,530.2				435.2	329.9

Equity associates are subject to dividend restrictions arising from minimum capital and solvency requirements imposed by regulators in the countries in which those equity associates operate. Dividend payments of associates are sometimes subject to shareholder agreements with the partners in the company. In certain situations consensus is required before dividend is declared.

In addition, shareholder agreements (related to parties having an interest in a company in which Ageas has a non-controlling interest) may include:

- specific articles on voting rights or dividend distribution;
- lock-up periods during which all parties having shares are not allowed to sell shares before a certain period or without preliminary approval of the other parties involved;
- options to sell or resell shares to the other party (ies) involved in the shareholders agreement including the underlying calculation methodology to value the shares;

- earn out mechanisms which allow the party originally selling the shares to additional revenues when certain objectives are realized;
- exclusivity clauses or non-compete clauses related to the sales of insurance products.

Royal Park Investments

The Net profit of RPI for 2014 amounted to EUR 21.4 million (Ageas' share EUR 9.6 million) compared to EUR 618 million (Ageas' share EUR 276 million) for 2013. The gain in 2013 was due to the sale of the investment portfolio of RPI.

After the disposal of the assets, and settlement of the liabilities the remaining activity of RPI is essentially limited to the management of litigations initiated on a number of US assets.

15 Reinsurance and other receivables

The table below shows the components of reinsurance and other receivables as at 31 December.

	31 December 2014	31 December 2013
Reinsurers' share of liabilities arising from insurance and investment contracts	604.2	713.2
Receivables from policyholders	503.1	488.5
Fees and commissions receivable	57.8	62.2
Receivables from intermediaries	408.5	347.3
Reinsurance receivables	60.1	39.6
Factoring receivables	88.6	105.9
Other	284.2	281.4
Total gross	2,006.5	2,038.1
Impairments	(14.8)	(18.1)
Net total	1,991.7	2,020.0

The line Other includes receivables related to VAT and other indirect taxes.

Changes in impairments of Reinsurance and other receivables

The following table shows the changes in the impairments of Reinsurance and other receivables.

	2014	2013
Balance as at 1 January	18.1	21.0
Acquisitions/divestments of subsidiaries	(3.8)	
Increase in impairments	2.8	0.6
Release of impairments	(2.1)	(2.6)
Write-offs of uncollectible amounts	(1.0)	(0.4)
Foreign exchange differences and other adjustments	0.8	(0.5)
Balance as at 31 December	14.8	18.1

Changes in the reinsurer's share of Liabilities arising from insurance and investment contracts

Changes in the reinsurer's share of Liabilities arising from insurance and investment contracts are shown below.

	2014	2013
Balance as at 1 January, as previously reported	713.2	668.0
Change in consolidation method Tesco Insurance Ltd		(36.4)
Adjusted balance as at 1 January	713.2	631.6
Acquisitions/divestments of subsidiaries	(423.8)	
Change in liabilities current year	141.9	41.2
Change in liabilities prior years	(54.8)	(28.4)
Claims paid current year	(57.6)	17.0
Claims paid prior years	14.9	2.1
Other net additions through income statement	230.9	56.4
Foreign exchange differences and other adjustments	39.5	(6.7)
Balance as at 31 December	604.2	713.2

16 Call option BNP Paribas shares

Under the agreement signed on 12 May 2009, Ageas was granted a cash-settled call option by the Federal Holding and Investment Corporation (Société Fédérale de Participations et d'Investissement/Federale Participatie- en Investeringsmaatschappij – SFPI/FPIM) that allows Ageas to benefit from any appreciation in the value of 121,218,054 BNP Paribas shares held by the SFPI/FPIM. These shares were acquired by the SFPI/FPIM in return for selling 75% + 1 share of Fortis Bank. This option entitles Ageas to the difference between the strike price of EUR 66.672 and the market price of the BNP Paribas shares at the time of exercise, or the selling price of the underlying BNP Paribas shares, at the discretion of SFPI/FPIM.

The options are recorded at fair value, with subsequent revaluations recorded in the income statement under unrealised gain (loss) on Call option BNP Paribas shares.

On 27 April 2013, Ageas agreed to sell back to the SFPI/FPIM the option granted for EUR 144 million (representing EUR 0.64 per Ageas share). The sale was settled before the end of the first half year of 2013.

17 Accrued interest and other assets

The table below shows the components of Accrued interest and other assets as at 31 December.

	31 December 2014	31 December 2013
Deferred acquisition cost	787.0	836.7
Deferred other charges	116.8	120.3
Accrued income	1,356.1	1,332.4
Derivatives held for hedging purposes	82.7	1.5
Property intended for sale	60.0	155.1
Defined benefit assets		18.0
Other	62.5	58.1
Total gross	2,465.1	2,522.1
Impairments	(4.9)	(5.9)
Accrued interest and other assets	2,460.2	2,516.2

Accrued income consists mainly of accrued interest income on Government bonds (2014: EUR 707 million; 2013: EUR 705 million) and other bonds (2014: EUR 257 million; 2013: EUR 240 million), debt securities from credit and non-credit financial institutions (2014: EUR 87 million; 2013:

EUR 104 million) and other debt securities (2014: EUR 82 million; 2013: EUR 72 million).

For details of defined benefit pension plans and related pension assets see note 7 section 7.1 Employee benefits.

Deferred acquisition costs

Changes in deferred acquisition costs related to insurance and investment contracts are shown below.

	2014	2013
Balance as at 1 January, as previously reported	836.7	872.4
Change in consolidation method Tesco Insurance Ltd		(59.0)
Adjusted balance as at 1 January	836.7	813.4
Acquisitions/divestments of subsidiaries	(152.3)	
Capitalised deferred acquisition costs	565.9	555.3
Depreciation expense	(527.5)	(514.1)
Other adjustments including exchange rate differences	64.2	(17.9)
Balance as at 31 December	787.0	836.7

The acquisitions/divestments of subsidiaries consists of the deferred acquisition costs of Ageas Protect (see also note 3 Acquisitions and disposals).

18 Property, plant and equipment

Property, plant and equipment includes owner-occupied office buildings and owner-managed public car parks.

The table below shows the carrying amount for each category of Property, plant and equipment as at 31 December.

	31 December 2014	31 December 2013
Land and buildings held for own use	971.7	967.4
Leasehold improvements	31.9	23.9
Equipment	115.8	97.6
Total	1,119.4	1,088.9

Changes in Property, plant and equipment

Changes in Property, plant and equipment are shown below.

2013	Land and buildings held for own use	Leasehold improvements	Equipment	Total
Acquisition cost as at 1 January, as previously reported	1,522.3	57.6	265.2	1,845.1
Change in consolidation method Tesco Insurance Ltd		(0.5)	(5.3)	(5.8)
Adjusted acquisition cost as at 1 January	1,522.3	57.1	259.9	1,839.3
Additions	51.4	7.8	46.9	106.1
Reversal of cost due to disposals	(17.5)	(2.3)	(16.6)	(36.4)
Transfer from (to) investment property	(116.5)	(0.1)	(6.7)	(123.3)
Foreign exchange differences	(0.9)	(0.6)	(1.5)	(3.0)
Other	0.1	(0.6)	10.4	9.9
Acquisition cost as at 31 December	1,438.9	61.3	292.4	1,792.6
Accumulated depreciation as at 1 January, as previously reported	(500.8)	(35.1)	(182.6)	(718.5)
Change in consolidation method Tesco Insurance Ltd			4.5	4.5
Adjusted accumulated depreciation as at 1 January	(500.8)	(35.1)	(178.1)	(714.0)
Depreciation expense	(33.2)	(5.2)	(30.6)	(69.0)
Reversal of depreciation due to disposals	3.4	1.1	12.8	17.3
Transfer from (to) investment property	66.9	0.1	9.6	76.6
Foreign exchange differences	0.2	0.4	0.9	1.5
Other	0.1	1.3	(9.4)	(8.0)
Accumulated depreciation as at 31 December	(463.4)	(37.4)	(194.8)	(695.6)
Impairments as at 1 January	(11.5)	(0.1)		(11.6)
Increase in impairments charged to the income statement	(1.9)			(1.9)
Reversal of impairments due to disposals	5.9			5.9
Other	(0.6)	0.1		(0.5)
Impairments as at 31 December	(8.1)			(8.1)
Property, plant and equipment as at 31 December	967.4	23.9	97.6	1,088.9

2014	Land and buildings held for own use	Leasehold improvements	Equipment	Total
Acquisition cost as at 1 January	1,438.9	61.3	292.4	1,792.6
Acquisitions/divestments of subsidiaries		(0.6)	2.3	1.7
Additions	51.1	13.5	51.9	116.5
Reversal of cost due to disposals	(2.6)	(4.4)	(24.3)	(31.3)
Transfer from (to) investment property	(15.4)			(15.4)
Foreign exchange differences	2.6	1.7	9.4	13.7
Other	(6.3)	(3.7)	22.1	12.1
Acquisition cost as at 31 December	1,468.3	67.8	353.8	1,889.9
Accumulated depreciation as at 1 January	(463.4)	(37.4)	(194.8)	(695.6)
Acquisitions/divestments of subsidiaries		0.5	0.7	1.2
Depreciation expense	(33.0)	(5.6)	(37.8)	(76.4)
Reversal of depreciation due to disposals		3.9	20.1	24.0
Transfer from (to) investment property	1.5			1.5
Foreign exchange differences		(1.1)	(7.0)	(8.1)
Other	5.9	3.8	(19.2)	(9.5)
Accumulated depreciation as at 31 December	(489.0)	(35.9)	(238.0)	(762.9)
Impairments as at 1 January	(8.1)			(8.1)
Reversal of impairments credited to the income statement	0.5			0.5
Impairments as at 31 December	(7.6)			(7.6)
Property, plant and equipment as at 31 December	971.7	31.9	115.8	1,119.4

An amount of EUR 208.6 million of Property, plant and equipment has been pledged as collateral (31 December 2013: EUR 215.5 million).

The appraisal frequency is once every two years. Accordingly, about half of the properties other than car parks are externally appraised each year. Between successive appraisals, the fair value of properties other than car parks is updated using in-house models that are regularly calibrated to reflect available market data and/or transactions (level 2).

Ageas determines car park fair values using in-house models that also use unobservable market data (level 3). The resulting fair values are calibrated based on available market data and/or transactions. Level 3 valuation techniques are used for measuring car parks primarily using discounted cash-flows. Expected car park cash flows take into account expected inflation, and economic growth in individual car park areas, among other factors. The expected net cash flows are discounted using risk-adjusted discount rates. The discount rate estimation considers the quality of the car park and its location, among other factors.

Fair value of land and buildings held for own use

The fair value of owner-occupied property is set out below.

	31 December 2014	31 December 2013
Total fair value of Land and buildings held for own use	1,355.1	1,306.9
Total carrying amount	971.7	967.4
Gross unrealised gain/loss	383.4	339.5
Taxation	(130.3)	(108.4)
Net unrealised gain/loss (not recognised in equity)	253.1	231.1

The depreciation methods for Property, plant and equipment are the same as set out in note 12 Investment property.

19 Goodwill and other intangible assets

Goodwill and other intangible assets as at 31 December are as follows.

	31 December 2014	31 December 2013
Goodwill	779.8	726.5
VOBA	327.1	338.5
Purchased software	17.8	14.2
Internally developed software	5.8	6.2
Other intangible assets	358.1	327.2
Total	1,488.6	1,412.6

Value of business acquired (VOBA) is the difference between the fair value at acquisition date and the subsequent book value of a portfolio of contracts acquired separately or in a business combination. VOBA is recognised as an intangible asset and amortised over the income recognition period of the portfolio of contracts. The main contributors to VOBA are Ageas Insurance Company Asia and Millenniumbcp Ageas. The decrease in VOBA is due to amortisation and for a significant part compensated by exchange differences.

Other intangible assets include intangible assets with a finite useful life, such as concessions, patents, licences, trademarks and other similar rights, this mainly relates to AG Real Estate. In general, software is amortised over a maximum of five years and other intangible assets have an expected useful life of 10 years at most. Other intangible assets are amortised in accordance with their expected lives.

With the exception of goodwill, Ageas does not have any intangible assets with indefinite useful lives.

Changes in Goodwill and other intangible assets

Changes in Goodwill and other intangible assets for the years 2013 and 2014 are shown below.

2013	Goodwill	VOBA	Purchased software	Internally developed software	Other intangible assets	Total
Acquisition cost as at 1 January, as previously reported	880.8	802.1	36.1	62.8	578.9	2,360.7
Change in consolidation method Tesco Insurance Ltd					(11.1)	(11.1)
Adjusted acquisition cost as at 1 January	880.8	802.1	36.1	62.8	567.8	2,349.6
Acquisitions/divestments of subsidiaries					(2.5)	(2.5)
Additions			6.7	1.5	16.9	25.1
Adjustments arising from subsequent changes in value of assets and liabilities	(3.7)					(3.7)
Reversal of cost due to disposals			(2.1)		(0.5)	(2.6)
Foreign exchange differences	(19.4)	(11.9)	(0.7)	(0.3)	(0.7)	(33.0)
Other	(0.8)		1.0	(1.1)	(2.2)	(3.1)
Acquisition cost as at 31 December	856.9	790.2	41.0	62.9	578.8	2,329.8
Accumulated amortisation as at 1 January, as previously reported		(419.5)	(23.6)	(51.5)	(222.1)	(716.7)
Change in consolidation method Tesco Insurance Ltd					2.7	2.7
Adjusted accumulated amortisation as at 1 January		(419.5)	(23.6)	(51.5)	(219.4)	(714.0)
Amortisation expense		(36.1)	(5.0)	(5.4)	(19.9)	(66.4)
Reversal of amortisation due to disposals			1.0		0.4	1.4
Foreign exchange differences		3.9	0.5	0.2	0.7	5.3
Other			0.3		2.4	2.7
Accumulated amortisation as at 31 December		(451.7)	(26.8)	(56.7)	(235.8)	(771.0)
Impairments as at 1 January	(136.3)				(9.6)	(145.9)
Increase in impairments charged to the income statement					(6.8)	(6.8)
Foreign exchange differences	5.2					5.2
Other	0.7				0.6	1.3
Impairments as at 31 December	(130.4)				(15.8)	(146.2)
Goodwill and other intangible assets as at 31 December	726.5	338.5	14.2	6.2	327.2	1,412.6

2014	Goodwill	VOBA	Purchased software	Internally developed software	Other intangible assets	Total
Acquisition cost as at 1 January	856.9	790.2	41.0	62.9	578.8	2,329.8
Acquisitions/divestments of subsidiaries	9.9		(1.5)	(13.8)	36.3	30.9
Additions		1.1	9.3	3.1	24.3	37.8
Adjustments arising from subsequent changes in value of assets and liabilities					(6.5)	(6.5)
Reversal of cost due to disposals	(0.1)		(4.0)	(37.1)	(11.1)	(52.3)
Foreign exchange differences	59.2	35.5	2.2	0.9	1.1	98.9
Other			0.3		(38.8)	(38.5)
Acquisition cost as at 31 December	925.9	826.8	47.3	16.0	584.1	2,400.1
Accumulated amortisation as at 1 January		(451.7)	(26.8)	(56.7)	(235.8)	(771.0)
Acquisitions/divestments of subsidiaries			1.6	13.6	0.4	15.6
Amortisation expense		(34.9)	(6.7)	(2.2)	(22.6)	(66.4)
Reversal of amortisation due to disposals			2.0	22.5	10.3	34.8
Foreign exchange differences		(13.1)	(1.6)	(0.9)	(1.1)	(16.7)
Other			2.0	13.5	38.9	54.4
Accumulated amortisation as at 31 December		(499.7)	(29.5)	(10.2)	(209.9)	(749.3)
Impairments as at 1 January	(130.4)				(15.8)	(146.2)
Increase in impairments charged to the income statement	(0.2)				(0.7)	(0.9)
Foreign exchange differences	(15.7)					(15.7)
Other	0.2				0.4	0.6
Impairments as at 31 December	(146.1)				(16.1)	(162.2)
Goodwill and other intangible assets as at 31 December	779.8	327.1	17.8	5.8	358.1	1,488.6

Impairment of goodwill

Impairment testing of goodwill is performed annually at the end of the year by comparing the recoverable amount of cash-generating units (CGU) with their carrying amount. The recoverable amount is determined by the higher of the value in use and fair value less costs to sell. The type of acquired entity determines the definition of the CGU. Currently all CGUs, except for the UK, have been defined at (legal) entity level. The UK entities operating in the brokerage business in the sub segment 'Other Insurance' are, based on the level of operational integration and common management, considered as one CGU.

The recoverable amount of a CGU is assessed by means of a discounted cash-flow model of the anticipated future cash flows of the CGU. The key assumptions used in the cash-flow model depend on input reflecting various financial and economic variables, including the risk-free rate in a given country and a premium to reflect the inherent risk of the entity being evaluated.

These variables are determined on the basis of management's judgement. If the entity is listed on a stock market, the market price will also be considered an element in the evaluation.

The breakdown of goodwill and impairments (in 2014 there were no impairments) for the main cash-generating units as at 31 December 2014 is as follows.

Cash-generating unit (CGU)	Goodwill amount	Impairments	Net amount	Segment	Method used for recoverable amount
Ageas (UK)	302.2	32.2	270.0	United Kingdom (UK)	Value in use
Portugal Life (Millenniumbcp Ageas)	146.5		146.5	Continental Europe (CEU)	Value in use
Portugal Non-Life (Ocidental Seguros & Médis)	21.9		21.9	Continental Europe (CEU)	Value in use
Ageas France (Sicavonline)	9.9		9.9	Continental Europe (CEU)	Value in use
Ageas Insurance Company Asia	329.7	113.9	215.8	Asia	Value in use
UBI Assicurazioni	92.2		92.2	Continental Europe (CEU)	Value in use
Other	23.5		23.5	CEU / Belgium	Value in use
Total	925.9	146.1	779.8		

Ageas Insurance Company Asia

The goodwill for Ageas Insurance Company Asia amounts to EUR 329.7 million (2013: EUR 290.4 million). The net goodwill, after impairment amounts to EUR 215.9 million (2013: EUR 190.1 million). The change in amount between 2014 and 2013 is caused by exchange rate differences between the Euro and Hong Kong dollar. The value in use calculation uses expected dividends, based on business plans approved by local and Ageas' management over a period of three years to a ten years horizon extrapolated. The main driver for the business plan are the expected growth rates which are supported by independent market studies. Estimates after this period have been extrapolated using a growth rate of 3.5% which is also based on those studies. The discount rate used of 7.9% is based on the risk free interest rate, country risk, market risk premium and the beta coefficient of 1.0, provided by professional market data providers. The outcome of the impairment test was that the recoverable amount exceeded the carrying value of the CGU including goodwill. Consequently, the goodwill of this CGU is not impaired. The outcome of the impairment test is dependent on the dividend paying capacity of Ageas Insurance Company Asia. Due to the solvency regulations in Hong Kong, this capacity is very sensitive for interest rate movements, a further decline in the long-term interest rate could reduce the dividend paying capacity and thus trigger an additional impairment of goodwill.

