

Annual results  
31.12.2016



28.04.2017

# Agenda

- **Key 2016 highlights**

- Main events in 2016
- Financial performance BGAAP <sup>1</sup>
- Financial performance IFRS <sup>2</sup>
- Solvency II <sup>3</sup>
- Investment portfolio <sup>2</sup>
- Rating
- Appendix

<sup>1</sup> Figures are based on audited Ethias SA statutory accounts. Figures at end of 2016 are subject to approval by the shareholders meeting in May 2017

<sup>2</sup> Figures are based on IFRS audited consolidated financial statements of Ethias group (defined as Ethias SA and its subsidiaries)

<sup>3</sup> Figures are non audited and are based on Ethias SA solo

# Key 2016 highlights

Key events		<ul style="list-style-type: none"> <li>▪ <b>Switch V</b> (redemption bonus of 10% to the holders of a First A product) <b>and Switch VI operation</b> (redemption bonus of 25% to the holders of a First A product)</li> <li>▪ <b>Terrorist attacks in Brussel</b> : cost of €10M after reinsurance and TRIP</li> <li>▪ Reduction of duration gap mainly through the acquisition of hedging instruments</li> <li>▪ <b>Recovery of tax dispute (€223M)</b></li> <li>▪ <b>Financial recovery plan</b> sent to NBB on 30 September 2016</li> </ul>				
Financial results	Operating result	BGAAP – Ethias SA		IFRS – Ethias Group		
	Net income	<ul style="list-style-type: none"> <li>▪ <b>€254M</b> o/w €228M from Non-Life</li> <li>▪ <b>€80M</b> taking into account : <ul style="list-style-type: none"> <li>▪ Allocation to flashing light reserve : -€182M</li> <li>▪ The cost of the Switch V and VI operations : -€202M</li> <li>▪ The recovery of tax dispute : €223M</li> <li>▪ Other exceptional elements and tax: -€13M</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>▪ <b>€257M</b> o/w €235M from Non-Life</li> <li>▪ <b>€424M</b> taking into account: <ul style="list-style-type: none"> <li>▪ Reversal of LAT provision and shadow : +€184M</li> <li>▪ Recovery of tax dispute : +€223M</li> <li>▪ Switch V and VI premium: -€202M</li> <li>▪ Other exceptional elements and tax: -€38M</li> </ul> </li> </ul>		
Business units (IFRS)		Non-Life		Life		
		<ul style="list-style-type: none"> <li>▪ <b>GWP €1,310M</b></li> <li>▪ <b>Operational result €235M</b></li> <li>▪ <b>COR 89.4%</b></li> </ul>		<ul style="list-style-type: none"> <li>▪ <b>GWP €1,096M</b></li> <li>▪ <b>Operational result €41M</b></li> </ul>		
Other key indicators (IFRS)		Equity	Operational ROE	Debt ratio	Solvency II	U/R gains (BGAAP)
		<ul style="list-style-type: none"> <li>▪ <b>€2,305M</b>, from €1,869M in 2015</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>11.1%</b>, from 15.6% in 2015</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>18.0%</b>, down from 21.5% in 2015</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>144.89%</b> vs 131.56% end 2015</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>€1,729M</b>, up from €1,622M in 2015</li> </ul>
Investment portfolio (IFRS)		<ul style="list-style-type: none"> <li>▪ <b>€17.2B</b> total investment portfolio <ul style="list-style-type: none"> <li>▪ <b>81.8% invested in bonds</b> (o.w. 61% government bonds, o.w. 94% rated BBB or higher)</li> <li>▪ <b>4.4% held in cash</b></li> <li>▪ <b>2.9% in real estate</b> - office buildings and nursing homes (cash flow guaranteed over the long term)</li> </ul> </li> </ul>				