Based on the sensitivity analysis with regard to the assumptions, the goodwill for Ageas Insurance Company Asia will still not be impaired if the growth rate would drop by 2.5 percent points or the discount rate would increase by 1.5 percent points.

Millenniumbcp Ageas

The reported goodwill for Millenniumbcp Ageas (51% held by Ageas) amounts to EUR 146.5 million (2013: EUR 168.4 million). Until 2013, the Portuguese Life and Non-life activities were considered as one Cash generating unit (CGU). After Ageas took full ownership of the Non-life activities in June 2014 (see note 3.1), the activities are treated as separate CGU's.

The value in use calculation uses expected dividends, based on business plans approved by local and Ageas' management over a period of five years. The business plans take into consideration the difficult economic situation in Portugal, which resulted in less emphasis on Life products and more emphasis on Non-life products. Cash flow projections are further impacted by the release of reserves in the budget period covered in relation to the foreseen decrease in Life business and expected release of related solvency margin to the level of 175%.

Estimates after this period have been extrapolated using a growth rate of 2.0 percent points which represents an approach of expected inflation in Portugal. The discount rate used is based on the risk free interest rate, country risk, market risk premium and the beta coefficient of 1.05 and amounts to 10.7 percent points. The outcome of the impairment test was that the recoverable amount exceeded the carrying value of the CGU including goodwill. Consequently, the goodwill for Millenniumbcp Ageas is not impaired.

Based on the sensitivity analysis with regard to the assumptions, the goodwill for Millenniumbcp Ageas will still not be impaired if the growth rate would drop by 2.5 percent points or the discount rate would increase by 1.7 percent points.

Ocidental Seguros and Médis

In June 2014, Ageas took full ownership of the Non-life activities (see note 3.1). As from 2014, the Non-life activities in Portugal are treated as separate CGU's. The reported goodwill for Ocidental Seguros and Médis amounts to EUR 21.9 million.

The value in use calculation uses expected dividends based on business plans approved by local and Ageas' management over a period of five years. Estimates after this period have been extrapolated using a growth rate of 2.0 percent points which represents an approach of expected inflation in Portugal. The discount rate used is based on the risk free interest rate, country risk, market risk premium and the beta coefficient of 1.05 and amounts to 10.7 percent points. The outcome of the impairment test was that the recoverable amount exceeded the carrying value of the CGU including goodwill. Consequently, the goodwill for the Portuguese Non-life activities is not impaired.

Based on the sensitivity analysis with regard to the assumptions, the goodwill for the Portuguese Non-life activities will still not be impaired if the growth rate would drop by more than 25 percent points or the discount rate would increase by more than 20 percent points.

UBI Assicurazioni

The reported goodwill for UBI Assicurazioni amounts to EUR 92.2 million (2013: EUR 92.2 million). The value in use calculation uses expected dividends based on business plans approved by local and Ageas' management over a period of five years. Because the business plans are based on the improved penetration in the distribution channel of UBI Banca and new products, the five year planning horizon is considered appropriate.

Estimates after this period have been extrapolated using a growth rate of 2.5 percent points which represents an approach of expected inflation and local market developments for the banking

channel. The discount rate used is based on the risk free interest rate, country risk, market risk premium and the beta coefficient of 1.1 and amounts to 10.0 percent points. The outcome of the impairment test was that the recoverable amount exceeded the carrying value of the CGU including goodwill. Consequently, the goodwill for UBI Assicurazioni is not impaired.

Based on the sensitivity analysis with regard to the assumptions, the goodwill for UBI Assicurazioni would not be impaired if the long term growth rate would drop by 18.3 percent point and the discount rate would increase by 8.7 percent point.

UK brokerage business

The goodwill amount for UK brokerage business (including Kwik-Fit Insurance Services and Castle Cover Limited) amounts to EUR 302.2 million (2013: EUR 282.3 million). The net goodwill, after impairment amounts to EUR 270.0 million (2013: EUR 252.2 million). The change in amount between 2014 and 2013 is caused by exchange rate differences between the Euro and Pound Sterling. The value in use calculation uses expected dividends based on business plans approved by local and Ageas' management over a period of five years. Estimates after this period have been extrapolated using a growth rate of 2.0 percent points which represents an approach of expected inflation

The discount rate used, including a beta coefficient of 1.0, amounts to 8.7 percent points. The outcome of the impairment test was that the recoverable amount exceeded the carrying value of the CGU including goodwill. Because of the positive outcome, the goodwill is not impaired.

Based on the sensitivity analysis with regard to the assumptions, the goodwill for UK brokerage business would not be impaired if the long term growth rate would drop by 4.1 percent point and the discount rate would increase by 2.8 percent point.

Amortisation of VOBA

The expected amortisation expenses for VOBA from 2015 onwards are as follows.

Estimated amortisation of VOBA

2015	33.9
2016	33.0
2017	32.0
2018	30.9
2019	29.6
Later	167.7

20 Shareholders' equity

The following table shows the composition of shareholders' equity as at 31 December.

Share capital	
Ordinary shares: 230,996,079 shares issued and paid with a fraction value of EUR 7.40	1,709.4
Share premium reserve	2,796.1
Other reserves	2,320.0
Currency translation reserve	325.9
Net result attributable to shareholders	475.6
Unrealised gains and losses	2,596.3
Shareholders' equity	10,223.3

20.1 Ordinary shares

Shares issued and potential number of shares

In accordance with the provisions regulating ageas SA/NV, to the extent law permits, and in the interest of the Company the Board of Ageas was authorized for a period of three years (2014-2016) by the General Shareholders' meeting of 30 April 2014 to increase the share capital with a maximum amount of EUR 170,200,000 for general purposes.

Applied to a fraction value of EUR 7.40 this enables the issuance of up to 23,000,000 shares, representing approximately 10% of the total current share capital of the Company. This authorisation also enables the Company to meet its obligations entered into in the context of the issue of the financial instruments. Shares can also be issued due to the so-called alternative coupon settlement method (ACSM), included in certain hybrid financial instruments (for details see note 48 Contingent liabilities).

Ageas has issued options or instruments containing option features, which could, upon exercise, lead to an increase in the number of outstanding shares.

The number of shares issued includes shares that relate to the convertible instrument FRESH (4.0 million). The FRESH is a financial instrument that was issued in 2002 by Ageasfinlux SA. One of the features of this instrument is that it can only be redeemed through conversion into 4.0 million Ageas shares. Ageasfinlux SA has acquired all necessary Ageas shares to redeem the FRESH (consequently they are included in the number of Ageas shares outstanding). However, Ageasfinlux SA and Ageas have agreed that these shares will not receive dividend

nor will they have voting rights as long as these shares are pledged to the FRESH. As Ageasfinlux SA is part of Ageas group, the shares related to the FRESH are treated as treasury shares (see hereafter) and eliminated against shareholders' equity (see note 4 Earnings per share and note 23 Subordinated liabilities).

Treasury shares

Treasury shares are issued ordinary shares which are bought back by Ageas. The shares are deducted from Shareholders' equity and reported in Other reserves.

The total number of treasury shares (11.6 million) consists of shares held for the FRESH (4.0 million), the restricted share program (0.4 million) and the remaining shares resulting from the share buyback program (7.2 million, see below). Details of the FRESH securities are provided in note 23 Subordinated liabilities.

Share buyback programme 2014

Ageas announced on 6 August 2014 a new share buy-back program as of 11 August 2014 up to 31 July 2015 for an amount of EUR 250 million. Ageas has bought back 3,194,473 shares corresponding to 1.38% of the total shares outstanding and totalling EUR 84.3 million.

Between 6 August 2014 and 6 February 2015, Ageas bought back 3,996,821 shares for a total amount of EUR 107.8 million. This corresponds to 1.73% of the total shares outstanding.

Ageas has informed the National Bank that this operation can be considered as non-strategic, according to article 36/3 §2 of the law of 22 February 1998 determining the statute of the National Bank.

Share buyback programme 2013

Ageas announced on 2 August 2013 that, based on the shareholder authorisation granted at the end of April 2013, the Board of Directors decided to initiate a share buy-back programme of its outstanding common stock for an amount of EUR 200 million.

Ageas completed on Friday 1 August 2014 the share buy-back program announced on 2 August 2013. Between 12 August 2013 and 1 August 2014, Ageas has bought back 6,513,207 shares corresponding to 2.82% of the total shares outstanding and totalling EUR 200 million.

The General Shareholders' meeting of 30 April 2014 approved to cancel 2,489,921 own shares.

Reduction of capital

The Extraordinary General Meeting of Shareholders of ageas SA/NV of 16 September 2013 approved besides the before mentioned cancellation of the ageas SA/NV shares, a second reduction of capital, by means of reimbursement to shareholders resulting in a distribution of EUR 1.00 per share. This distribution took place on 13 December 2013. The total amount paid was EUR 222 million in cash.

Restricted share programme

In 2011, 2012, 2013 and 2014, Ageas created a restricted share programme for its senior management (see also note 7 section 7.2 Employee share option and share purchase plans).

20.2 Shares entitled to dividend and voting rights

The table below gives an overview of the shares entitled to dividend and voting rights as at 31 December 2014.

in thousands

Number of shares issued as at 31 December 2014	230,996
<u>Shares not entitled to dividend and voting rights:</u>	
Shares held by ageas SA/NV	7,618
Shares related to the FRESH (see Note 23)	3,968
Shares related to CASHES (see Note 48)	4,644
Shares entitled to voting rights and dividend	214,766

CASHES and settlement with BNP Paribas Fortis SA/NV and BNP Paribas

BNP Paribas Fortis SA/NV (the former Fortis Bank) issued a financial instrument called CASHES in 2007. One of the features of this instrument is that it can only be redeemed through conversion into 12.5 million Ageas shares.

BNP Paribas Fortis SA/NV acquired all necessary Ageas shares to redeem the CASHES (consequently they are included in the number of shares outstanding of Ageas). The shares held by BNP Paribas Fortis SA/NV related to the CASHES are not entitled

to dividend nor do these have voting rights (see note 23 Subordinated liabilities and note 48 Contingent liabilities).

In 2012, BNP made a (partially successful) cash tender on the CASHES. On 6 February 2012, BNP Paribas Fortis SA/NV converted 7,553 of the tendered CASHES securities out of 12,000 CASHES securities outstanding (62.9%) into 7.9 million Ageas shares. At this moment, 4.6 million Ageas shares related to the CASHES are still held by BNP Paribas Fortis SA/NV.

Outstanding shares

The following table shows the number of outstanding shares.

in thousands	Shares issued	Treasury shares	Shares outstanding
Number of shares as at 1 January 2013	243,121	(11,290)	231,831
Cancelled shares	(9,635)	9,635	
Balance (acquired)/sold		(5,397)	(5,397)
Number of shares as at 31 December 2013	233,486	(7,052)	226,434
Cancelled shares	(2,490)	2,490	
Balance (acquired)/sold		(7,071)	(7,071)
Number of shares as at 31 December 2014	230,996	(11,633)	219,363

The table below gives an overview of the shares issued and the potential number of shares as at 31 December.

in thousands	
Number of shares as at 31 December 2014	230,996
Shares that may be issued per Shareholders' meeting of 30 April 2014	23,000
In connection with option plans (see Note 7)	1,730
Total potential number of shares as at 31 December 2014	255,726

20.3 Other reserves

Treasury shares, i.e. ordinary shares bought back by Ageas, are deducted from Shareholders' equity and reported in Other reserves. Other reserves also include the adjustment for the written put option on non-controlling interests. Each yearly balance of profits of the year and the dividends related to the year is added to or deducted from the Other reserves.

20.4 Currency translation reserve

The currency translation reserve is a separate component of shareholders' equity in which are reported the exchange differences arising from translation of the results and financial positions of foreign operations that are included in the Ageas Consolidated Financial Statements.

Ageas does not hedge the net investments in foreign operations unless the impact of potential foreign exchange movements is considered beyond Ageas' risk appetite. However, loans not provided for permanent funding purposes and known payments or dividends in a foreign currency, are hedged. Exchange differences arising on loans and other currency instruments designated as hedging instruments of such investments are recorded in equity (under the heading Currency translation reserve) until the disposal of the net investment, except for any hedge ineffectiveness, which will be immediately recognised in the income statement. On disposal of a foreign entity, such exchange differences are recognised in the income statement as part of the gain or loss on the sale.

20.5 Unrealised gains and losses included in shareholders' equity

The table below shows the Unrealised gains and losses included in shareholders' equity.

31 December 2014	Available for sale investments	Held to maturity investments	Revaluation of associates	Cash flow hedges	DPF component	Total
Gross	9,020.9	(112.2)	263.1	56.5		9,228.3
Related tax	(2,750.6)	29.5		1.1		(2,720.0)
Shadow accounting	(4,381.7)			(36.7)		(4,418.4)
Related tax	1,300.3					1,300.3
Non-controlling interests	(796.8)	37.9	3.0	10.8		(745.1)
Discretionary participation feature (DPF)	12.3				(12.3)	
Total (including foreign exchange differences)	2,404.4	(44.8)	266.1	31.7	(12.3)	2,645.1
Transfer to currency translation reserve (cumulative)	(10.0)		(35.5)	(3.3)		(48.8)
Total	2,394.4	(44.8)	230.6	28.4	(12.3)	2,596.3

31 December 2013	Available for sale investments	Held to maturity investments	Revaluation of associates	Cash flow hedges	DPF component	Total
Gross	3,967.6	(138.1)	(185.4)	(37.1)		3,607.0
Related tax	(1,224.5)	36.0		0.9		(1,187.6)
Shadow accounting	(909.1)					(909.1)
Related tax	280.2					280.2
Non-controlling interests	(525.9)	47.3	(1.2)	11.4		(468.4)
Discretionary participation feature (DPF)	4.0				(4.0)	
Total (including foreign exchange differences)	1,592.3	(54.8)	(186.6)	(24.8)	(4.0)	1,322.1
Transfer to currency translation reserve (cumulative)	(5.7)		(19.9)	(0.5)		(26.1)
Total	1,586.6	(54.8)	(206.5)	(25.3)	(4.0)	1,296.0

Unrealised gains and losses on available for sale investments are discussed in detail in note 11 Financial investments.

Changes in the fair value of derivatives that are designated and qualify as a cash-flow hedge are recognised as an unrealised gain or loss in shareholders' equity. Any hedge ineffectiveness is immediately recognised in the income statement. Exchange differences arising on instruments designated as hedges of a net investment in a foreign entity are recorded in shareholders' equity until the disposal of the net investment, except for any hedge ineffectiveness, which is immediately recognised in the income statement.

Ageas enters into insurance contracts that feature not only a guaranteed part but also other benefits, of which the amounts and the timing of declaration and payment are solely at the discretion of Ageas. Depending on the contractual and statutory terms and conditions, unrealised changes in the fair value of the asset mix related to such contracts are, after the application of shadow accounting, reported in shareholders' equity under separate discretionary participation features (DPF) and in unrealised gains and losses related to available-for-sale investments.

The table below shows changes in gross unrealised gains and losses included in shareholders' equity for 2013 and 2014.

	Available for sale investments	Held to maturity investments	Revaluation of associates	Cash flow hedges	Total
Gross unrealised gains (losses) as at 1 January 2013 as previously reported	5,368.6	(172.2)	159.5	(30.8)	5,325.1
Change in consolidation method Tesco Insurance Ltd	(8.5)		3.1		(5.4)
Adjusted Gross unrealised gains (losses) as at 1 January 2013	5,360.1	(172.2)	162.6	(30.8)	5,319.7
Changes in unrealised gains (losses) during the year	(1,267.7)		(265.6)	(7.1)	(1,540.4)
Reversal unrealised (gains) losses because of sales	(121.3)		(79.9)		(201.2)
Reversal unrealised losses because of impairments	3.9				3.9
Foreign exchange differences	(5.5)		(0.2)	0.7	(5.0)
Amortisation		33.7		0.1	33.8
Other	(1.9)	0.4	(2.3)		(3.8)
Gross unrealised gains (losses) as at 31 December 2013	3,967.6	(138.1)	(185.4)	(37.1)	3,607.0
Changes in unrealised gains (losses) during the year	5,170.3		432.9	87.2	5,690.4
Reversal unrealised (gains) losses because of sales	(136.5)				(136.5)
Reversal unrealised losses because of impairments	0.6				0.6
Foreign exchange differences	23.6		15.6	5.9	45.1
Amortisation		25.5		0.1	25.6
Other	(1.5)	0.4		0.4	(0.7)
Gross unrealised gains (losses) as at 31 December 2014	9,020.9	(112.2)	263.1	56.5	9,228.3

20.6 Dividend capacity

The companies comprising Ageas are subject to legal restrictions regarding the amount of dividend they may pay to their shareholders. The Dutch Civil Code stipulates that a Dutch company may pay dividends only if the net equity of that company exceeds the total of the paid-up and called-up capital and the reserves required by law or by the company's Articles of Association.

Under the Belgian Companies Code, 5% of a company's annual net profit must be placed in a legal reserve fund until this fund reaches 10% of the share capital. No dividends may be paid if the value of the company's net assets falls below, or following payment of a dividend would fall below, the sum of its paid-up capital and non-distributable reserves.

Subsidiaries and associates are also subject to dividend restrictions arising from minimum capital and solvency requirements imposed by regulators in the countries in which those subsidiaries operate and from shareholder agreements with the partners in the company. In certain situations consensus between the shareholders is required before dividend is declared.

In addition, shareholder agreements (related to parties having a non-controlling interest in Ageas subsidiaries) may include:

- specific articles on voting rights or dividend distribution;
- lock-up periods during which all parties having shares are not allowed to sell shares before a certain period or without preliminary approval of the other parties involved;
- options to sell or resell shares to the other party (parties) involved in the shareholders agreement including the underlying calculation methodology to value the shares;
- earn out mechanisms which allow the party originally selling the shares to additional revenues when certain objectives are realized;
- exclusivity clauses or non-competition clauses related to the sales of insurance products.