# Agenda

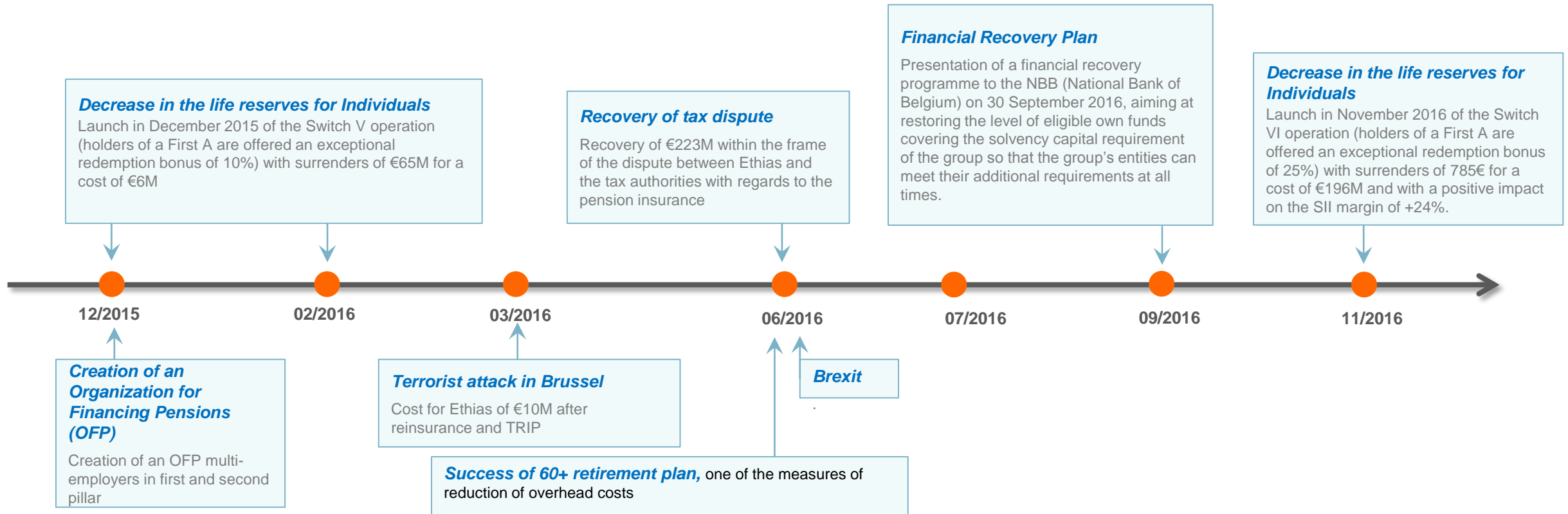
- Key 2016 highlights
- **Main events in 2016**
- Financial performance BGAAP <sup>1</sup>
- Financial performance IFRS <sup>2</sup>
- Solvency II <sup>3</sup>
- Investment portfolio <sup>2</sup>
- Rating
- Appendix

<sup>1</sup> Figures are based on audited Ethias SA statutory accounts. Figures at end of 2016 are subject to approval by the shareholders meeting in May 2017

<sup>2</sup> Figures are based on IFRS audited consolidated financial statements of Ethias group (defined as Ethias SA and its subsidiaries)

<sup>3</sup> Figures are non audited and are based on Ethias SA solo

# Key events in 2016



**Reduction of the duration gap** in Life (Switch operations, acquisition of hedging instruments, ...)

**Decrease in interest rates** (loss of 34 bps for the swap 10 years between end December 2015 and end December 2016)

# Agenda

- Key 2016 highlights
- Main events in 2016
- **Financial performance BGAAP <sup>1</sup>**
- Financial performance IFRS <sup>2</sup>
- Solvency II <sup>3</sup>
- Investment portfolio <sup>2</sup>
- Rating
- Appendix

<sup>1</sup> Figures are based on audited Ethias SA statutory accounts. Figures at end of 2016 are subject to approval by the shareholders meeting in May 2017

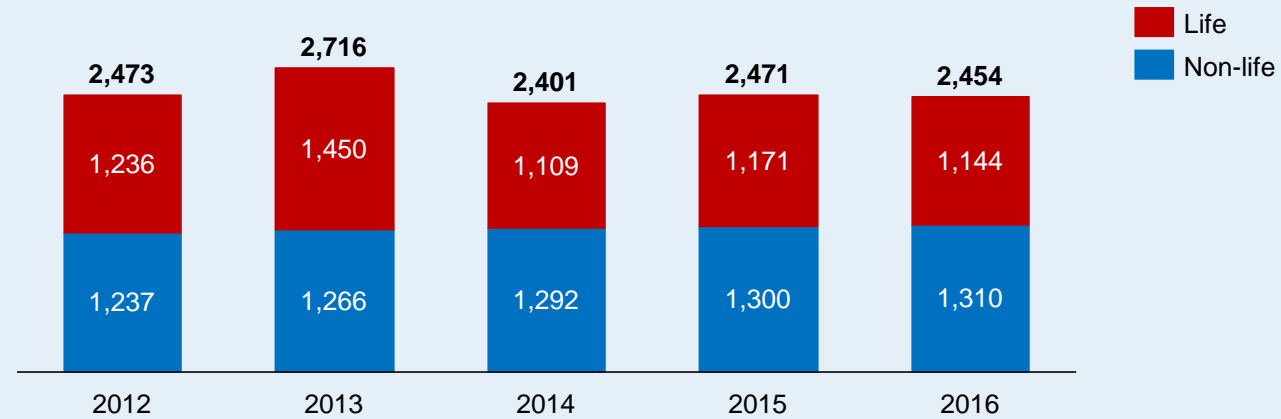
<sup>2</sup> Figures are based on IFRS audited consolidated financial statements of Ethias group (defined as Ethias SA and its subsidiaries)

<sup>3</sup> Figures are non audited and are based on Ethias SA solo

# BALANCED NON-LIFE/LIFE INFLOWS DESPITE DISCONTINUATION OF LIFE INDIVIDUALS

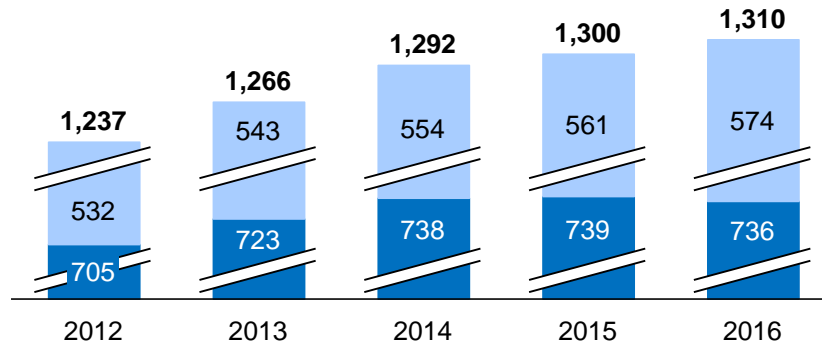
7

Evolution of GWP (€M)



Evolution of Non-Life GWP (€M)

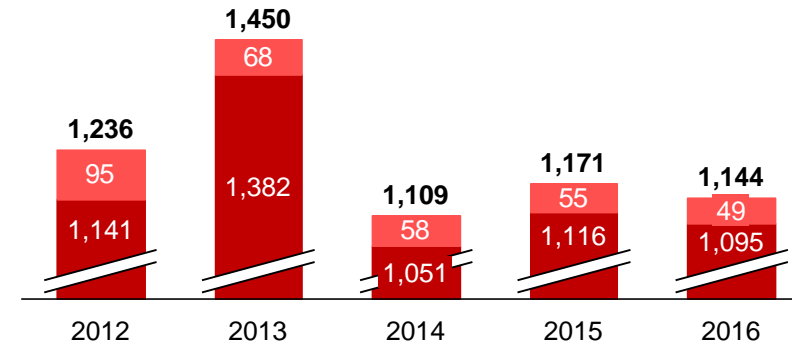
Individuals Public and Corporate Sector



- Steady increase of Non-Life GWP between 2012-2016

Evolution of Life GWP (€M)