Proposed dividend for 2014

Ageas' Board has decided to propose for approval by the Annual General Meeting of Shareholders a gross cash dividend of EUR 1.55 per share for 2014.

20.7 Return on equity

Ageas calculates Return on equity on the basis of an annualised 12-months result and the net average equity of the beginning and the end of the period.

The Return on equity for 2014 and 2013 is as follows.

	2014	2013
Return on equity Ageas group	5.1%	6.2%
Return on equity Insurance	8.8%	8.3%

21 Insurance liabilities

Life liabilities

Life liabilities are established when a policy is sold in order to ensure that sufficient funds are set aside to meet the future claims relating to that policy. Life insurance liabilities can be split in:

- liabilities arising from Life insurance contracts (see 21.1)
- liabilities arising from Life investment contracts (see 21.2)
- liabilities related to Unit-linked contracts (see 21.3)

Non-life Liabilities

- liabilities arising from Non-life insurance contracts (see 21.4).

The details of these insurance liabilities are detailed hereafter.

21.1 Liabilities arising from Life insurance contracts

The following table provides an overview of the liabilities arising from Life insurance contracts as at 31 December.

	31 December 2014	31 December 2013
Liability for future policyholder benefits	26,449.5	25,527.1
Reserve for policyholder profit sharing	328.7	297.7
Shadow accounting	2,646.3	441.8
Before eliminations	29,424.5	26,266.6
Eliminations	(4.8)	(3.9)
Gross	29,419.7	26,262.7
Reinsurance	(41.5)	(208.2)
Net	29,378.2	26,054.5

Changes in the liabilities arising from Life insurance contracts (gross of reinsurance and before eliminations) are shown below.

	2014	2013
Balance as at 1 January	26,266.6	25,917.0
Acquisitions/divestments of subsidiaries	(393.8)	
Gross inflow	2,337.4	2,331.3
Time value	973.8	961.6
Payments due to surrenders, maturities and other	(2,043.2)	(1,965.3)
Transfer of liabilities	335.9	40.3
Foreign exchange differences	230.9	(59.1)
Shadow accounting adjustment	2,182.8	(296.5)
Net changes in group contracts	29.0	(15.6)
Other changes, including risk coverage	(494.9)	(647.1)
Balance as at 31 December	29,424.5	26,266.6

The sale of Ageas Protect (see note 3) impacts the balance of liabilities and related reinsurance. The shadow accounting adjustment is a reflection of the unrealized gains and losses on the investment portfolio, related to decreasing yields and spreads in 2014 (increasing in 2013). The transfer of liabilities mainly reflects in 2014 the acquisition of the Fidea portfolio in Belgium, the transfer in 2013 relates to internal movements from unit-linked contracts. Foreign exchange differences are mainly related to a higher Hong Kong Dollar exchange rate in 2014 (compared to 2013). The line Net changes in group contracts offsets the same

line of unit-linked contracts (see section 21.3). Other changes, including risk coverage mainly relate to insurance and actuarial risks consumption, for guarantees included in the contracts, and therefore varies together with the volumes. In 2014, the line Other changes reflects also in UK the decrease of yield curve, increasing the present value of future claim payments.

The effect of changes in assumptions used to measure the liabilities related to life insurance contracts was not material in 2014 and 2013.

21.2 Liabilities arising from Life investment contracts

The following table provides an overview of the liabilities arising from Life investment contracts as at 31 December.

	31 December 2014	31 December 2013
Liability for future policyholder benefits	28,638.1	28,205.3
Reserve for policyholder profit sharing	159.4	183.7
Shadow accounting	1,772.2	403.8
Gross	30,569.7	28,792.8
Reinsurance		
Net	30,569.7	28,792.8

Changes in the liabilities arising from Life investment contracts are shown below.

	2014	2013
Balance as at 1 January	28,792.8	29,100.7
Gross inflow	2,630.2	2,343.9
Time value	637.9	653.1
Payments due to surrenders, maturities and other	(3,036.9)	(2,749.7)
Transfer of liabilities	210.5	(94.2)
Foreign exchange differences	0.1	(0.4)
Shadow accounting adjustment	1,368.4	(413.3)
Net changes in group contracts	0.1	29.9
Other changes, including risk coverage	(33.4)	(77.2)
Balance as at 31 December	30,569.7	28,792.8

The shadow accounting adjustment is a reflection of the unrealized gains and losses on the investment portfolio, related to decreasing yields and spreads (increasing in 2013). The transfer of liabilities in 2014 mainly reflects the acquisition of the Fidea portfolio in Belgium. In 2013, it mainly reflects internal movements to unit-linked and other type of contracts. The line Net changes in group contracts offsets the same line of unit-linked contracts (see section 21.3). Other changes, including risk coverage mainly

relate to insurance and actuarial risks consumption, for guarantees included in the contracts, and therefore varies together with the volumes.

The effect of changes in assumptions used to measure the liabilities related to Life investment contracts was not material in 2014 and 2013.

21.3 Liabilities related to unit-linked contracts

The liabilities related to unit-linked contracts are broken down into insurance and investment contracts as follows.

	31 December 2014	31 December 2013
Insurance contracts	1,969.1	1,795.4
Investment contracts	12,859.9	12,374.6
Total	14,829.0	14,170.0

The following table shows the changes in liabilities related to unit-linked insurance contracts.

	2014	2013
Balance as at 1 January	1,795.4	1,625.7
Gross inflow	190.6	196.0
Changes in fair value / time value	35.2	49.4
Payments due to surrenders, maturities and other	(70.3)	(74.3)
Transfer of liabilities	38.7	(8.9)
Foreign exchange differences	5.5	(2.1)
Net changes in group contracts	(29.0)	15.6
Other changes, including risk coverage	3.0	(6.0)
Balance as at 31 December	1,969.1	1,795.4

The following table shows the changes in liabilities related to unit-linked investment contracts.

	2014	2013
Balance as at 1 January	12,374.6	12,141.3
Gross inflow	1,138.0	1,662.6
Changes in fair value / time value	1,110.2	736.8
Payments due to surrenders, maturities and other	(1,814.4)	(2,134.1)
Transfer of liabilities	33.8	38.0
Foreign exchange differences	86.3	(29.2)
Net changes in group contracts	(0.1)	(29.9)
Other changes, including risk coverage	(68.5)	(10.9)
Balance as at 31 December	12,859.9	12,374.6

The transfer of liabilities mainly reflects internal movements between different product contracts. Foreign exchange differences in 2014 relate to a higher Hong Kong Dollar exchange rate (compared to 2013). The lines Net changes in group contracts

offsets the same line of not unit-linked contracts (see sections 21.1 and 21.2). Other changes, including risk coverage mainly relate to insurance and actuarial risks consumption, for complementary guarantees included in the contracts.

21.4 Liabilities arising from Non-life insurance contracts

The following table provides an overview of the liabilities arising from Non-life insurance contracts as at 31 December.

	31 December 2014	31 December 2013
Claims reserves	5,619.8	5,284.6
Unearned premiums	1,512.2	1,441.4
Reserve for policyholder profit sharing	15.6	7.4
Shadow accounting		63.8
Gross	7,147.6	6,797.2
Reinsurance	(562.7)	(505.1)
Net	6,584.9	6,292.1

Non-life claims liabilities are recognised for claims that have occurred but have not yet been settled, quantifying the outstanding loss liability. In general, Ageas insurance companies define claims liabilities by product category, cover and year and take into account (un)discounted prudent forecasts of pay outs on reported claims and estimates of unreported claims. Allowances for claims expenses and inflation are also included. The pay outs are typically undiscounted. However, some accident and health

claims (in particular Workers' Compensation) have a long-term nature and their liabilities are calculated with similar-to-life techniques, including thus also discounted cash flows.

Unearned premiums relate to the unexpired portion of the risk, for which the premium has been received but has not yet been earned by the insurer.

Changes in the liabilities arising from insurance contracts for Non-life insurance contracts (gross of reinsurance and before eliminations) are shown below.

	2014	2013
Balance as at 1 January, as previously reported	6,797.2	7,536.3
Change in consolidation method Tesco Insurance Ltd		(882.7)
Adjusted balance as at 1 January	6,797.2	6,653.6
Addition to liabilities current year	2,824.7	2,662.9
Claims paid current year	(1,403.3)	(1,261.7)
Change in liabilities current year	1,421.4	1,401.2
Addition to liabilities prior years	(133.6)	(125.8)
Claims paid prior years	(1,065.7)	(1,068.2)
Change in liabilities prior years	(1,199.3)	(1,194.0)
	222.1	207.2
Change in unearned premiums	12.0	(18.4)
Transfer of liabilities	4.8	(20.6)
Foreign exchange differences	182.2	(56.1)
Shadow accounting adjustment	(63.7)	(37.1)
Other changes	(7.0)	68.6
Balance as at 31 December	7,147.6	6,797.2

The foreign exchange differences reflect a higher British Pound exchange rate in 2014. Improved combined ratio explains also the change in liabilities.

The effect of changes in assumptions used to measure the liabilities related to Non-life insurance contracts was not material in 2014 and 2013.

21.5 Insurance Liabilities Adequacy Testing

Each insurance company establishes liabilities for future claims on policies and sets aside assets to support these liabilities. This involves making estimates and assumptions that can affect the reported amounts of assets, liabilities, shareholders' equity and the result within the next year. These estimates are evaluated at each reporting date using statistical analysis based on internal and external historical data.

The adequacy of insurance liabilities is reviewed at each reporting date and requires increases in liabilities or impairments on

Deferred acquisition costs (DAC) or VOBA to be immediately recorded and recognised in the income statement. Ageas' Liability Adequacy Testing (LAT) Policy and process fulfil IFRS requirements.

This LAT test is applied by each company at each reporting date.

Life

The tests are performed on legal fungible level (asset pool level) for Life. Ageas considers current best estimates of all contractual cash flows, including related cash flows such as (re)investment returns and expenses. The assumptions are internally consistent with those used for projecting their best estimate liability cashflows. The tests include cash flows resulting from deterministic projections. The present value of these cash flows has been determined by using a risk-free discount rate with volatility adjustment. Any shortfall is recognised immediately in the income statement.

Non-life

The tests are performed on a level of homogeneous product groups for Non-life. Any shortfall is recognised immediately in the income statement.

The tests carried out at 2014 year-end confirmed that the reported liabilities are adequate.

The risk that the actual outcome will exceed liabilities arising from insurance and investment contracts cannot be eliminated completely, given the uncertainties inherent in the techniques, assumptions and data used in the statistical analysis. To ensure that the risk of being unable to meet policyholder and other obligations is reduced to extremely low levels, Ageas holds additional solvency capital.

The relative variability of the expected outcomes is lower for larger and more diversified portfolios. Factors that would increase insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location, type of industry as well as negative changes in the public domain (such as legislative changes, etc.) and extreme events such as hurricanes.

Insurance risk can be reduced by risk mitigating factors, such as reinsurance. This includes, but is not limited to, European weather events.

Overview of Insurance Liabilities by operating segment

The table below provides an overview of the liabilities by operating segment.

31 December 2014	Total Non-life	Non-life gross liability split:			Total Life	Life gross liability split:	
		Unearned premium	Shadow Accounting	Claims outstanding		Unit-linked	Life Guaranteed
Belgium	3,710.1	364.8		3,345.3	57,584.9	6,713.3	50,871.6
UK	2,691.4	887.3		1,804.1			
Continental Europe	746.1	260.1		486.0	14,478.4	7,243.7	7,234.7
Asia					2,759.9	872.0	1,887.9
Eliminations					(4.8)		(4.8)
Insurance total	7,147.6	1,512.2		5,635.4	74,818.4	14,829.0	59,989.4

31 December 2013	Total Non-life	Non-life gross liability split:			Total Life	Life gross liability split:	
		Unearned premium	Shadow Accounting	Claims outstanding		Unit-linked	Life Guaranteed
Belgium	3,552.7	358.9	63.8	3,130.0	53,167.1	6,399.9	46,767.2
UK	2,524.2	832.2		1,692.0	153.3		153.3
Continental Europe	720.3	250.3		470.0	13,941.0	7,114.7	6,826.3
Asia					1,968.0	655.4	1,312.6
Eliminations					(3.9)		(3.9)
Insurance total	6,797.2	1,441.4	63.8	5,292.0	69,225.5	14,170.0	55,055.5

22 Debt certificates

The following table shows the types of debt certificates (EMTN) issued by Ageas and the amounts outstanding as at 31 December.

	31 December 2014	31 December 2013
Held at amortised cost		34.9
Held at fair value through profit or loss	2.2	33.5
Total debt certificates	2.2	68.4

Due to the changes in the composition of the former Fortis group in October 2008 there is no curable breach of a debt covenant and as a result, all debt securities are in default and directly callable by the security holder at nominal value (there are no other breaches of debt covenants). Therefore the debt securities held at fair value through profit or loss are valued at minimal of the nominal value.

The nominal value of debt securities held at fair value through profit or loss was EUR 1.8 million as at 31 December 2014 (2013: EUR 32.8 million). The valuation of debt securities held at fair value through profit or loss is based on level 2. Ageas has not pledged any assets against outstanding debt certificates.

The maturity of the balance of debt certificates outstanding as at 31 December is shown below.

	2014	2013
2014		68.4
2015	2.2	
Total debt certificates	2.2	68.4

The decrease in debt certificates during 2014 is due to redemption.

23 Subordinated liabilities

The following table provides a specification of the subordinated liabilities as at 31 December.

	31 December 2014	31 December 2013
FRESH	1,250.0	1,250.0
Hybrone	226.8	225.7
Fixed to floating Rate Callable Subordinated Loan BCP Investments	58.8	
Fixed Rate Reset Perpetual Subordinated Notes	448.1	392.9
Fixed to Floating Rate Callable Subordinated Notes	99.6	99.3
Other subordinated liabilities	3.0	3.1
Total subordinated liabilities	2,086.3	1,971.0

23.1 FRESH

On 7 May 2002, Ageasfinlux SA issued undated Floating Rate Equity-linked Subordinated Hybrid capital securities (FRESH) for a total principal amount of EUR 1,250 million and with a denomination of EUR 250,000 each. Coupons on the securities are payable quarterly in arrears, at a variable rate of 3 month Euribor + 135 basis points.

The FRESH was issued by Ageasfinlux SA, with ageas SA/NV acting as co-obligor. The principal amount of the securities will not be repaid in cash. The sole recourse of the holders of the FRESH against the co-obligor with respect to the principal amount are the 4.0 million Ageas shares that Ageasfinlux SA pledged in favour of such holders. Pending the exchange of the FRESH against Ageas shares, these Ageas shares do not have any dividend rights or voting rights (the reported number of outstanding Ageas shares as at 31 December 2014 already includes the 4.0 million Ageas shares issued for the purpose of such exchange).

In the event that dividends are not paid on the Ageas shares, or that the dividends to be declared are below a threshold with respect to any financial year (dividend yield less than 0.5%) and in certain other exceptional circumstances, payment of coupons will be made in accordance with the so-called Alternative Coupon Settlement Method (ACSM). The ACSM implies that new Ageas shares will be issued and delivered to the holders of the FRESH. To date all coupons have been paid in cash. If the ACSM is triggered and there is insufficient available authorised capital to enable ageas SA/NV to meet the ACSM obligation, the coupon settlement will be postponed until such time as the ability to issue shares is restored. Because of these characteristics the FRESH is treated as part of Ageas' regulatory qualifying capital.

The FRESH have no maturity date, but may be exchanged for Ageas shares at a price of EUR 315 per share at the discretion of the holder. The FRESH will automatically be converted into Ageas shares if the price of the Ageas share is equal to or higher than EUR 472.50 on twenty consecutive stock exchange business days.

23.2 Hybrone

In 2006, Ageas incorporated a special purpose company named Ageas Hybrid Financing SA (hereafter AHF), which issued perpetual deeply subordinated and pari passu ranking securities, and invested the proceeds thereof in instruments issued by (former) Ageas operating companies which qualified as solvency for those entities. The securities issued by AHF have the benefit of a support agreement and a subordinated guarantee entered into by ageas SA/NV.

Under the support agreement ageas SA/NV is obliged to contribute to AHF such funds as necessary to allow it to pay the coupon in any year that Ageas declares a dividend or, alternatively, to pay the coupon through the ACSM if the entities which received the proceeds fail to pay the coupons on their on-loans in cash due to a breach of the applicable regulatory minimum solvency levels. In the event that Ageas fails to achieve the regulatory minimum solvency level or if consolidated assets are less than the sum of liabilities, excluding liabilities not considered senior debt, or if AHF so elects, the cash coupon will be replaced by settlement through the ACSM.

AHF issued EUR 500 million of securities called 'Hybrone' in 2006, at an interest rate of 5.125% until 20 June 2016 and 3 month Euribor + 200 basis points thereafter. The proceeds of these securities were on-lent to AG Insurance. In March 2013, AHF launched a tender on the outstanding securities at a price of 91%; the final acceptance amount of this tender amounted to EUR 163.6 million. The on-lent-loan to AG Insurance was reduced for the same amount. Some Ageas affiliates invested in Hybrone securities; together with the tender this leads to a reported outstanding held by external holders of EUR 226.8 million as at 31 December 2014. The remaining Hybrone securities have a first call date on 20 June 2016.

23.3 Fixed Rate Reset Perpetual Subordinated Notes

On 21 March 2013, AG Insurance issued USD 550 million Fixed Rate Reset Perpetual Subordinated Notes at an interest rate of 6.75%. The Notes constitute direct, unsecured and subordinated obligations of AG Insurance. The Notes are listed on the Luxembourg Stock Exchange. The Notes may be redeemed at the option of AG Insurance, in whole but not in part, on the first call date (March 2019) or on any interest payment date thereafter.

23.4 Fixed-to-Floating Callable Subordinated Notes

On 18 December 2013, AG Insurance issued EUR 450 million Fixed-to-Floating Callable Subordinated Notes due 2044.

The Notes have an interest rate of 5.25%, payable annually, up to their June 2024 first call date and will from such first call date bear interest at a floating rate of 3-month Euribor plus 4.136% per annum, payable quarterly.

The Notes provide for a quarterly optional call by AG Insurance as from June 2024 and for the optional or mandatory deferral of interest under certain circumstances. The Notes will qualify as available solvency margin under the prevailing European regulatory capital regime for insurers (Solvency I).

The Notes are subscribed by ageas SA/NV (EUR 350 million) and BNP Paribas Fortis SA/NV (EUR 100 million) and are listed on the Luxembourg stock exchange.