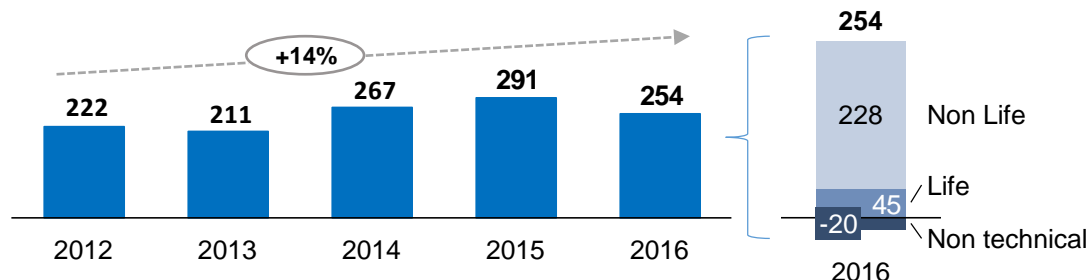
Individuals Public and Corporate Sector



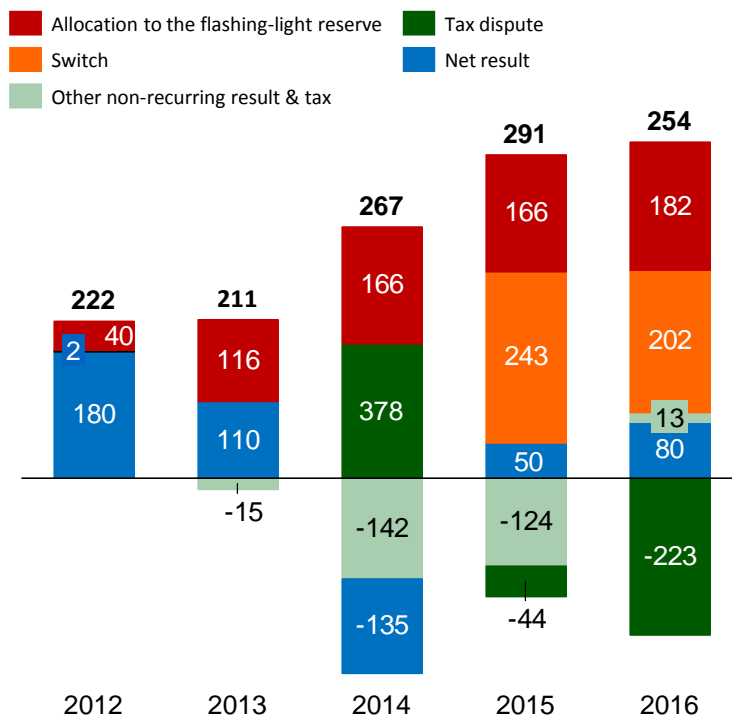
- High 2013 GWP of €1.4 billion of Life for Public & Corporate Sector impacted by one-offs (unique premiums)
- Few new business: life individuals in run-off and life group impacted by low interest rates environment

# EVOLUTION IN OPERATIONAL RESULT

## Evolution in operational result under BGAAP (€M)



## Evolution in operational result under BGAAP (€M) - Breakdown

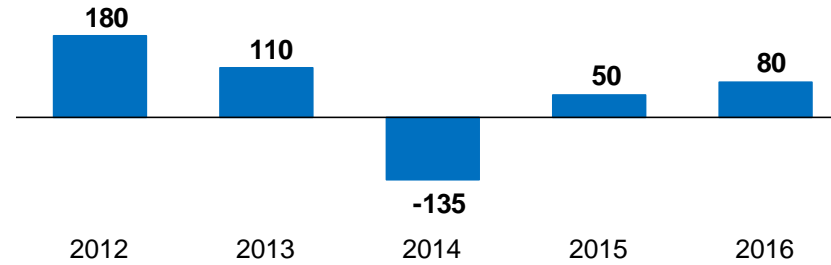


- **Strong operational 2016 result of €254M**, after adjusting the reported net result of €80M by the following elements :
  - €(182)M allocation to the flashing-light reserve (\*)
  - €(202)M gross costs related to Switch V and Switch VI
  - €223M of recovery on tax dispute
  - €(13)M of other non-recurring items and tax, among others the cost for the 60+ retirement plan (€ (50)M), the cost of terrorist attack (€(10)M), premiums paid for the redemption of group Life contracts (€(20)M) and the non-recurring financial revenue (€60M)
- Decrease in operational 2016 result versus 2015 due to the combined effect of the following elements:
  - Improvement of claim ratio (-1,2%)
  - Interest payment related to the notes exchanged in July 2015 and to additional notes issued in November 2015
  - Strengthening of the funding for employees group insurance
  - Decrease of revenues on financial assets
- Ethias expects to maintain its operational result in this range by implementing its strategy and continuing the following actions :
  - Cost reduction (investments to increase efficiency and to go digital)
  - Operational and technical excellence
  - Pro-active management on First reserves (run-down strategy)
  - Improvement of underwriting
  - Reduction of claim handling costs
  - Strengthening of sales force
  - De-risking of investment portfolio