23.5 Fixed-to-Floating Callable Subordinated Loan BCP Investments

On 5 December 2014, Ageas Insurance International N.V. (51%) and BCP Investments B.V. (49%) granted a subordinated loan of EUR 120 million to Millennium BCP Ageas at 4.75% per annum up to the first call date in December 2019 and 6-month Euribor + 475 basis points per annum thereafter. The Notes qualify as available solvency margin under the prevailing European regulatory regime for insurers (Solvency I).

24 Borrowings

The table below shows the components of Borrowings as at 31 December.

	31 December 2014	31 December 2013
Repurchase agreements	1,069.8	1,184.7
Loans	1,043.9	762.1
Due to banks	2,113.7	1,946.8
Funds held under reinsurance agreements	82.0	81.0
Finance lease agreements	21.3	22.8
Other borrowings	266.5	313.1
Total borrowings	2,483.5	2,363.7

Ageas has pledged debt securities with a carrying amount of EUR 1,082.3 million (2013: EUR 1,256.5 million) as collateral for Repurchase agreements. In addition, property has been pledged as collateral for Loans and other with a carrying amount of EUR 391.5 million (2013: EUR 391.5 million).

The carrying value of the borrowings is a reasonable approximation of their fair value as contract maturities are less than one year (repurchase agreements) and/or contracts carry a floating rate (loans from banks). Accordingly, the fair value is based upon observable market data (level 2).

Contractual terms of deposits held by banks

Deposits held by banks by year of contractual maturity as at 31 December.

	2014	2013
2014		19.9
2015	78.3	
2019	29.8	
Total deposits	108.1	19.9

Finance lease obligations

Ageas' obligations under finance lease agreements are detailed in the table below.

	2014		2013	
	Minimum lease payments	Present value of the minimum lease payments receivable	Minimum lease payments	Present value of the minimum lease payments receivable
Less than 3 months	0.5	0.3	0.8	0.5
3 months to 1 year	1.6	0.9	1.6	1.0
1 year to 5 years	8.3	4.9	8.4	4.9
More than 5 years	55.6	15.2	57.6	16.4
Total	66.0	21.3	68.4	22.8
Future finance charges	44.8		45.6	

Other

Other borrowings, excluding financial lease obligations, are classified by remaining maturity in the table below.

	2014	2013
Less than 3 months	5.5	4.0
3 months to 1 year	16.9	82.9
1 year to 5 years	30.7	25.8
More than 5 years	203.6	191.1
Total	256.7	303.8

25 Current and deferred tax assets and liabilities

Deferred taxes are recognised for temporary differences between the IFRS book value and the tax book values as well as for tax losses carried forward to the extent that it is probable there will be sufficient future taxable profit against which the deferred tax asset can be utilised.

The components of deferred tax assets and deferred tax liabilities as at 31 December are shown below.

	Statement of financial position		Income statement	
	2014	2013	2014	2013
Deferred tax assets related to:				
Investment property	20.3	20.5	0.8	8.9
Property, plant and equipment	36.8	36.3	0.3	(10.7)
Intangible assets (excluding goodwill)	4.7	5.9	(0.7)	(0.2)
Insurance policy and claim reserves	1,440.8	428.8	21.5	(104.1)
Provisions for pensions and post-retirement benefits	171.9	139.9	5.0	68.2
Other provisions	12.3	12.6	(0.5)	1.4
Accrued expenses and deferred income	0.2	0.2		(1.2)
Unused tax losses	131.8	141.8	15.4	(6.6)
Other	65.7	48.4	(0.1)	(76.2)
Gross deferred tax assets	1,884.5	834.4	41.7	(120.5)
Unrecognised deferred tax assets	(57.9)	(99.4)	5.9	0.6
Net deferred tax assets	1,826.6	735.0	47.6	(119.9)
Deferred tax liabilities related to:				
Derivatives held for trading (assets)	0.1	0.1	(0.1)	0.5
Financial investments (available for sale)	2,623.5	1,172.6	(3.6)	(0.2)
Unit-linked investments	(3.4)	1.9	5.3	1.5
Investment property	123.4	82.1	(1.8)	26.0
Loans to customers	1.2	1.5	0.3	(0.2)
Property, plant and equipment	179.8	184.2	4.4	(5.1)
Intangible assets (excluding goodwill)	109.4	128.0	9.6	2.4
Other provisions	13.4	7.8	(4.8)	(4.8)
Deferred policy acquisition costs	31.3	47.0	9.8	13.7
Deferred expense and accrued income	1.4	1.4	0.1	
Tax exempt realised reserves	61.2	64.3	3.0	(24.4)
Call option BNP Paribas shares				79.5
Other	42.5	88.0	41.2	15.6
Total deferred tax liabilities	3,183.8	1,778.9	63.4	104.5
Deferred tax income (expense)			111.0	(15.4)
Net deferred tax	(1,357.2)	(1,043.9)		

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. The amounts in the statement of financial position after such offsetting are as follows.

	2014	2013
Deferred tax asset	106.4	80.1
Deferred tax liability	1,463.6	1,124.0
Net deferred tax	(1,357.2)	(1,043.9)

As at 31 December 2014, EUR 1,329.2 million was charged to equity related to deferred tax and EUR 90.4 million was charged to equity related to current tax (2013: EUR 867.5 million and EUR 40.0 million respectively, both charged to equity).

Deferred tax assets are recognised to the extent that it is probable that there will be sufficient future taxable profit against which the deferred tax asset can be utilised. Deferred tax assets have been recognised on unused (claimed) tax losses and unused tax credits at an estimated tax value of EUR 73.8 million (2013: EUR 45.2 million) whereas such have not been recognised to an amount of EUR 4,616 million (2013: EUR 4,875 million). From the total tax losses an estimated tax value of EUR 4,064 million can be carried forward indefinitely whereas an estimated amount of

EUR 552 million will expire during a period of eight years, each year's expiration depending on year of origin. Most of the (claimed) tax loss carry forward position originates from the liquidation of Brussels Liquidation Holding (the former Fortis Brussels, the company that held the Fortis banking operations). Tax wise, the loss on the sale of the Fortis Bank only materialised at the moment of liquidation.

Deferred tax assets depending on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences amount to EUR 71.2 million (2013: EUR 44.1 million) and have been recognised based on the expectation that sufficient taxable income will be generated in future years to utilise these deferred tax assets.

26 RPN (I)

The RPN(I) is a financial instrument that results in quarterly payments being made to, or received from, BNP Paribas Fortis SA/NV.

BNP Paribas Fortis SA/NV issued CASHES securities in 2007 with Ageas SA/NV as co-obligor. CASHES are convertible securities that convert in Ageas shares at a pre-set price of EUR 239.40 per share. BNP Paribas Fortis SA/NV and Ageas SA/NV, at that point in time both parts of the Fortis group, introduced a Relative Performance Note, designed to avoid accounting volatility on the Ageas shares and on the at fair value valued CASHES in the books of BNP Paribas Fortis SA/NV. At the break up of Fortis in 2009, BNP Paribas Fortis SA/NV and Ageas agreed to pay interest over a reference amount stated in this Relative Performance Note. The quarterly interest payment is valued as a financial instrument and referred to as RPN(I).

The RPN(I) exists to the extent that CASHES securities remain outstanding in the market. Originally, 12,000 CASHES securities were issued in 2007. Ageas reached an agreement with BNP Paribas in February 2012, whereby Ageas paid a EUR 287 million indemnity to BNP Paribas when BNP Paribas tendered CASHES at a price of 47.5% and converted the 7,553 CASHES securities tendered into its underlying Ageas shares, triggering the pro-rata cancellation of the RPN(I) liability. After this conversion 4,447 CASHES remain outstanding.

Reference amount and interest paid

The reference amount is calculated as follows:

- the difference between EUR 2,350 million and the market value of 12.53 million Ageas shares in which the instrument converts, less
- the difference between EUR 3,000 million par issuance and the market value of the CASHES as quoted by the Luxembourg stock exchange, multiplied by
- the number of CASHES securities that remain outstanding ($4,447/12,000 = 37.06\%$).

Ageas pays interest to BNP Paribas Fortis SA/NV over the average reference amount in the quarter (if the above outcome becomes negative BNP Paribas Fortis SA/NV pays to Ageas); the interest amounted to 3-month Euribor plus 20 basis points up to 31 March 2014 and 3-month Euribor plus 90 basis points thereafter (see next paragraph).

State guarantee and cancellation of this guarantee

Up to 31 March 2014 the Belgian state guaranteed Ageas interest payment towards BNP Paribas Fortis SA/NV. Ageas paid the Belgian State a fee for this guarantee, amounting to 70 basis points per annum over the reference amount, while the Belgian state held a pledge on 14% of the shares of AG Insurance as a recourse, in case Ageas would default on its interest payment.

With an objective to cancel the State guarantee the involved parties rearranged the agreement on 1 April 2014. The pledge in favour of the Belgian State was replaced by a pledge of AG Insurance shares directly in favour of BNP Paribas Fortis SA/NV, whereby the number of pledged shares was reduced from 14% to 7.4% of the total AG Insurance shares outstanding; to reflect the higher credit risk the interest rate applicable over the reference amount changed from 3-month Euribor plus 20 basis points into 3-month Euribor plus 90 basis points; at the same date the fee obligation from Ageas towards the Belgian State ceased to exist.

Ageas paid EUR 4.5 million interest and fee linked with the RPN(I) in 2014 versus EUR 3.0 million in 2013.

Valuation

Ageas applies a transfer notion to Fair Value the RPN(I) liability. 'Fair value' is defined in IFRS 13 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The definition is explicitly described as an exit price, linked with the price 'paid to transfer a liability'. When such pricing is not available and the liability is held by another entity as an asset, the liability needs to be valued from the perspective of a market participant that holds the asset. Ageas values its liability at the reference amount.

The RPN-reference amount moves subject to the CASHES price and Ageas share price: each 1% increase of the CASHES price, expressed in a percentage of its par value, leads to an increase of the reference amount with EUR 11 million, while each EUR 1.00 increase of the Ageas share price decreases the reference amount with EUR 5 million.

The increase of the reference amount from EUR 370 million at year end 2013 to EUR 467 million on 31 December 2014 is due to the price increase of the CASHES from 67.88% to 76.04% during 2014 and decrease of the Ageas share price from EUR 30.95 to EUR 29.51 over the same period.

27 Accrued interest and other liabilities

The composition of Accrued interest and other liabilities as at 31 December is as follows.

	31 December 2014	31 December 2013
Deferred revenues	90.4	96.3
Accrued finance costs	41.6	45.8
Accrued other expenses	150.9	129.0
Derivatives held for hedging purposes	43.4	37.6
Defined benefit pension liabilities	455.7	376.2
Defined benefit liabilities other than pension	116.3	91.6
Termination benefits	8.5	10.7
Other long-term employee benefit liabilities	13.2	12.4
Short-term employee benefit liabilities	96.4	88.4
Accounts payable	205.3	183.3
Due to agents, policyholders and intermediaries	501.4	473.9
VAT and other taxes payable	133.9	137.4
Dividends payable	24.3	22.4
Due to reinsurers	52.3	109.1
Derivatives held for trading	61.4	5.5
Other liabilities	441.9	342.4
Total	2,436.9	2,162.0

Details of employee benefit liabilities can be found in note 7 section 7.1 Employee benefits.

Derivatives held for trading are valued based on level 2 (observable market data in active markets). All purchases and sales of financial assets requiring delivery within the time frame established by regulation or market convention are recognised on

the trade date, i.e. the date when Ageas becomes a party to the contractual provisions of the instrument.

The line Other liabilities includes payables related to the clearing of securities transactions, cash received awaiting allocation to investments and small expenses to be paid.

28 Provisions

The provisions mainly relate to legal disputes and reorganisations and are based on best estimates available at period-end based on management judgement and in most cases supported by the opinion of legal advisors. The timing of the outflow of cash related to these provisions is by nature uncertain given the unpredictability of the outcome and the time involved in concluding litigations/disputes. We refer to note 48 Contingent liabilities, which describes the various ongoing litigations.

On 29 July 2014, the Amsterdam Court of Appeal decided to leave the sale of the Dutch Fortis entities in 2008 unaffected in response to the appeal by StichtingFortisEffect against the judgement of the Amsterdam District Court. However, the Court also ruled that Fortis provided misleading and incomplete information regarding the sale of the Dutch Fortis entities during the period of 29 September through 1 October 2008, and decided that Ageas should indemnify the shareholders concerned for the damages suffered as a result.

Ageas has decided to appeal this decision before the Dutch Supreme Court, but concluded that based on IAS 37 requirements a provision is to be recognized.

Although no damages have been established to date in the current proceedings, Ageas has recognized a provision of EUR 130 million, based on its assessment of the terms of the Court's decision and on methods and assumptions commonly used in the market. We note that the final amount and timing of outflows is uncertain and is mainly dependent on (a) the actual number of claimants, (b) the methods that will be used by the court to determine the eligibility of these claimants and the amount of the damages to be linked to the alleged wrongdoing and (c) the date of finalization of the further legal proceedings.

The amounts are presented under line item Provisions in the statement of financial position and line item Change in provisions in the income statement.

Changes in provisions during the year are as follows.

	2014	2013
Balance as at 1 January	45.0	69.1
Acquisition and divestment of subsidiaries	0.4	
Increase (Decrease) in provisions	137.5	(2.3)
Utilised during the year	(11.7)	(21.5)
Foreign exchange differences	0.2	(0.3)
Balance as at 31 December	171.4	45.0

29 Liabilities related to written put options NCI

29.1 Liability related to written put option on AG Insurance shares held by BNP Paribas Fortis SA/NV

Ageas concluded on 12 March 2009 an agreement on the sale of 25% + 1 share of AG Insurance to Fortis Bank (now named BNP Paribas Fortis SA/NV) for an amount of EUR 1,375 million. This agreement was approved by the Shareholder's meetings of Ageas of April 2009. As part of this transaction, Ageas granted to Fortis Bank a put option to resell the acquired stake in AG Insurance in the six-month period starting 1 January 2018 to Ageas.

Ageas concluded that the exercise of the put option is unconditional. In accordance with IAS 32 Ageas is therefore obliged to recognise a financial liability against the present value of the estimated exercise price of the put option in 2018. This financial liability is shown in a separate line (Liability related to written put option) in the statement of financial position. In addition, the liability is included in the General Account as the liability relates to Ageas Insurance International N.V. (the parent company of AG Insurance). Ageas values the liability at the amount of the consideration expected to be paid on settlement, discounted back to the reporting date.

The counterpart of this liability is a write down of the value of the Non-controlling interest underlying the option. The difference between the value of the Non-controlling interest and the fair value of the liability is added to the Other reserves which are included in Shareholders' equity. Subsequent changes in the fair value of the

Liability related to the put option are recorded in the Other Reserves.

If the option will be exercised in 2018, the liability will be settled by a cash payment of Ageas to BNP Paribas Fortis SA/NV resulting in Ageas reacquiring 25% + 1 share of AG Insurance. However, if the option matures without exercising then the liability is written off against Non-controlling interest and Other Reserves.

Calculation of the liability

Ageas is using the embedded value of the life business of AG Insurance and a discounted cash flow model for Non-life as a basis for the calculation of the Liability. For determining the expected settlement amount, the applied valuation method is based on:

- current embedded value multiples for life insurance companies;
- a growth in value based on an expected rate of return of 11% on embedded value and a 50% dividend pay-out for 2013 and of 75% for the years thereafter;
- a discount rate of 10%.

Treatment of the option in the Income statement

As long as the option has not been exercised, the results in the Consolidated income statement linked to Non-controlling interest (the 25% + 1 share part of BNP) are recorded as Non-controlling interest.

Based on these assumptions the net present value of the liability is EUR 1,391 million as at 31 December 2014 (31 December 2013: EUR 1,255 million). The following sensitivities have been calculated.

Discount rate	+1% point	(1%) point
Value liability	1,354	1,430
Relative impact	(2.7%)	2.8%

Price to Embedded Value	+10%	(10%)
Value liability	1,505	1,277
Relative impact	8.2%	(8.2%)

Growth rate	+1% point	(1%) point
Value liability	1,423	1,360
Relative impact	2.3%	(2.2%)

The impact of the liability related to the written put option on shareholders' equity is as follows:

Value Put Option	31 December 2014	31 December 2013	Change
Value Liability Put Option	1,391.0	1,255.0	136.0
Corresponding Non Controlling Interest	(1,562.9)	(1,225.5)	(337.4)
Impact on Shareholders' Equity	171.9	(29.5)	201.4

29.2 Put option AG Insurance granted to Parkimo

AG Insurance granted an unconditional put option on its 10.05% ownership to Parkimo, the present minority shareholder of Interparking. The put option has been measured at the fair value of the expected settlement amount (EUR 88 million).

30 Non-Controlling interests

The following table provides information about the most significant non-controlling interests (NCI) in Ageas entities.

	% of non-controlling interest	Result as at 31 December 2014	Equity as at 31 December 2014	% of non-controlling interest	Result as at 31 December 2013	Equity as at 31 December 2013
Group company						
AG Insurance (Belgium)	25.0%	130.8	1,562.9	25.0%	111.9	1,225.5
Interparking SA (part of AG Insurance)	49.1%	6.0	202.8	10.1%	3.4	89.7
Venti M (part of AG Insurance)	40.0%	1.3	29.2	40.0%	1.9	30.2
Sicavonline (part of CEU)	35.0%	0.5	1.7			
Millenniumbcp Ageas (part of CEU)	49.0%	27.3	289.5	49.0%	40.5	552.6
F&B/UBI Assicurazioni (part of CEU)	50.0%	14.3	159.8	75.0%	11.2	128.8
Other			5.2			3.6
Total		180.2	2,251.1		168.9	2,030.4
Adjustment NCI AG Insurance related to						
Liability on written put option (see Note 29)			(1,562.9)			(1,225.5)
Total NCI		180.2	688.2		168.9	804.9

Non-controlling interest (NCI) represents the relative participation of a third party in the shareholders' equity of an Ageas subsidiary as determined by Ageas, in accordance with international financial reporting standards.

Details on the adjustment NCI AG Insurance related to Liability on written put option are provided in note 29 Liabilities related to written put options NCI section 29.1.