(\*) The financial statements as per 31<sup>st</sup> of December of 2016 have been established taking into account the allocation to the flashing-light provision, in compliance with the circular NBB\_2016\_39 issued in October 2016 as Ethias did not submit to the NBB a request for exemption, as its intention is to limit the distribution of dividends to what Vitrufin needs to serve its senior debt. The allocation to the flashing-light reserve has no impact on the SII ratio. Despite the decrease in life reserves, the allocation to the flashing-light reserve has increased as interest rates observed in 2016 have decreased.

# EVOLUTION IN NET RESULT

## Evolution in net result under BGAAP (€M)



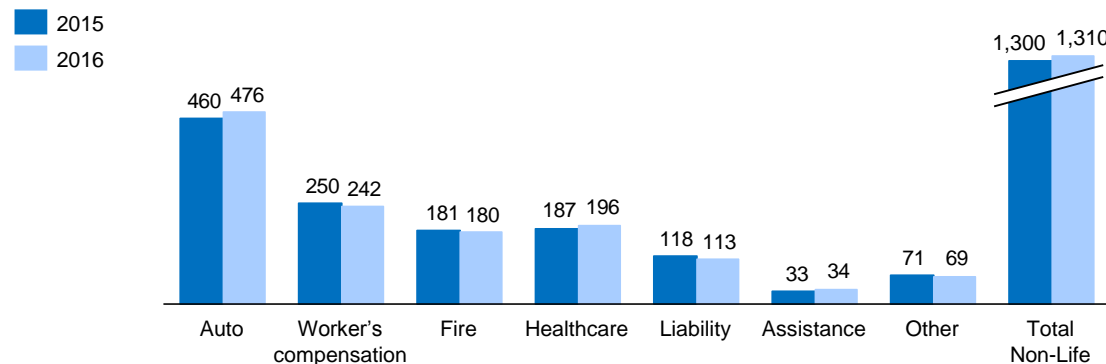
## Evolution in net result under BGAAP (€M) - Breakdown

	2012	2013	2014	2015	2016
Technical result pre-allocation	251	235	401	164	117
o/w Non-Life	193	208	272	310	272
o/w Life	58	27	129	(146)	(155)
Allocation to the flashing-light reserve	(40)	(116)	(166)	(166)	(182)
Technical result post-allocation	211	119	235	(2)	(65)
o/w Non-Life	189	202	263	298	255
o/w Life	22	(83)	(28)	(300)	(320)
Non-technical result	(28)	(24)	(366)	56	148
o/w recurring items	(28)	(24)	(8)	(5)	(20)
o/w financial non-recurring items	0	0	20	17	3
o/w non-recurring items (tax dispute)	0	0	(378)	44	223
o/w other non-recurring items	0	0	0	0	(58) <sup>1</sup>
Tax	(1)	15	(1)	(3)	(3)
Transfers and withdrawals from untaxed reserves	(2)	0	(3)	(1)	0
<b>Net result<sup>1</sup></b>	<b>180</b>	<b>110</b>	<b>(135)</b>	<b>50</b>	<b>80</b>

<sup>1</sup> Mainly the cost of the 60+ retirement plan

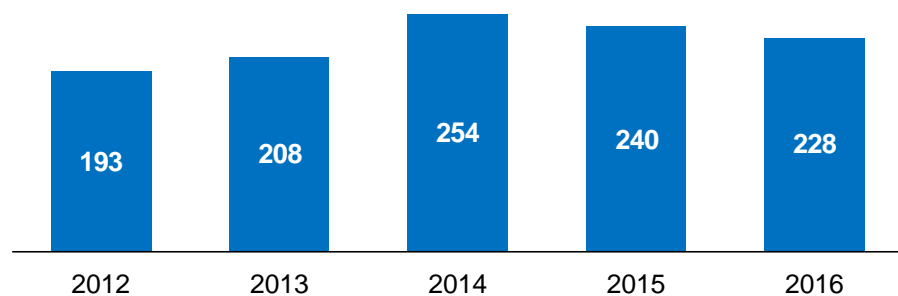
## FOCUS ON NON-LIFE BUSINESS (1/2)