Subsidiaries

The details of the Statement of Financial Position of AG Insurance are included in note 9. Details of other subsidiaries of Ageas in which non-controlling interests are held are:

	Assets as at 31 December 2014	Liabilities as at 31 December 2014	Equity as at 31 December 2014	Assets as at 31 December 2013	Liabilities as at 31 December 2013	Equity as at 31 December 2013
Subsidiary						
Ageas France	4,906.1	4,755.8	150.3	4,200.8	4,056.3	144.5
UBI Assicurazioni	1,019.6	742.4	277.2	835.9	629.4	206.5
Mbcp Ageas	11,163.4	10,376.5	786.9	11,555.6	10,259.5	1,296.1

31 Derivatives

Derivatives used by individual subsidiaries comply with the relevant supervisory regulations and Ageas' internal guidelines. Derivatives are used to manage market and investment risks. The subsidiaries manage the risk exposures in their investment portfolios based on general thresholds and targets. The most important purpose of these instruments is hedging against adverse market movements for selected securities or for parts of a portfolio. Ageas selectively uses derivative financial instruments such as swaps, options and forwards to hedge changes in currency rates or interest rates in their investment portfolio. Interest rate contracts form the largest part, with 56%, of the total derivatives portfolio as at 31 December 2014 (2013: 68%).

Important hedging instruments are equity forward contracts, equity options, total returns swaps, interest rate swaps, interest rate forwards, currency swaps and currency forwards. Hedging instruments may be implemented for individual transactions (micro hedge) for a portfolio of similar assets or liabilities (portfolio hedge). Ageas is obliged to assess whether the criteria for hedge accounting are met, in particular whether the hedge relationships are highly effective in offsetting changes in fair values or cash flows between the hedging instrument and the hedged item. Furthermore, the required hedge documentation has to be prepared. At inception, all hedge relationships must be approved to ensure that all hedge requirements are fulfilled and the hedge documentation is complete. If the formal hedge relation can not be established or is too cumbersome then the derivatives are booked as held for trading.

Foreign exchange contracts

Futures are contracts that require settlement at a specified price and on a specified future date and can be traded in similar markets. Forwards are customized contracts between two entities where settlement takes place on a specific date in the future at today's pre-agreed price. On a consolidated level, currency futures and forwards contracts accounted at year end 2014 for 75% of the

currency derivative instruments (based on notional amounts at 31 December 2014) compared to 66% at the end of 2013. The currency futures and forwards contracts are mainly held to hedge the currency risk on foreign currency denominated assets and increased from EUR 687 million in 2013 to EUR 1,263 million in 2014 due to the increased position in commercial loans denominated in USD.

Ageas entered into currency swaps amounting EUR 406 million (2013: EUR 348 million) to hedge its foreign currency risk in respect of cash flows from USD denominated bonds.

Interest rate contracts

The notional amounts of interest rate contracts decreased from EUR 2,491 million in 2013 to EUR 2,112 million in 2014 with a market value of respectively EUR 85 million (net asset) and EUR 58 million (net liability).

The option portfolio forms the major part of the interest rate contracts amounting EUR 560 million (market value EUR 0 million) in 2014 and in 2013 EUR 1,252 million, respectively 27% and 50%. The decrease in value is due to the maturity of part of the option portfolio in 2014.

Swap contracts are agreements between two parties to exchange one set of cash flows for another set of cash flows. Payments are made on the basis of the swap's notional value. Ageas is primarily using interest rate swap contracts to manage cash flows arising from interest received or paid and cross currency swap contracts to manage foreign currency denominated cash flows (see 'Foreign exchange contracts').

As at 31 December 2014, the interest rate swaps consist of 42% of the total interest rate contracts with a notional amount of EUR 896 million compared with EUR 731 million in 2013 (29%).

Trading derivatives

	31 December 2014			31 December 2013		
	Fair values		Notional amount	Fair values		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Foreign exchange contracts						
Forwards and futures		41.3	1,262.9	5.2	0.1	687.0
Swaps	11.7		11.7		0.9	0.9
Total	11.7	41.3	1,274.6	5.2	1.0	687.9
Interest rate contracts						
Swaps	1.9	20.1	453.5	3.6	4.5	402.2
Options			478.0	1.6		1,170.0
Total	1.9	20.1	931.5	5.2	4.5	1,572.2
Other	4.5		-	4.0		119.4
Total	18.1	61.4	2,206.1	14.4	5.5	2,379.5
Fair values supported by observable market data	12.1	61.4		3.7	1.0	
Fair values obtained using a valuation model	6.0			10.7	4.5	
Total	18.1	61.4		14.4	5.5	
Over the counter (OTC)	17.6	61.4	2,206.1	14.4	5.5	2,379.5
Exchange traded	0.5			0.0		
Total	18.1	61.4	2,206.1	14.4	5.5	2,379.5

Hedging derivatives

	31 December 2014			31 December 2013		
	Fair values		Notional amount	Fair values		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Foreign exchange contracts						
Swaps		5.1	394.1	0.3	3.7	347.1
Total		5.1	394.1	0.3	3.7	347.1
Interest rate contracts						
Forwards and futures	82.5	16.9	656.2		14.4	507.6
Swaps		21.4	442.5	0.1	19.5	329.0
Options	0.2		82.2	1.1		82.2
Total	82.7	38.3	1,180.9	1.2	33.9	918.8
Balance as at 31 December 2014	82.7	43.4	1,575.0	1.5	37.6	1,265.9
Fair values supported by observable market data		16.9				
Fair values obtained using a valuation model	82.7	26.5		1.5	37.6	
Total	82.7	43.4		1.5	37.6	
Over the counter (OTC)	82.7	43.4	1,575.0	1.5	37.6	1,265.9
Total	82.7	43.4	1,575.0	1.5	37.6	1,265.9

Derivatives are valued based on level 2 (observable market data in active markets).

32 Commitments

The Commitments Received and Given can be shown at 31 December as follows.

Commitments	2014	2013
Commitment Received		
Credit lines	431.5	271.5
Other credit related		1.7
Collateral and guarantees received	4,592.5	4,048.3
Other off balance-sheet rights	2.6	5.9
Insurance related rights and commitment		14.6
Total received	5,026.6	4,342.0
Commitment Given		
Guarantees, Financial and Performance Letters of Credit	78.5	114.4
Credit lines	612.7	438.8
Used	(200.5)	(117.6)
Available	412.2	321.2
Collateral and guarantees given	1,562.6	1,683.6
Entrusted assets and receivables	1,442.9	618.3
Capital rights & commitments	121.5	126.3
Other off balance-sheet commitments	832.3	446.7
Total given	4,450.0	3,310.5

The major part of the Commitments Received consist of collateral and guarantees received, and relates mainly to collateral received from customers on residential mortgages and to a lesser extend to policyholder loans and commercial loans.

Commitments Given largely comprise collateral and guarantees given (EUR 1,563 million) in connection with repurchase agreements, entrusted assets and receivables (EUR 1,443 million) and extended credit lines.

33 Fair value of financial assets and financial liabilities

The following table shows the carrying amounts and fair value of those classes of financial assets and financial liabilities not reported at fair value on the Ageas Consolidated statement of financial position. Liabilities are, except for some debt certificates (see note 22 Debt certificates) held at amortised cost.

A description of the methods used to determine the fair value of financial instruments is given below.

	Level	2014		2013	
		Carrying value	Fair value	Carrying value	Fair value
Assets					
Cash and cash equivalents	2	2,516.3	2,516.3	2,156.6	2,156.6
Financial Investments held to maturity	1 / 3	4,887.0	7,121.3	4,974.4	5,865.4
Loans	2	6,068.3	6,740.7	5,784.4	5,970.8
Reinsurance and other receivables	2	1,991.7	1,991.7	2,020.0	2,206.9
Total financial assets		15,463.3	18,370.0	14,935.4	16,199.7
Liabilities					
Debt certificates	2	2.2	2.2	68.4	68.4
Subordinated liabilities	2	2,086.3	2,138.0	1,971.0	2,000.3
Loans	2	2,205.5	2,205.2	2,037.2	2,037.0
Other borrowings	2	278.0	274.7	326.5	307.0
Total financial liabilities		4,572.0	4,620.1	4,403.1	4,412.7

Fair value is the amount for which an asset could be exchanged, a liability settled or a granted equity instrument exchanged between knowledgeable, willing parties in an arm's length transaction.

Ageas uses the following methods, in the order listed, when determining the fair value of financial instruments:

- quoted price in an active market;
- valuation techniques;
- cost.

When a financial instrument is traded in an active and liquid market, its quoted market price or value provides the best evidence of fair value. No adjustment is made to the fair value of large holdings of shares, unless there is a binding agreement to sell the shares at a price other than the market price. The appropriate quoted market price for an asset held or a liability to be issued is the current bid price, and for an asset to be acquired or a liability held, the ask price. Mid-market prices are used as a basis for establishing the fair value of assets and liabilities with offsetting market risks.

If no active market price is available, fair values are estimated using present value or other valuation techniques based on market conditions existing at the reporting date. If there is a valuation technique commonly used by market participants to price an instrument and that technique has been demonstrated to

provide reliable estimates of prices obtained in actual market transactions, Ageas applies that technique.

Valuation techniques that are well established in financial markets include recent market transactions, discounted cash flows and option pricing models. An acceptable valuation technique incorporates all factors that market participants would consider when setting a price, and should be consistent with accepted economic methodologies for pricing financial instruments.

The basic principles for estimating fair value are:

- maximise market inputs and minimise internal estimates and assumptions;
- change estimating techniques only if an improvement can be demonstrated or if a change is necessary because of the availability of information.

The fair value presented is the 'clean' fair value, which is the total fair value or 'dirty' fair value less interest accruals. Interest accruals are reported separately.

Methods and assumptions used in determining fair value are largely dependent on whether the instrument is traded on financial markets and the information that is available to be incorporated into the valuation models. A summary of different financial instrument types along with the fair value treatment is included below.

Quoted market prices are used for financial instruments traded on a financial market with price quotations.

Non-exchange-traded financial instruments are often traded in over-the-counter (OTC) markets by dealers or other intermediaries from whom market prices are obtainable.

Quotations are available from various sources for many financial instruments traded regularly in the OTC market. Those sources include the financial press, various publications and financial reporting services, and also individual market makers.

Quoted market prices provide the most reliable fair value for derivatives traded on a recognised exchange. Fair value of derivatives not traded on a recognised exchange is considered to

be the value that could be realised through termination or assignment of the derivative.

Common valuation methodologies for an interest rate swap incorporate a comparison of the yield of the swap with the current swap yield curve. The swap yield curve is derived from quoted swap rates. Dealer bid and offer quotes are generally available for basic interest rate swaps involving counterparties whose securities are investment grade.

Factors that influence the valuation of an individual derivative include the counterparty's credit rating and the complexity of the derivative. If these factors differ from the basic factors underlying the quote, an adjustment to the quoted price may be considered.

The fair value (FV) calculation of financial instruments not actively traded on financial markets can be summarised as follows.

Instrument Type	Ageas Products	Fair Value Calculation
Instruments with no stated maturity	Current accounts, saving accounts etc.	Nominal value.
Instruments without optional features	Straight loans, deposits etc.	Discounted cash flow methodology; discounting yield curve is the swap curve plus spread (assets) or the swap curve minus spread (liabilities); spread is based on commercial margin computed based on the average of new production during last three months.
Instruments with optional features	Mortgage loans and other instruments with option features	Product is split and linear (non-optional) component is valued using a discounted cash flow methodology and option component valued based on option pricing model.
Subordinated liabilities and related receivables	Subordinated liabilities	Valuation is based on broker quotes in an in-active market (level 3).
Private equity	Private equity and non-quoted participations investments	In general based on the European Venture Capital Association's valuation guidelines, using enterprise value/EBITDA, price/cash flow and price/earnings etc.
Preference shares (non-quoted)	Preference shares	If the share is characterised as a debt instrument, a discounted cash flow model is used.

Ageas pursues a policy aimed at quantifying and monitoring pricing uncertainties related to the calculation of fair values using valuation techniques and internal models. Related uncertainties are a feature of the 'model risk' concept.

Model risk arises when the product pricing requires valuation techniques which are not yet standardised or for which input data cannot be directly observed in the market, leading to assumptions about the input data themselves.

The introduction of new, sophisticated products in the market has resulted in the development of mathematical models to price them. These models in turn depend on assumptions regarding the stochastic behaviour of underlying variables, numerical algorithms

and other possible approximations needed to replicate the complexity of the financial instruments.

Furthermore, the underlying hypotheses of a model depend on the general market conditions (e.g. specific interest rates, volatilities) prevailing at the time the model is developed. There is no guarantee that the model will continue to yield adequate results should market conditions change drastically.

Any related model uncertainty is quantified as accurately as possible and is the basis for adjusting the fair value calculated by the valuation techniques and internal models.



NOTES TO THE CONSOLIDATED INCOME STATEMENT

34 Insurance premiums

The following table provides an overview of the composition of gross inflow and net earned premiums for the year ended 31 December.

	2014	2013
Gross inflow Life	6,296.1	6,533.8
Gross inflow Non-life	4,103.3	3,971.1
General and eliminations	(0.3)	(0.9)
Total gross inflow	10,399.1	10,504.0

	2014	2013
Net premiums Life	5,049.0	4,773.2
Net earned premiums Non-life	3,843.2	3,749.4
General and eliminations	(0.3)	(0.9)
Total net earned premiums	8,891.9	8,521.7

Life

The table below shows the details of Gross inflow Life for the year ended 31 December.

	2014	2013
Unit-linked insurance contracts		
Single written premiums	90.3	79.5
Periodic written premiums	100.3	116.5
Total unit-linked insurance contracts	190.6	196.0
Non unit-linked insurance contracts		
Single written premiums	314.8	343.0
Periodic written premiums	762.4	748.2
<i>Group business total</i>	<i>1,077.2</i>	<i>1,091.2</i>
Single written premiums	406.4	439.4
Periodic written premiums	853.7	800.7
<i>Individual business total</i>	<i>1,260.1</i>	<i>1,240.1</i>
Total non unit-linked insurance contracts	2,337.3	2,331.3
Investment contracts with DPF		
Single written premiums	2,214.1	1,934.2
Periodic written premiums	413.3	407.2
Total investment contracts with DPF	2,627.4	2,341.4
Gross premium income Life	5,155.3	4,868.7
Single written premiums	1,008.9	1,527.5
Periodic written premiums	131.9	137.6
Premium inflow deposit accounting	1,140.8	1,665.1
Gross inflow Life	6,296.1	6,533.8

Gross inflow Life consists of premiums received by insurance companies for issued insurance and investment contracts. Premium inflow of insurance contracts and investment contracts with DPF is recognised in the income statement. Premium inflow of investment contracts without DPF, mainly unit-linked contracts, is (after deduction of fees) directly recognised as liabilities (deposit accounting). Fees are recognised as fee income in the income statement.

	2014	2013
Gross premium Life	5,155.3	4,868.7
Ceded reinsurance premiums	(106.3)	(95.5)
Net premiums Life	5,049.0	4,773.2

Non-life

The table below shows the details of Net earned premiums Non-life for the year ended 31 December. Premiums for motor, fire and other damage to property and other are grouped in Property & Casualty.

2014	Accident & Health	Property & casualty	Total
Gross written premiums	854.1	3,249.2	4,103.3
Change in unearned premiums, gross	(11.3)	(0.7)	(12.0)
Gross earned premiums	842.8	3,248.5	4,091.3
Ceded reinsurance premiums	(32.8)	(222.2)	(255.0)
Reinsurers' share of unearned premiums	3.5	3.4	6.9
Net earned premiums Non-life	813.5	3,029.7	3,843.2

2013	Accident & Health	Property & casualty	Total
Gross written premiums	854.2	3,116.9	3,971.1
Change in unearned premiums, gross	(12.9)	31.3	18.4
Gross earned premiums	841.3	3,148.2	3,989.5
Ceded reinsurance premiums	(32.2)	(210.6)	(242.8)
Reinsurers' share of unearned premiums	3.4	(0.7)	2.7
Net earned premiums Non-life	812.5	2,936.9	3,749.4

Below is a breakdown of the Non-life net earned premiums by Insurance operating segment.

2014	Accident & Health	Property & casualty	Total
Belgium	504.0	1,311.1	1,815.1
UK	71.4	1,541.4	1,612.8
Continental Europe	238.1	177.2	415.3
Net earned premiums Non-life	813.5	3,029.7	3,843.2

2013	Accident & Health	Property & casualty	Total
Belgium	507.2	1,277.9	1,785.1
UK	78.5	1,483.1	1,561.6
Continental Europe	226.8	175.9	402.7
Net earned premiums Non-life	812.5	2,936.9	3,749.4

35 Interest, dividend and other investment income

The table below provides details of Interest, dividend and other investment income for the year ended 31 December.

	2014	2013
Interest income		
Interest income on cash & cash equivalents	5.5	5.1
Interest income on loans to banks	17.2	79.8
Interest income on investments	2,075.6	2,078.3
Interest income on loans to customers	176.8	145.8
Interest income on derivatives held for trading	1.5	6.2
Other interest income	24.8	28.7
Total interest income	2,301.4	2,343.9
Dividend income from equity securities	104.8	93.6
Rental income from investment property	221.5	227.0
Revenues parking garage	320.1	292.0
Other investment income	46.3	46.1
Total interest, dividend and other investment income	2,994.1	3,002.6

36 Result on sales and revaluations

Result on sales and revaluations for the year ended 31 December is broken down as follows.

	2014	2013
Debt securities classified as available for sale	136.0	45.5
Equity securities classified as available for sale	93.6	60.0
Derivatives held for trading	(12.5)	(12.3)
Investment property	9.9	33.0
Capital gain (losses) on sale of shares of subsidiaries and associates	107.5	53.5
Investments in associates	1.3	(0.1)
Property, plant and equipment	10.1	3.3
Assets and liabilities held at fair value through profit or loss	0.7	5.6
Hedging results	(1.9)	0.4
Other	4.3	12.6
Total Result on sales and revaluations	349.0	201.5

Derivatives held for trading are initially recognised at acquisition cost, including any transaction costs to acquire the financial instrument. Subsequent measurement is at fair value with changes in fair value recorded in the income statement.

All changes in fair value of the assets and liabilities held at fair value through profit or loss are reported above. This includes unrealised gains and losses from revaluations and realised gains and losses upon derecognition of the assets or liabilities.

Hedging results contain the changes in fair value attributable to the hedged risk (mainly interest-rate risk) of hedged assets and liabilities and the changes in fair value of the hedging instruments.

The capital gain on sale of shares of subsidiaries and associates of EUR 107.5 million in 2014 relates mainly to the sale of Ageas Protect Ltd. and Louvresse development I and is explained in more detail in note 3 Acquisitions and disposals.

37 Investment income related to unit-linked contracts

The income related to unit-linked contracts is presented below.