### Evolution in Non-Life GWP of Ethias (€M)



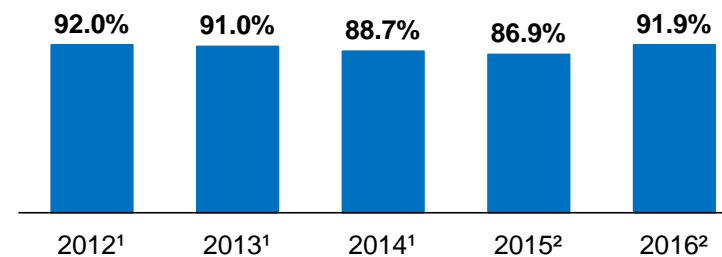
- Increase in Auto (price increase) and Healthcare (new business)
- Decrease in Worker's compensation (price decrease and churn) and Liability (price decrease)

### Non-Life operational result BGAAP (€M)



- Robustness of the Non-Life model given the significant and recurring profitability for several years now
- Decrease in the Non-Life operational result in 2016 despite a decrease in claim ratio (-1,2%), due to the strengthening of funding for Ethias' employees group insurance and the decrease in revenue on financial assets

### Net combined ratio of Ethias (BGAAP)



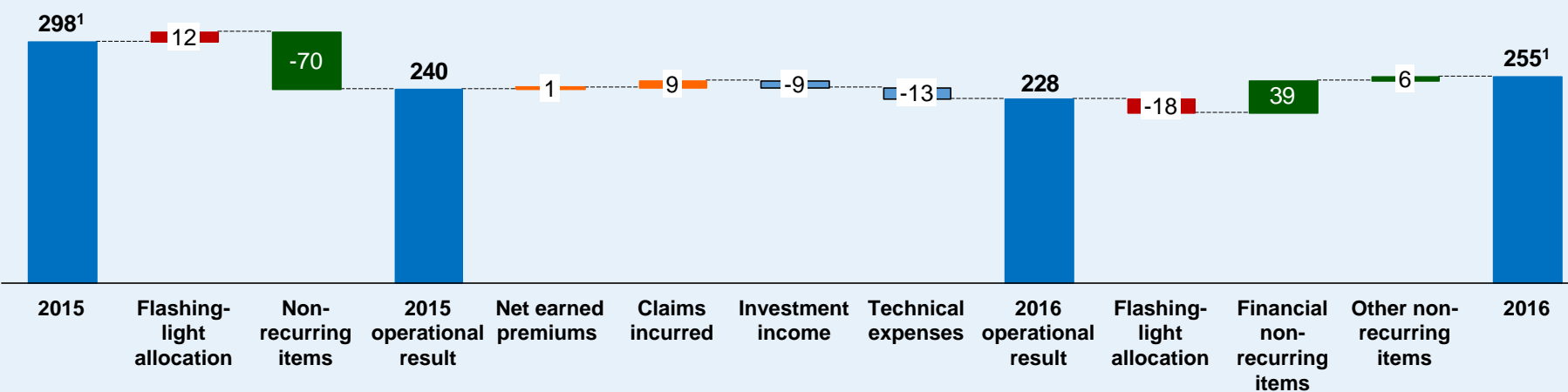
- Net CoR among the best of the Belgian market resulting, on the one hand, from the various optimizations operated since several years in terms of pricing, claims management and management of overheads and, on the other hand, from our distribution model which is primarily direct.
- Net CoR of 2015 impacted by exceptional elements

<sup>1</sup> Based on internal calculations ; <sup>2</sup> Based on Assuralia formula

## FOCUS ON NON-LIFE BUSINESS (2/2)

### Evolution in Non-Life earnings between 2015 & 2016

(in €M)

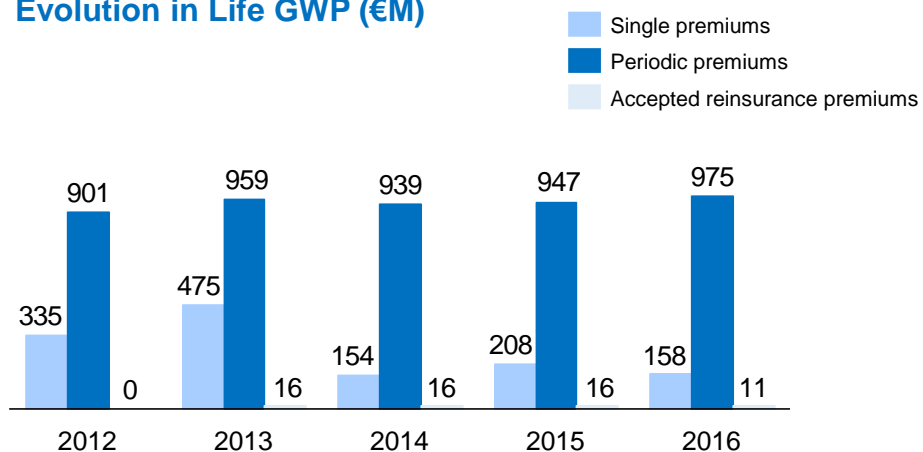


In €M	2015	2015 excluding non-recurring items	2016	2016 excluding non-recurring items	Difference
Gross written premiums	1,300	1,300	1,310	1,310	10
Net earned premiums	1,258	1,258	1,259	1,259	1
Claims incurred	(869)	(917)	(920)	(908)	9
Investment income	132	122	152	113	(9)
Other technical expenses	(223)	(223)	(236)	(236)	(13)
<b>Technical result</b>	<b>298</b>	<b>240</b>	<b>255</b>	<b>228</b>	

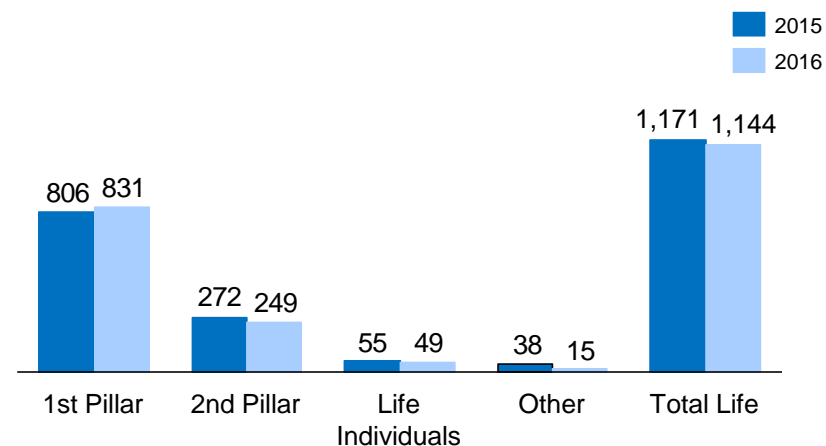
<sup>1</sup> Non-Life technical result post-allocation to the flashing-light reserve and including non-recurring items