	2014	2013
(Un)realised gains (losses) - insurance contracts	124.7	142.7
(Un)realised gains (losses) - investment contracts	848.1	521.6
(Un)realised gains (losses)	972.8	664.3
Investment income - insurance contracts	4.6	5.0
Investment income - investment contracts	295.3	309.3
Realised investment income	299.9	314.3
Total investment income related to unit-linked contracts	1,272.7	978.6

38 Share of result of associates

Share of result of associates for the year ended 31 December is specified in the table below for the main associates.

2014	Total income (100% interest)	Total expenses (100% interest)	Net income (100% interest)	% Ageas interest	Share of result of associates (Ageas share)
Mayban Ageas Holding Berhad	1,296.7	(1,171.9)	124.8	31.0%	38.6
Muang Thai Group Holding	2,043.3	(1,869.0)	174.3	7.8% - 30.9%	50.7
Taiping Holdings	9,142.8	(8,906.8)	236.0	20.0% - 24.9%	59.1
Royal Park Investments	31.2	(9.8)	21.4	44.7%	9.6
IDBI Federal Life Insurance	150.5	(132.9)	17.6	26.0%	4.6
Tesco Insurance Ltd	548.2	(552.6)	(4.4)	50.1%	(2.2)
Aksigorta	435.1	(452.7)	(17.6)	36.0%	(6.3)
Cardif Lux Vie	5,513.3	(5,475.8)	37.5	33.3%	12.5
DTHP	39.4	(73.5)	(34.1)	33.0%	(11.3)
Predirec	3.3	(0.2)	3.1	29.4%	0.9
Aviabel	44.8	(35.7)	9.1	24.7%	2.2
North Light	7.1	(7.0)	0.1	40.0%	
Pole Star	7.8	(7.7)	0.1	40.0%	
BITM	16.7	(16.7)		50.0%	
Credimo	131.4	(129.4)	2.0	34.4%	0.7
Louvesse Development I	11.0	(9.5)	1.5	20.0%	0.3
Frey SA	18.3	(23.7)	(5.4)	20.0%	(1.1)
Other					5.2
Total share of result of associates					163.5

2013	Total income (100% interest)	Total expenses (100% interest)	Net income (100% interest)	% Ageas interest	Share of result of associates (Ageas share)
Mayban Ageas Holding Berhad	1,311.9	(1,170.6)	141.3	31.0%	43.7
Muang Thai Group Holding	1,759.1	(1,591.6)	167.5	7.8% - 30.9%	48.3
Taiping Holdings	7,263.3	(7,161.4)	101.9	20.0% - 24.9%	26.5
Royal Park Investments	764.8	(146.5)	618.3	44.7%	276.4
IDBI Federal Life Insurance	121.3	(114.2)	7.1	26.0%	1.8
Tesco Insurance Ltd	595.7	(579.3)	16.4	50.1%	8.2
Aksigorta	470.4	(407.0)	63.4	36.0%	22.8
Cardif Lux Vie	5,207.3	(5,177.0)	30.3	33.3%	10.1
DTHP	34.3	(38.2)	(3.9)	33.0%	(1.3)
Predirec	1.6	(1.7)	(0.1)	29.5%	
Aviabel	41.9	(36.6)	5.3	24.7%	1.3
North Light	0.4	(0.4)		40.0%	
Pole Star	0.5	(0.3)	0.2	40.0%	0.1
BITM	17.2	(29.2)	(12.0)	50.0%	(6.0)
Credimo	129.5	(127.4)	2.1	34.4%	0.7
Frey SA	5.7	(11.0)	(5.3)	20.0%	(1.1)
Other					3.7
Total share of result of associates					435.2

39 Fee and commission income

Fee and commission income for the year ended 31 December is specified in the table below.

	2014	2013
Fee and commission income		
Reinsurance commissions	42.7	44.8
Insurance and investment fees	186.5	209.1
Asset management	31.9	30.8
Guarantees and commitment fees	2.2	2.0
Other service fees	157.0	142.5
Total fee and commission income	420.3	429.2

The line Other service fees mainly relates to fees received from brokerage companies for the sale of insurance policies of third parties.

40 Other income

Other income includes the following elements for the year ended 31 December.

	2014	2013
Other income		
Proceeds of sale of property intended for sale	3.1	0.5
Recovery of staff and other expenses from third parties	50.7	60.9
Other	170.1	138.9
Total other income	223.9	200.3

41 Insurance claims and benefits

The details of Insurance claims and benefits, net of reinsurance for the year ended 31 December are shown in the table below.

	2014	2013
Life insurance	6,069.5	5,721.3
Non-life insurance	2,514.9	2,447.8
General account and eliminations	(0.9)	(1.4)
Total insurance claims and benefits, net	8,583.5	8,167.7

Details of Life Insurance claims and benefits, net of reinsurance, are shown below.

	2014	2013
Benefits and surrenders, gross	5,437.2	4,998.9
Change in liabilities arising from insurance and investment contracts, gross	707.4	780.6
Total Life insurance claims and benefits, gross	6,144.6	5,779.5
Reinsurers' share of claims and benefits	(75.1)	(58.2)
Total Life insurance claims and benefits, net	6,069.5	5,721.3

Life Insurance claims and benefits in 2014 reflect the increase in payments in Life Liabilities (see note 21 sections 21.1, 21.2 and 21.3).

Details of Non-life Insurance claims and benefits, net of reinsurance, are shown in the following table.

	2014	2013
Claims paid, gross	2,469.0	2,329.9
Change in liabilities arising from insurance contracts, gross	222.1	207.2
Total Non-life insurance claims and benefits, gross	2,691.1	2,537.1
Reinsurers' share of claims paid	(141.5)	(73.8)
Reinsurers' share of change in liabilities	(34.6)	(15.5)
Total Non-life insurance claims and benefits, net	2,514.9	2,447.8

Non-life Insurance claims and benefits in 2014 reflect the increase in volumes (see note 9 Information on operating segments) partially offset by a better reinsurance result.

42 Financing costs

The following table shows the breakdown of Financing costs by product for the year ended 31 December.

	2014	2013
Financing costs		
Debt certificates	0.7	6.8
Subordinated liabilities	71.3	115.7
Borrowings	24.8	26.4
Other borrowings	18.0	13.3
Derivatives	11.1	4.1
Other liabilities	41.8	40.5
Total financing costs	167.8	206.8

43 Change in impairments

The Change in impairments for the year ended 31 December is as follows.

	2014	2013
Change in impairments of:		
Investments in debt securities	36.4	11.9
Investments in equity securities and other	18.0	22.6
Investment property	(0.2)	12.6
Loans	4.5	2.9
Reinsurance and other receivables	0.7	(2.0)
Property, plant and equipment	(0.5)	1.9
Goodwill and other intangible assets	0.9	6.8
Investments in associates	2.0	
Accrued interest and other assets		5.9
Total change in impairments	61.8	62.6

44 Fee and commission expenses

The components of fee and commission expenses for the year ended 31 December are as follows.

	2014	2013
Fee and commission expenses		
Securities	(1.3)	0.8
Intermediaries	1,233.6	1,158.8
Asset management fees	15.3	17.5
Custodian fees	7.1	5.5
Other fee and commission expenses	45.6	40.2
Total fee and commission expenses	1,300.3	1,222.8

45 Staff expenses

Staff expenses for the year ended 31 December are as follows.

	2014	2013
Staff expenses		
Salaries and wages	596.0	591.5
Social security charges	128.3	125.5
Pension expenses relating to defined benefit pension plans	27.6	28.0
Defined contribution plan expenses	24.2	21.8
Share-based compensation	3.0	2.4
Other	51.7	40.3
Total staff expenses	830.8	809.5

Other includes the cost of termination benefits, restructuring costs and non-monetary benefits for staff such as leased cars, restaurant and insurance premiums.

Note 7 section 7.1 Employee benefits contains further details of post-employment benefits and other long-term employee benefits, including pension costs related to defined benefit plans and defined contribution plans.

46 Other expenses

Other expenses for the year ended 31 December are as follows.

	2014	2013
Depreciation on tangible assets		
Buildings held for own use	33.0	33.2
Leasehold improvements	5.6	5.2
Investment property	82.8	82.8
Equipment	37.8	30.6
Amortisation of intangible assets		
Purchased software	6.7	5.0
Internally developed software	2.2	5.4
Value of business acquired (VOBA)	34.9	36.1
Other intangible assets	22.6	19.9
Other		
Operating lease rental expenses and related expenses	40.6	44.0
Operating and other direct expenses relating to investment property	53.9	55.0
Operating and other direct expenses relating to property for own use	170.5	172.2
Professional fees	108.1	104.0
Capitalised deferred acquisition costs	(565.9)	(555.3)
Depreciation deferred acquisition costs	527.5	514.1
Marketing and public relations costs	73.5	74.3
Information technology costs	129.8	117.8
Maintenance and repair expenses	14.0	12.6
Other	229.1	230.8
Total other expenses	1,006.7	987.7

The line Operating and other direct expenses relating to investment property/property for own use is partly recovered by income accounts as reported in note 40 Other Income.

Other includes in 2014 and 2013 expenses for travel, post, telephone, temporary staff and training.

46.1 Audit fees

The line professional fees includes fees paid to Ageas' auditors. For 2014 and 2013, these fees can be broken down into the following components:

- audit fees, which include fees for auditing the statutory and Consolidated financial statements, the review of the Interim Financial Statements as well as the review of the embedded value report;
- audit-related fees, which include fees for work performed on prospectuses, non-standard auditing and advisory services not related to statutory auditing;
- fees for tax advice;
- other non-audit fees, which include fees for support and advice.

The breakdown of audit fees for the year ended 31 December is as follows.

	2014		2013	
	Ageas Statutory Auditors	Other Ageas Auditors	Ageas Statutory Auditors	Other Ageas Auditors
Audit fees	5.2	0.6	4.7	0.1
Audit-related fees	0.3		0.8	
Tax fees	0.1	0.1	0.1	
Other non-audit fees	0.8		1.2	0.3
Total	6.4	0.7	6.8	0.4

47 Income tax expenses

The components of income tax expenses for the year ended 31 December are the following.

	2014	2013
Current tax expenses for the current period	246.1	230.0
Adjustments recognised in the period for current tax of prior periods	1.4	(4.0)
Tax expense (income) from changes in acc.policy and errors in P&L	0.7	
Total current tax expenses	248.2	226.0
Deferred tax arising from the current period	(93.7)	12.4
Impact of changes in tax rates on deferred taxes	(1.6)	1.0
Deferred tax arising from the write-down or reversal of a write-down of a deferred tax asset	(5.9)	(0.6)
Previously unrecognised tax losses, tax credits and temporary differences reducing deferred tax expense	(9.8)	2.6
Total deferred tax expenses (income)	(111.0)	15.4
Total income tax expenses (income)	137.2	241.4

Below is a reconciliation of expected and actual income tax expense. Given the financial reporting consolidation at the Belgian top-holding ageas SA/NV the group tax rate is determined at the prevailing corporate income tax rate in Belgium. Local deviations between expected and actual income tax expense in the Ageas

group across jurisdictions resulting from local tax laws and regulations are stated against local tax rates applicable in such jurisdictions and can be broken down into the categories depicted below.

	2014	2013
Result before taxation	793.0	979.8
Applicable group tax rate	33.99%	33.99%
Expected income tax expense	269.5	333.0
Increase (decrease) against local tax rates resulting from:		
Tax exempt income (including dividend and capital gains)	(69.0)	(35.6)
Share in net result of associates and joint ventures	(53.1)	(148.5)
Disallowed items	21.6	14.8
Change in provision for impairment		2.1
Previously unrecognised tax losses and temporary differences	(30.2)	(1.3)
Write-down and reversal of write-down of deferred tax assets, including current year tax-losses deemed non-recoverable	91.2	122.5
Impact of changes in tax rates on temporary differences	(1.7)	1.0
Foreign tax rate differential	(31.6)	(15.6)
Adjustments for current tax of previous years	1.5	(4.0)
Deferred tax on investments in subsidiaries, associates and joint ventures	(30.8)	5.3
Notional interest deduction	(23.0)	(21.4)
Local income taxes (state/city/cantonal/communal taxes, ...)	2.2	1.9
Other	(9.4)	(12.8)
Actual income tax expenses (income)	137.2	241.4



**NOTES TO ITEMS
NOT RECORDED IN
THE CONSOLIDATED
STATEMENT OF
FINANCIAL POSITION**

48 Contingent liabilities

48.1 Contingent liabilities related to legal proceedings

Like any other financial group, Ageas group is involved as a defendant in various claims, disputes and legal proceedings arising in the ordinary course of its business.

In addition, as a result of the events and developments occurred in respect of the former Fortis group between May 2007 and October 2008 (a.o. acquisition of parts of ABN AMRO and capital increase in September/October 2007, announcement of the solvency plan in June 2008, divestment of banking activities and Dutch insurance activities in September/October 2008), Ageas is or may still become involved in a series of legal proceedings and in a criminal procedure pending in Belgium.

Ageas denies and will continue to challenge all allegations of wrongdoing. As explained below in section 6, if these actions against Ageas were to be successful, they could eventually result in substantial monetary consequences for Ageas. However, today it is hardly possible to predict the outcome of the actions referred to in this contingent liabilities section or to quantify future Ageas' liabilities should they be successful. Ageas remains obviously committed to explore every possible option in the best interests of its stakeholders.

In this section certain legal proceedings are mentioned (i) which in itself do not directly imply any contingent liability (cf Closed proceedings) or (ii) for which a provision has been taken (cf FSMA, FortisEffect), but which may indirectly impact on other pending legal proceedings mentioned in this section.

I Closed proceedings

Final decisions were reached in the Netherlands (i) on 6 December 2013 concerning mismanagement ('wanbeleid') by Fortis N.V. on several occasions during 2007 – 2008 and (ii) on 4 March 2014 confirming AFM fines relating to defective communication about solvency-related matters in June 2008. However none of these led to a decision regarding potential financial compensation for which ongoing procedures continue. Additional AFM fines concerning communication about Fortis' subprime exposure in September 2007 have been definitively annulled on 14 February 2014.

II Ongoing proceedings

1. Administrative procedure in Belgium

The Belgian Financial Services and Markets Authority ('FSMA') initiated an investigation on Fortis' external communication during the second quarter of 2008. On 17 June 2013 the Sanctions Commission decided that in the period May-June 2008 Fortis communicated too late or incorrectly on the remedies required by the European Commission in the context of the ABN AMRO take-over, on its future solvency position upon full integration of ABN AMRO and on the success of the NITSH II offer. Therefore, the Sanctions Commission levied a fine on Ageas of EUR 500,000. On 16 July 2013, Ageas filed an appeal against this decision before the Court of Appeal in Brussels and the parties are in the process of exchanging written arguments. Hearings are scheduled for March and April 2015.

2. Criminal procedure in Belgium

In Belgium, since October 2008 a criminal procedure is ongoing in relation to events mentioned above in the introduction to this chapter. In February 2013 the public prosecutor filed his written indictment with charges of (i) false annual accounts 2007 due to overestimation of subprime assets, (ii) enticement to subscribe the 2007 rights issue with incorrect information and (iii) publication of incorrect or incomplete information on subprime on various occasions between August 2007 and April 2008, for which charges he requested the *Chambre du conseil/Raadkamer* that certain individuals be referred for trial before the criminal court. As several interested parties requested and obtained additional investigative measures, the hearing before the *Chambre du conseil/Raadkamer* was postponed *sine die*. For the time being referral of Ageas is not being requested by the public prosecutor.

Any negative findings of the administrative procedure and/or the criminal procedure may affect pending legal proceedings and/or could lead to new legal proceedings against Ageas, including claims for compensatory damages.

3. Civil proceedings initiated by shareholders or associations of shareholders

These proceedings, both in Belgium and in the Netherlands, (i) aim at the payment of compensatory damages based on alleged miscommunication and/or market abuse committed, by Fortis during the period between May 2007 and October 2008 and/or (ii) are (in)directly related to the transactions in September/October 2008.

3.1 In the Netherlands

3.1.1 VEB

On 19 January 2011, VEB (Vereniging van Effectenbezitters) initiated a collective action before the Amsterdam District Court seeking a ruling that various communications between September 2007 and 3 October 2008 constituted a breach of law by Fortis, by financial institutions involved in the September/October 2007 capital increase, and/or by certain of Fortis' former directors and executives. VEB characterises each of these breaches as an unlawful act by all or certain defendants and states that these defendants were therefore liable for the loss incurred by any (former) shareholder who bought shares during the relevant period. Inter alia, VEB alleges (against Fortis, certain of its former directors and executives and against the forementioned financial institutions) that the information provided in the September 2007 prospectus for the 9 October 2007 capital increase on Fortis' position exposure to the subprime situation, was incorrect and incomplete. The parties are in the process of exchanging written arguments.

3.1.2 Stichting FortisEffect

Stichting FortisEffect and a series of individuals represented by Mr De Gier appealed with the Amsterdam Appeal Court against the judgment of the Amsterdam District Court of 18 May 2011 that dismissed their collective action to invalidate the decisions taken by the Fortis Board in October 2008 and unwind the relevant transactions, or alternatively, to pay damages. On 29 July 2014 the Amsterdam Appeal Court decided that the sale of the Dutch Fortis entities in 2008 remains unaffected. However, it also ruled that during the period of 29 September through 1 October 2008 Fortis provided misleading and incomplete information to the markets. The Court concluded that Ageas should indemnify the damages suffered as a result thereof by the shareholders concerned. The damages, if any, will be decided upon and determined in further proceedings. Although no damages have been established to date, Ageas has recognized a provision of

EUR 130 million (see note 28 Provisions). Ageas has launched an appeal against the Court's decision with the Dutch Supreme Court in October 2014.

3.1.3 Stichting Investor Claims Against Fortis (SICAF)

On 7 July 2011, 'Stichting Investor Claims Against Fortis' ('SICAF'), a 'Stichting' (Foundation) under Dutch law, brought a collective action before the Utrecht Court based on alleged Fortis miscommunication on various occasions during 2007 and 2008. SICAF alleges, i.a. (against Fortis and against two financial institutions) that the information provided in the September 2007 prospectus for the 9 October 2007 rights issue on Fortis' position in and exposure to the subprime situation was incorrect and incomplete.

On 3 August 2012, the same SICAF, on behalf of and together with a number of identified (former) shareholders, brought a second action before the Utrecht Court against the same defendants and certain former Fortis directors and executives, claiming damages. The allegations in this second action are materially similar to the first action. In addition, the plaintiffs claim that Fortis failed in its solvency policy in the period 2007 and 2008. At present it is unclear whether both actions will be joined.

3.1.4 Claims on behalf of individual shareholders

In proceedings initiated by a series of individuals represented by Mr Bos, the Utrecht Court decided on 15 February 2012 that Fortis and two co-defendants (the former CEO and the former financial executive) disclosed misleading information during the period from 22 May through 26 June 2008. The Court further ruled that separate proceedings were necessary to decide whether the plaintiffs had suffered damages, and if so, the amount of such damages. In the same proceedings, certain former Fortis directors and top executives requested the Court to acknowledge the alleged Ageas obligation to hold them harmless for the damages resulting from or relating to the legal proceedings initiated against them and resulting from their mandates within the Fortis group. An appeal against the Utrecht Court judgement was filed with the Arnhem Appeal Court. In appeal, Mr Bos claims damages for alleged miscommunication about (i) Fortis' subprime exposure in 2007/2008, about (ii) Fortis' solvency in January – June 2008, (iii) the remedies required by the European Commission in the context of the ABN AMRO take-over and (iv) Fortis' liquidity and solvency position on 26 September 2008.

On 1 August 2014, Mr Meijer initiated two separate proceedings, each one on behalf of an individual claimant, before the Utrecht Court, claiming to compensate for the loss due to alleged miscommunication by Fortis in the period September 2007 to September 2008.

On 23 September 2014, a former Fortis shareholder initiated proceedings against Ageas before the Utrecht Court, claiming damages because of miscommunication by Fortis between 29 September 2008 and 1 October 2008 as stated in the 29 July 2014 FortisEffect decision.

3.2 In Belgium

3.2.1 Modrikamen

On 28 January 2009, a series of shareholders represented by Mr Modrikamen brought an action before the Brussels Commercial Court initially requesting the annulment of the sale of ASR to the Dutch State and the sale of Fortis Bank to SFPI (and subsequently to BNP Paribas), or alternatively damages. On 8 December 2009, the Court *inter alia* decided that it was not competent to judge on actions against the Dutch defendants. On 17 January 2013, the Brussels Court of Appeal confirmed this judgment in this respect. In July 2014 Mr Modrikamen filed an appeal before the Supreme Court on this issue. No decision has been rendered by the Supreme Court yet. To date the proceedings before the commercial court continue regarding the sale of Fortis Bank and aim at the payment of a compensation by BNP Paribas to Ageas, as well as by Ageas to the claimants. In an interim judgment of 4 November 2014, the court declared about 50% of the original claimants not admissible. Hearings are scheduled for October and November 2015.

3.2.2 Deminor

On 13 January 2010, a series of shareholders associated with Deminor International (currently named DRS Belgium) brought an action before the Brussels Commercial Court, seeking damages based on alleged lack of or misleading information by Fortis during the period from March 2007 to October 2008. On 28 April 2014, the court declared in an interim judgment about 25% of the claimants not admissible. The parties are in the process of exchanging written arguments. Hearings are scheduled for September and October 2016.

3.2.3 Other claims on behalf of individual shareholders

On 12 September 2012, a (former) Fortis shareholder and its parent company brought an action before the Brussels

Commercial Court, seeking damages based on alleged lack of or misleading information in the context of the 2007 rights issue. Parties are exchanging written arguments and hearings will take place in October 2015.

On 29 April 2013, a series of shareholders represented by Mr Arnauts brought an action before the Brussels Commercial Court, seeking damages based on alleged incomplete or misleading information by Fortis in 2007 and 2008; this action is suspended awaiting the outcome of the criminal proceedings.

On 25 June 2013, a similar action before the same court was initiated by two shareholders; those claimants ask for their case to be joined to the Deminor case. In the meantime, claimants agreed that their case be postponed *sine die*.

On 19 September 2013, certain (former) Fortis shareholders represented by Mr Lenssens initiated a similar action before the Brussels Civil Court; this action is suspended awaiting the outcome of the criminal proceedings.

4. Other legal proceedings

4.1 Legal proceedings initiated by Mandatory Convertible Securities (MCS) holders

The Mandatory Convertible Securities (MCS) issued in 2007 by Fortis Bank Nederland (Holding) N.V. (now ABN AMRO Bank N.V.), together with Fortis Bank SA/NV (now BNP Paribas Fortis SA/NV), Fortis SA/NV and Fortis N.V. (both now Ageas SA/NV), were mandatorily converted on 7 December 2010 into 106,723,569 Ageas shares. Prior to 7 December 2010, certain MCS holders unilaterally decided at a general MCS holders' meeting to postpone the maturity date of the MCS until 7 December 2030. However, at the request of Ageas, the President of the Brussels Commercial Court suspended the effects of this decision. Following 7 December 2010, the same MCS holders contested the validity of the conversion of the MCS and requested its annulment or, alternatively, damages for an amount of EUR 1.75 billion. On 23 March 2012, the Brussels Commercial Court ruled in favour of Ageas, dismissing all claims of the former MCS holders. Hence, the conversion of the MCS into shares issued by Ageas on 7 December 2010 remains legally valid and no compensation is due. Certain former MCS holders appealed against this judgment, claiming damages for a provisional amount of EUR 350 million and the appointment of an expert. No dates are fixed for the hearings.

4.2 Legal proceedings initiated by RBS

On 1 April 2014, Royal Bank of Scotland (RBS) initiated two legal actions against Ageas and other parties: (i) an action before the Brussels Commercial Court in which RBS claims an amount of EUR 75 million, based on an alleged guarantee given by Fortis in 2007 in the context of a share deal between ABN AMRO Bank (now RBS) and Mellon and (ii) an arbitration procedure before ICC in Paris in which RBS claims a total amount of EUR 135 million, i.e. the alleged EUR 75 million guarantee and EUR 60 million arising from escrow provisions.

5. Hold harmless undertakings

In 2008, Fortis granted certain former executives and directors, at the time of their departure, a contractual hold harmless protection covering legal expenses and, in certain cases, also the financial consequences of any judicial decisions, in the event that legal proceedings were brought against them on the basis of their mandates exercised within the Fortis group. Ageas contests the validity of the contractual hold harmless commitments to the extent they relate to the financial consequences of any judicial decisions.

Furthermore, and as standard market practice in this kind of operations, Ageas entered into agreements with certain financial institutions facilitating the placing of Fortis shares in the context of the capital increases of 2007 and 2008. These agreements contain indemnification clauses that imply hold harmless obligations for Ageas subject to certain terms and conditions. Some of these financial institutions are involved in certain legal proceedings mentioned in this chapter.

6. General observations

Without prejudice to any specific comment made elsewhere in this chapter, given the various stages, the continuously evolving nature and the inherent uncertainties and complexity of the current proceedings described herein, Ageas' management is not in a position to assess the outcome of the claims or actions brought against Ageas, nor can it determine whether they can be successfully contested or whether they might or might not result in significant losses in the Ageas Consolidated Financial Statements. For this reason, and except for a provision relating to the FortisEffect proceeding and for a provision for the amount of the forementioned FSMA fine, no provisions have been booked.

Ageas will make other provisions if and when, in the opinion of management and the Board of Directors, consulting with its legal advisors, it considers that, for these matters it is more likely than not that payments will need to be made by Ageas and that the relevant amounts can be reliably estimated.

However, if any of these proceedings were to lead to negative consequences for Ageas or were to result in awarding monetary damages to plaintiffs claiming losses incurred as a result of Fortis miscommunication or mismanagement, this could have substantial consequences on Ageas' financial position. Such consequences remain unquantifiable at this stage.

Taking into account the conclusions reached by certain judicial decisions referred to above in this chapter, the underwriters of the Directors & Officers and of the Public Offering of Securities Insurance policies, that insure the potential risks of Ageas and its directors and executives at stake under the liability claims subject of the various pending proceedings, have expressed their view that these conclusions could lead to a loss of coverage under the relevant policies. Ageas disagrees with this view that is now under discussion with the insurers.

48.2 Liabilities for hybrid instruments of former subsidiaries

BNP Paribas Fortis SA/NV issued CASHES (Convertible And Subordinated Hybrid Equity-linked Securities) representing 4,447 securities for a total nominal amount of EUR 1,112 million. BNP Paribas Fortis SA/NV was a former subsidiary of ageas SA/NV which explains why ageas SA/NV acted as co-obligor of these securities.

The securities have no maturity date and cannot be repaid in cash, they can only be exchanged into Ageas shares at a price of EUR 239.40 per Ageas share. A mandatory exchange takes place if the price of the Ageas share is equal to or higher than EUR 359.10 on twenty consecutive stock exchange business days. BNP Paribas Fortis SA/NV owns 4,643,904 Ageas shares for the purpose of the potential exchange.

The sole recourse of the holders of the CASHES against any of the co-obligors with respect to the principal amount are the Ageas shares that BNP Paribas Fortis SA/NV holds, these shares are pledged in favour of such holders.

BNP Paribas Fortis SA/NV pays the coupon on the CASHES, in quarterly arrears, at a variable rate of 3 month Euribor + 2.0%, up to the exchange of the securities for Ageas shares. In the event that Ageas declares no dividend on its shares, or that the dividends to be declared are below a threshold with respect to any financial year (dividend yield less than 0.5%), and in certain other circumstances, coupons will mandatorily need to be settled by ageas SA/NV via issuance of new shares in accordance with the so called Alternative Coupon Settlement Method (ACSM), while BNP Paribas Fortis SA/NV would need to issue instruments that qualify as hybrid Tier 1 instruments to Ageas as compensation for the coupons paid by ageas SA/NV. If the ACSM is triggered and there is insufficient available authorised capital to enable ageas SA/NV to meet the ACSM obligation, the coupon settlement will be postponed until such time as the ability to issue shares is restored.

48.3 Other contingent liabilities

Together with BGL BNP Paribas, Ageas Insurance International N.V. has provided a guarantee to Cardif Lux Vie S.A. for up to EUR 100 million to cover outstanding legal claims related to Fortis Lux Vie S.A., a former subsidiary of Ageas that was merged at year-end 2011 with Cardif Lux International S.A.

Furthermore, certain individual customers of Ageas France, a fully owned subsidiary of Ageas Insurance International, filed claims against Ageas France in connection with its alleged unilateral modification of the terms and conditions of the “Corbeille Selection” product by levying undue transaction fees. In addition to claiming reimbursement of these fees, plaintiffs also claimed prejudice for past and looking forward lost opportunities for arbitrating between Unit-linked funds and a guaranteed fund using latest known value dates. In November 2014 Paris Appeal Court confirmed the first instance decision allowing the claims and appointed experts to determine the scope of indemnification. On 26 January 2015 Ageas filed an appeal before the Supreme Court.

49 Lease agreements

Ageas has entered into lease agreements to provide for office space, office equipment, vehicles and parking facilities. The following table reflects future commitments to non-cancellable operating leases as at 31 December.

	2014	2013
Less than 3 months	18.0	14.5
3 months to 1 year	55.2	47.3
1 year to 5 years	258.7	224.6
More than 5 years	257.5	335.5
Total	589.4	621.9
Annual rental expense:		
Lease payments	24.2	26.1

50 Events after the date of the statement of financial position

There have been no material events since the date of the Consolidated statement of financial position that would require adjustment in the Ageas Consolidated Financial Statements as at 31 December 2014.

Statement of the Board of Directors

The Board of Directors of Ageas is responsible for preparing the Ageas Consolidated Financial Statements as at 31 December 2014 in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the European Transparency Directive (2004/109/EC) and the Report of the Board of Directors in accordance with the legal and regulatory requirements applicable in Belgium.

The Board of Directors reviewed the Ageas Consolidated Financial Statements and the Report of the Board of Directors on 5 March 2015 and authorised their issue.

The Board of Directors of Ageas declares that, to the best of its knowledge, the Ageas Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of Ageas, and of the uncertainties that Ageas is facing and that the information contained herein has no omissions likely to modify significantly the scope of any statements made.

The Board of Directors of Ageas also declares that the Report of the Board of Directors gives a fair overview of the development and performance of the businesses of the Group.

The Ageas Annual Report consisting of the Consolidated Financial Statements and Report of the Board of Directors will be submitted to the Annual General Meeting of Shareholders for approval on 29 April 2015.

Brussels, 5 March 2015

Board of Directors

Chairman	Jozef De Mey
Vice-Chairman	Guy de Selliers de Moranville
Chief Executive Officer	Bart De Smet
Directors	Roel Nieuwdorp
	Lionel Perl
	Jan Zegering Hadders
	Jane Murphy
	Steve Broughton
	Lucrezia Reichlin
	Richard Jackson
	Davina Bruckner

Independent Auditor's report

Statutory auditor's report to the general meeting of ageas SA/NV as of and for the year ended 31 December 2014

In accordance with the legal requirements, we report to you in the context of our statutory auditor's mandate. This report includes our report on the consolidated financial statements as of and for the year ended 31 December 2014, as defined below, as well as our report on other legal and regulatory requirements.

Report on the consolidated financial statements - unqualified opinion with explanatory paragraph

We have audited the consolidated financial statements of ageas SA/NV ('the Company') and its subsidiaries (jointly 'the Group'), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to EUR 103,559.0 million, the consolidated income statement shows a net result for the period of EUR 655.8 million and the consolidated statement of comprehensive income shows a total comprehensive income for the period of EUR 2,485.2 million.

Board of directors' responsibility for the preparation of the Consolidated financial statements

The board of directors is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements 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 Group's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

We have obtained from the Company's officials and the board of directors the explanations and information necessary for performing our audit.

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

Unqualified opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's equity and consolidated financial position as at 31 December 2014 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Emphasis of matter

We draw your attention to note 28 to the consolidated financial statements for the year ended 31 December 2014, which describes the uncertainties on the final amount and timing of outflows relating to the provision recognized following the Stichting FortisEffect appeal. Our opinion is not qualified in respect of this matter.

Furthermore we draw your attention to note 48 on contingent liabilities to the consolidated financial statements as at 31 December 2014 in which is described that Ageas is involved in a number of other legal proceedings as well as administrative and criminal investigations in connection with certain events and developments having occurred between May 2007 and October 2008, some of which could result in financial liabilities for the company. However, the ultimate outcome of these matters cannot presently be determined. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the annual report on the consolidated financial statements.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statements which do not modify the scope of our opinion on the consolidated financial statements:

- The annual report on the consolidated financial statements, which consists of the document entitled 'Report of the Board of Directors', includes the information required by law, is consistent, in all material respects, with the consolidated financial statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.
- As indicated in the first part of our report that includes our responsibility, we considered internal control relevant to the group's preparation and fair presentation of the consolidated financial statements 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 group's internal control. Accordingly, we do not express an opinion on whether internal controls operated effectively during the financial year ended 31 December 2014.

Brussels, 5 March 2015

KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren
Statutory Auditor
represented by

Karel Tanghe
Réviseur d'Entreprises/ Bedrijfsrevisor

Michel Lange
Réviseur d'Entreprises/ Bedrijfsrevisor



**SUMMARISED
AGEAS SA/NV COMPANY
FINANCIAL STATEMENTS
2014**

General information

1. Foreword

Most of the 'General information' is included in the Report of the Board of Directors of Ageas. This section of general information contains solely information on ageas SA/NV that has not been provided elsewhere.

2. Identification

The company is a public limited company bearing the name 'ageas SA/NV'. Its registered office is at Rue du Marquis 1, 1000 Brussels. This office may be transferred to anywhere else in the Brussels capital region by resolution of the Board of Directors. The company is registered in the Brussels register of legal entities under no. 0451.406.524.

3. Incorporation and publication

The company was incorporated on 6 November 1993 under the name of 'Fortis Capital Holding'.

4. Places where the public can verify company documents

The Articles of Association of ageas SA/NV can be verified at the Registry of the Commercial Court at Brussels, at the company's registered office and at the website of Ageas.

Decisions on the appointment and resignation of Board members of the companies are published, amongst others in the annexes to the Belgian Law Gazette. Financial reports on the companies and notices convening General Meetings are published in the financial press, newspapers and periodicals. The financial statements of the company are available at the registered office and are also filed with the National Bank of Belgium. They are sent each year to registered shareholders and to others on request.

5. Amounts

All amounts stated in tables of these financial statements are denominated in millions of euros, unless otherwise indicated.

6. Audit opinion

The company financial statement have not yet been published. KPMG will issue an unqualified auditor's report with an emphasis of matter paragraph on the ageas SA/NV company financial statements.

Statement of financial position after profit appropriation

	31 December 2014	31 December 2013
ASSETS		
Tangible fixed assets	1	1
Tangible fixed assets	1	1
Financial fixed assets	6,809	6,809
Participating interests	6,459	6,459
Loans	350	350
Current assets	1,183	1,461
Trade and other accounts receivable	16	14
Own shares	218	92
Other short-term investments	751	1,314
Liquid assets	184	35
Prepayments and accrued income	14	6
TOTAL ASSETS	7,993	8,270
LIABILITIES		
Equity		
Shareholders' equity	7,007	7,530
Subscribed capital	1,709	1,728
Share Premium Reserve	2,791	2,852
Reserves not available for distribution	218	92
Reserves available for distribution	2,935	3,391
Profit / loss carried forward	(646)	(533)
Provisions	597	370
Amounts payable	379	359
Commercial debts	20	19
Remuneration and social charges	4	6
Other amounts payable	355	334
Accruals and deferred income	10	11
TOTAL LIABILITIES	7,993	8,270

Income statement

	2014	2013
Operating income	6	5
Other operating income	6	5
Financial income	183	838
Income from financial fixed assets	159	594
Income from current assets	24	157
Other financial income	0	87
Extraordinary income		
Capital gain on realisation of fixed asset		
Total income	189	843
Operating expenses	281	261
Services and miscellaneous goods	39	47
Remuneration, social charges and pensions	15	15
Depreciation and amounts written down on formation	0	(2)
(-) in provisions for risks and charges	227	199
Other operating expenses	0	2
Financial charges	21	12
Interest in respect of amounts payable	21	12
Other financial charges		
Total expenses	302	273
Result before tax	(113)	570
Tax		
Net result for the period	(113)	570

	2014	2013
Appropriation of profit		
Profit to be appropriated	(646)	(533)
Profit for the financial year available for appropriation	(113)	570
Profit carried forward from the previous financial year	(533)	(1,103)
Transfers from shareholders' equity	330	580
From the capital and share premium reserves		
From the reserves	330	580
Result to be carried forward	(646)	(533)
Profit to be distributed	330	580
Dividends	330	580

Additional disclosure on items in the Statement of financial position and Income statement and regulatory requirements

Contrary to art. 26, §1 of the royal decree of 30 January 2001 to implement the Companies Code, the Minister for Enterprise has granted ageas SA/NV leave to draw up financial statements for the financial years 2010, 2011 and 2012 before appropriation of profit and the loss carried forward.

The financial statements for the 2013 and 2014 financial year no longer apply this exception and are therefore drawn up after appropriation of profit and the loss carried forward. The financial statements for the 2012 financial year were drawn up before profit appropriation. Consequently, in the financial statements the profit appropriation for 2013 and 2012 is included in financial year 2013.

1. ASSETS

1.1 Financial fixed assets (2014: EUR 6,809 million; 2013: EUR 6,809 million)

The Financial fixed assets include the following items.

	31 December 2014	31 December 2013
Financial fixed assets	6,809	6,809
Participating interests	6,459	6,459
Ageas Insurance International	6,436	6,436
Ageas Hybrid Financing	1	1
Royal Park Investments	22	22
Loan to AG Insurance	350	350

Participating interests

(2014: EUR 6,459 million; 2013: EUR 6,459 million)

In 2014 no changes in the value of participating interest took place.

Loan to AG Insurance

(2014: EUR 350 million; 2013: EUR 350 million)

AG Insurance repaid on 18 December 2013 the subordinated perpetual loan, initially contracted for an amount of EUR 150.0 million on 23 August 2004 and revalued at 49% (EUR 73.5 million) on 31 March 2010 in connection with the liquidation of Brussels Liquidation Holding NV.

At the same time, ageas SA/NV subscribed for an amount of EUR 350 million to subordinated bonds issued by AG Insurance NV (fixed-to-floating rate callable subordinated notes due 2044) issued on 18 December 2013.

1.2 Current assets

(2014: EUR 1,183 million; 2013: EUR 1,461 million)

Own shares

(2014: EUR 218 million; 2013: EUR 92 million)

In connection with various share buy-back programmes, ageas SA/NV purchased 7,217,759 own shares for an amount of EUR 208 million in the course of 2014. In 2014, 2,489,921 own shares were cancelled.

An additional 398,347 Ageas shares with a value of EUR 10 million were held to cover the restricted share plans for some members of staff and directors of the company.

Other short-term investments (2014: EUR 751 million; 2013: EUR 1,314 million)

The Other short-term investments include:

	31 December 2014	31 December 2013
Other short-term investments	751	1,314
Government bonds	49	58
Corporate debt securities	226	200
Hybrone	36	36
Zero coupon bonds	25	250
Deposits	415	770

Liquid assets (2014: EUR 184 million; 2013: EUR 35 million)

The liquid assets relate to current accounts with banks.

2 LIABILITIES

2.1 Equity

(2014: EUR 7,007 million; 2013: EUR 7,530 million)

Subscribed capital

(2014: EUR 1,709 million; 2013: EUR 1,728 million)

The decrease in subscribed capital is due to the cancellation of own shares.

Share premium reserve

(2014: EUR 2,791 million; 2013: EUR 2,852 million)

The decrease in share premium reserve is due to the cancellation of own shares.

Reserve not available for distribution

(2014: EUR 218 million; 2013: EUR 92 million)

The reserve not available for distribution relates to own shares held by ageas SANV.

Reserves available for distribution

(2014: EUR 2,935 million; 2013: EUR 3,391 million)

The decrease in the Reserves available for distribution relates on the one hand to a transfer to the Reserves not available for distribution of EUR 126 million related to the buyback of own shares and on the other hand related to the dividend that is proposed to be paid with regard to the financial year 2014 (EUR 330 million).

Profit/loss carried forward

The 2014 financial year closed with a loss of EUR 113 million, which means the loss carried forward amounts to EUR 646 million.

2.2 Provisions

(2014: EUR 597 million; 2013: EUR 370 million)

The movement in the provisions is explained by the expected higher settlement amount of RPN(I) and the EUR 130 million provision following the FortisEffect judgment.

2.3 Amounts payable

(2014: EUR 379 million; 2013: EUR 359 million)

The increase in the Amounts payable is mainly explained by the higher amount payable to shareholders with regard to dividends for the financial year (2014: EUR 330 million; 2013: EUR 311 million). In addition, under the Accounts payable are included amounts payable related to legal advice (2014: EUR 15 million; 2013: EUR 13 million), Withholding tax (2014: EUR 1 million; 2013: EUR 3 million) and dividends related to older years which were not settled yet (2014: EUR 25 million; 2013: EUR 24 million).

2.4 Accrued charges and deferred income

(2014: EUR 10 million; 2013: EUR 11 million)

The composition of Accruals and deferred income mainly concerns provisions made with regard to the restricted share plans for some staff members and directors of the company.

3 Income statement

3.1 Financial income

(2014: EUR 183 million; 2013: EUR 838 million)

Financial income includes dividends received from subsidiaries and equity associates (2014: EUR 159 million; 2013: EUR 594 million).

In 2013, also the capital gain on the call option on BNP Paribas shares is included (EUR 144 million) as well as the reversal of the loss (EUR 87 million) on the subordinated perpetual loan granted to AG Insurance NV (initially contracted for an amount of EUR 150 million on 23 August 2004) that, in connection with the liquidation of Brussels Liquidation Holding NV, was revalued at 49%. The full loan was repaid by AG Insurance on 18 December 2013.

3.2 Operating expenses (2014: EUR 281 million; 2013: EUR 261 million)

The components of operating expenses are as follows:

Services and miscellaneous goods	EUR 39 million
Staff expenses	EUR 15 million
Reversal of amounts written down.....	EUR 0 million
Provision FortisEffect.....	EUR 130 million
Provision RPN(I)	EUR 97 million
Other operating expenses	EUR 0 million

4 Regulatory requirements (art. 96 and 119 of the Belgian Company Code)

4.1 Description of the main risks and uncertainties confronting the company

For the main risks we refer to note 5 Risk Management and for the uncertainties we refer to note 48 Contingent liabilities of the Consolidated Financial Statements.

4.2 Description of the major events after the closure of the financial year

See note 50 Events after the date of the statement of the financial position of the Consolidated Financial Statements.

4.3 Information on circumstances that could profoundly influence the development of the company

See note Forward-looking statements to be treated with caution.

4.4 Information on research and development

The company did not carry out any research and development activities.

4.5 Branches

As a consequence of the merger between ageas SA/NV and ageas NV in 2012, a branch was opened in the Netherlands (Ageas Dutch Branch).

4.6 Going Concern

In our opinion, there are no objective reasons why valuation principles based on the going concern concept cannot apply.

4.7 Other information that according to the Belgian Company Code should be included in the Annual Report

Discharge of the directors and external auditor

As prescribed by law and the company's articles of association, we ask you to grant the company's Board of Directors and Auditor discharge in respect of the execution of their mandate.

Conflicts of interest

In our opinion, there are no conflicts of interest within the company.

Capital increase and issue of warrants

In 2014 no capital increase or issue of warrants was made.

Buy-back own shares

In connection with various share buy-back programmes, ageas SA/NV purchased 7,217,759 own shares for an amount of EUR 208 million in the course of 2014. Also 2,489,921 own shares were cancelled.

An additional 398,347 Ageas shares with a value of EUR 10 million were held to cover the restricted share plans for some members of staff and directors of the company.

Non-audit assignments carried out by the auditor in 2014

In 2014, the external auditor carried out an additional assignment in connection with the Embedded Value Review.

Use of financial instruments

See note 5 Risk Management of the Consolidated Financial Statements.

4.8 Declaration in Corporate Governance

See Report of the Board of Directors, part 3 Corporate Governance Statement of the Annual Report.

4.9 Remuneration report

See Report of the Board of Directors, part 3.9 Report of the Remuneration Committee of the Annual Report.





**OTHER
INFORMATION**

Forward-looking statements to be treated with caution

Some of the statements contained in this Annual Financial Report, including but not limited to the statements made in the sections entitled Message to the Shareholders, Description of Activities and Report of the Board of Directors and in note 5 Risk management, refer to future expectations and other forward-looking perceptions that are based on management's current views, estimates and assumptions concerning future events. These forward-looking statements are subject to certain risks and uncertainties which means actual results, performance or events may differ substantially from what those statements express or imply, including but not limited to our expectations regarding the level of provisions relating to our credit and investment portfolios.

Other more general factors that may impact our results include but are not limited to:

- general economic conditions;
- changes in interest rates and the performance of financial markets;
- the frequency and severity of insured loss events;
- mortality, morbidity and persistency levels and trends;
- foreign exchange rates, including euro / US dollar exchange rate;
- changes in competitive and pricing environments, including increasing competition in Belgium;
- changes in domestic and foreign legislation, regulations and taxes;
- regional or general changes in asset valuations;
- occurrence of significant natural or other disasters;
- inability to economically reinsure certain risks;
- adequacy of loss reserves;
- regulatory changes relating to the insurance, investment and/or securities industries;
- changes in the policies of central banks and/or foreign governments;
- general competitive factors on a global, regional and/or national scale.

Availability of company documents for public inspection

The Articles of Association of ageas SA/NV can be inspected at the Registry of the Commercial Court in Brussels (ageas SA/NV) and at the companies' registered offices.

The Annual Report is filed with the National Bank of Belgium (ageas SA/NV). Resolutions on the (re)election and removal of Ageas Board members are published in annexes to the Belgian Law Gazette (ageas SA/NV) and elsewhere.

Financial reports on the companies and notices convening AGMs and EGMs are published in the financial press, and other newspapers and periodicals. The Annual Report as well as a list of all participations of Ageas is available from Ageas' registered offices in Brussels and is also filed with the National Bank of

Belgium. The Annual Report is sent each year to registered shareholders and to others on request.

Provision of information to shareholders and investors

Listed shares

Ageas shares are currently listed on NYSE Euronext Brussels and the Luxembourg Stock Exchange. Ageas also has a sponsored ADR programme in the United States. ageas SA/NV, VVPR strips were listed only on NYSE Euronext Brussels until 1 January 2013.

Types of shares

Shares in Ageas may be registered or bearer shares.

Registration of shares in dematerialised or in certificated form

The company offers shareholders the opportunity to register their securities free of charge in certificated or in dematerialised form. A holder of dematerialised shares may, upon request and at no charge, convert their securities to the certificated form. A holder of certificated shares may, upon request and at no charge, obtain their securities in the form of dematerialised shares. Ageas has developed a rapid conversion process for securities in the form of dematerialised shares, enabling delivery at short notice.

ageas SA/NV, Corporate Administration

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Information and communications

The company sends communications to holders of certificated and of dematerialised shares free of charge, including those relating to quarterly and annual results and the annual report. The company personally invites each holder of certificated and of dematerialised shares registered with the company to participate in General Meetings and provides them with the agenda, the proposed resolutions as well as proxies for their representation and participation in the voting. On the date that payment of the dividend becomes due, the company automatically pays the amount of the dividend due into the bank accounts indicated by the holders of certificated and of dematerialised shares registered with the company.



GLOSSARY AND ABBREVIATIONS

Amortised cost

The amount at which a financial asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation/accretion of any premium/discount, and minus any write-down for impairment.

Asset backed security

A bond or a note backed by debt instruments (not being mortgages) or accounts receivable.

Associate

A company on which Ageas has significant influence but which it does not control.

Basis point (bp)

One hundredth of a percentage point (0.01%).

Cash-flow hedge

A hedge to mitigate exposure to fluctuations in the cash flow of a recognised asset or liability, or forecasted transaction, as a consequence of movements in variable rates or prices.

Clean fair value

The fair value excluding the unrealised portion of the interest accruals.

Clearing

Administrative settlement of securities, futures and options transactions through a clearing organisation and the financial institutions associated with it (clearing members).

Credit spread

The yield differential between government bonds and corporate bonds or credits.

Custody

An agreement, usually between an investor and a bank (or possibly an agent or a trust company), whereby the investor deposits for safekeeping securities, gold or other valuables with the bank, which in turn takes the valuables into safekeeping for a fee.

Deferred acquisition cost

The cost of acquiring new and renewed insurance business, principally commissions, underwriting, agency and policy issue expenses, all of which vary with and primarily are related to the production of new business.

Derivative

A financial instrument such as a swap, a forward, a future contract or an option (both written and purchased). This financial instrument has a value that changes in response to changes in various underlying variables. It requires little or no net initial investment, and is settled at a future date.

Disability insurance

Insurance against the financial consequences of long-term disability.

Discounted cash flow method

An approach to valuation, whereby projected future cash flows are discounted at an interest rate that reflects the time value of money and a risk premium that reflects the extra return investors demand for the risk that the cash flow might not materialise after all.

Discretionary participation feature

A contractual right to receive, as a supplement to guaranteed benefits, additional benefits:

(a) that are likely to be a significant portion of the total contractual benefits; (b) whose amount or timing is contractually at the discretion of the issuer; and (c) that are contractually based on: (i) the performance of a specified pool of contracts or a specified type of contract; (ii) realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or (iii) the profit or loss of the company, fund or other entity that issues the contract.

Embedded derivative

A derivative instrument that is embedded in another contract – the host contract. The host contract might be a debt or equity instrument, a lease, an insurance contract or a sale or purchase contract.

Employee benefits

All forms of considerations given by an entity in exchange for service rendered by employees, in addition to their pay or salary.

Fair value

The amount for which an asset (liability) can be bought (incurred) or sold (settled), between knowledgeable, willing parties in an arm's length transaction.

Fair value hedge

A hedge of an exposure to changes in the fair value of a recognised asset or liability (or a portion thereof) or a firm commitment. The exposure is attributable to a particular risk and will affect reported net income.

Finance lease

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Goodwill

This represents the amount by which the fair value of the assets acquired, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business, exceeds Ageas' interest in the fair value of assets acquired and liabilities and contingent liabilities assumed.

Gross written premiums

Total premiums (whether or not earned) for insurance contracts written or accepted during a specific period, without deduction for premiums ceded.

Hedge accounting

Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item.

IFRS

International Financial Reporting Standards have been used as the standard for all listed companies within the European Union since 1 January 2005 to ensure transparent and comparable accounting and disclosure.

Impairment

A decline in value whereby the carrying amount of the asset exceeds the recoverable amount. In such a case, the carrying amount will be reduced to its recoverable amount through the income statement.

Insurance contract

A contract under which one party (Ageas) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

Investment contract

A life insurance policy contract that transfers financial risk without transferring significant insurance risk.

Intangible asset

An identifiable non-monetary asset which is recognised at cost if and only if it will generate future economic benefits and if the cost of the asset can be measured reliably.

Investment property

Property held by Ageas to earn rental income or for capital appreciation.

ISO Currency code list

AUD	Australia, Dollars
CAD	Canada, Dollars
CHF	Switzerland, Francs
CNY	China, Yuan Renminbi
DKK	Denmark, Kroner
GBP	Britain (United Kingdom), Pounds
HKD	Hong Kong, dollar
HUF	Hungary, Forint
INR	India, Rupee
MAD	Morocco, Dirham
MYR	Malaysia, Ringgits
PLN	Poland, Zloty
RON	Romania, Leu
SEK	Sweden, Kronor
THB	Thailand, Baht
TRY	Turkey, New Lira
TWD	Taiwan, New Dollars
USD	United States of America, Dollars
ZAR	South Africa, Rand

Market capitalisation

Value attributed to the company by the stock market. Market capitalisation corresponds to the number of shares outstanding multiplied by the share price at a given time.

NCI

Non-controlling Interest.

Net-investment hedge

A hedge used to reduce the financial risks of a reporting entity's share in the net assets of a foreign entity by entering into transactions that give an offsetting risk profile.

Notional amount

Amount of currency units, number of shares, a number of units of weight or volume or other units specified in a derivative contract.

Operating lease

A contract that allows the use of an asset in return for periodic payments, but does not convey rights similar to legal ownership of the asset and where the financial risks related to the asset are borne by the lessor.

Operating margin

Operating income divided by net premium. Operating income is the profit or loss stemming from all operations, including underwriting and investments.

Option

A privilege sold by one party to another that offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security at an agreed price during a certain period of time or on a specific date.

Private equity

Equity securities of companies that are not listed on a public exchange. Investors wishing to sell their stake in a private company have to find a buyer themselves owing to the lack of a marketplace.

Provision

Provisions are liabilities involving uncertainties in the amount or timing of payments. Provisions are recognised if there is a present obligation to transfer economic benefits, such as cash flows, as a result of past events and a reliable estimate can be made at the date of the statement of financial position.

Reverse repurchase agreement

The purchase of securities with an agreement to resell them at a higher price at a specific future date.

Shadow accounting

According to IFRS 4 an insurer is permitted, but not required, to change its accounting policies so that a recognised but unrealised gain or loss on an asset affects the measurement of the insurance liabilities. The related deferred adjustment to the insurance liability (or deferred acquisition costs or intangible assets) is recognised in equity only if the unrealised gains or losses are recognised directly in equity.

Securities lending transaction

A loan of a security from one counterparty to another who must eventually return the same security as repayment. The loan is often collateralised. Securities lending allows an entity in possession of a particular security to earn enhanced returns.

Structured credit instruments

Securities created by repackaging cash flows from financial contracts and encompassing asset-backed securities (ABS), mortgage-backed securities (MBS) and collateralised debt obligations (CDO).

Subordinated bond (loan)

A loan (or security) that ranks below other loans (or securities) with regard to claims on assets or earnings.

Subsidiary

Any company, of which Ageas, either directly or indirectly, has the power to govern the financial and operating policies so as to obtain the benefits from its activities ('control').

Trade date

The date when Ageas becomes a party to the contractual provisions of a financial asset.

Value of business acquired (VOBA)

The present value of future profits from acquired insurance contracts. VOBA is recognised as an intangible asset and amortised over the period in which the premiums or gross profits of the policies are recognised.

VaR

Abbreviation of value at risk. A technique which uses the statistical analysis of historical market trends and volatilities to estimate the likelihood that a given portfolio's losses will exceed a certain amount.

Abbreviations

AFS	Available for sale
ALM	Asset and liability management
CASHES	Convertible and subordinated hybrid equity-linked securities
CDS	Credit default swap
CEU	Continental Europe
CGU	Cash generating unit
DPF	Discretionary participation features
EPS	Earnings per share
Euribor	Euro interbank offered rate
EV	Embedded value
FRESH	Floating rate equity linked subordinated hybrid bond
HTM	Held to maturity
IBNR	Incurred but not reported
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
LAT	Liability Adequacy Test
MCS	Mandatory convertible securities
OTC	Over the counter
SPV	Special purpose vehicle
UK	United Kingdom



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