# FOCUS ON LIFE BUSINESS (1/3)

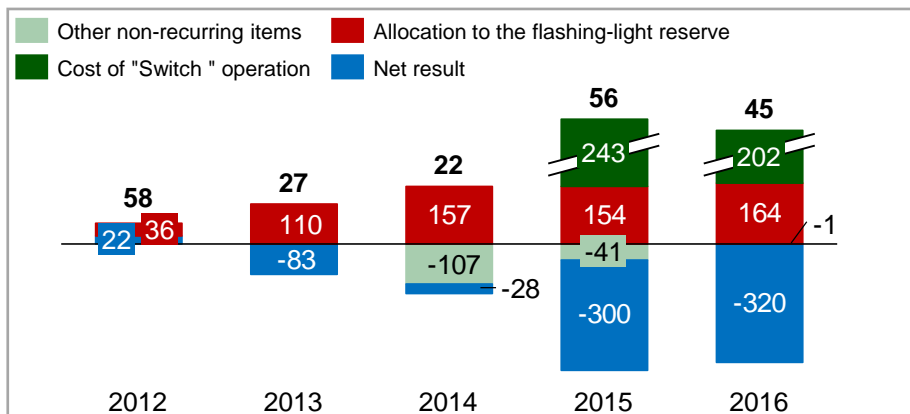
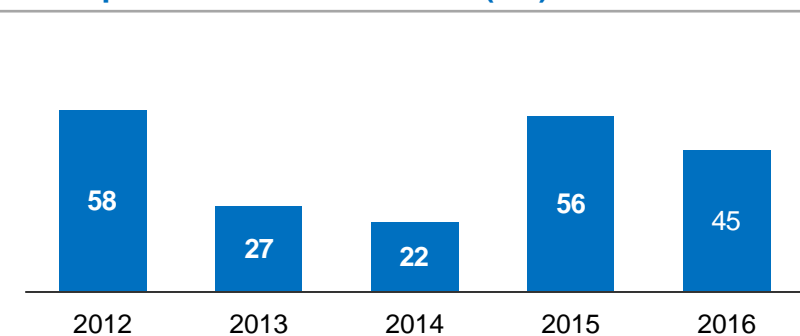
## Evolution in Life GWP (€M)



## Evolution in Life GWP (€M)



## Life operational result BGAAP (€M)

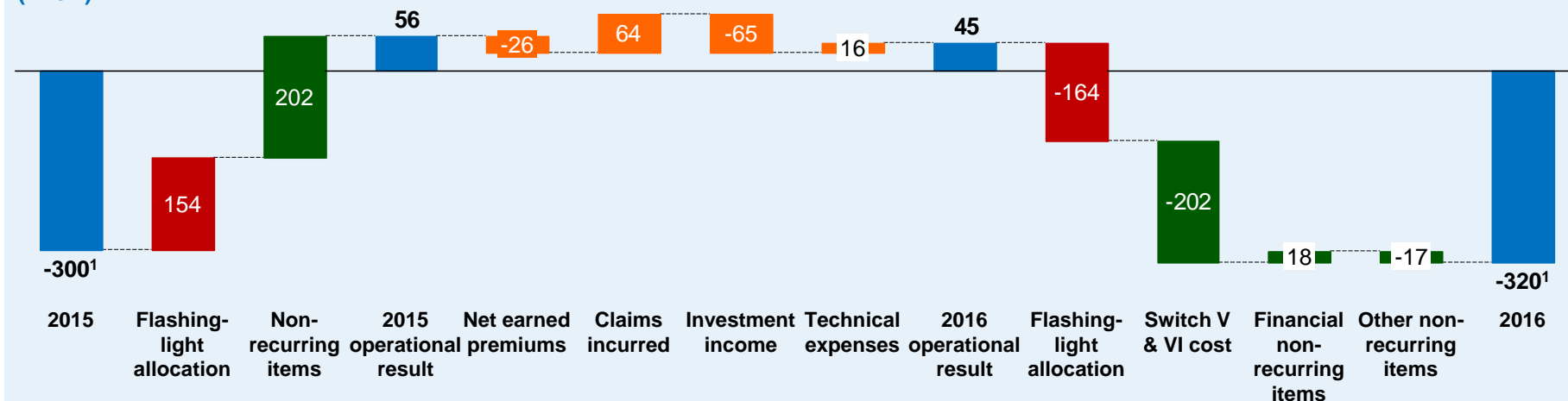


- Life operational result (before allocation to the flashing-light reserve and non-recurring items) has been positive since several years
- Life result mainly impacted by :
  - The allocation to the flashing-light reserve (BGAAP constraint) amounting to €(164)M in 2016 (increase in 2016 vs 2015 due to the decrease of interest rates).
  - The cost of the "Switch" operations amounting to €(202)M in 2016
  - Other non-recurring items: mainly the premiums paid for the redemption of group Life contracts (€20M) and non-recurring financial revenues (€(18)M)

## FOCUS ON LIFE BUSINESS (2/3)

### Evolution of Life earnings between 2015 & 2016 – EBIT impacted by the cost of Switch V & VI operations<sup>1</sup>

(in €M)

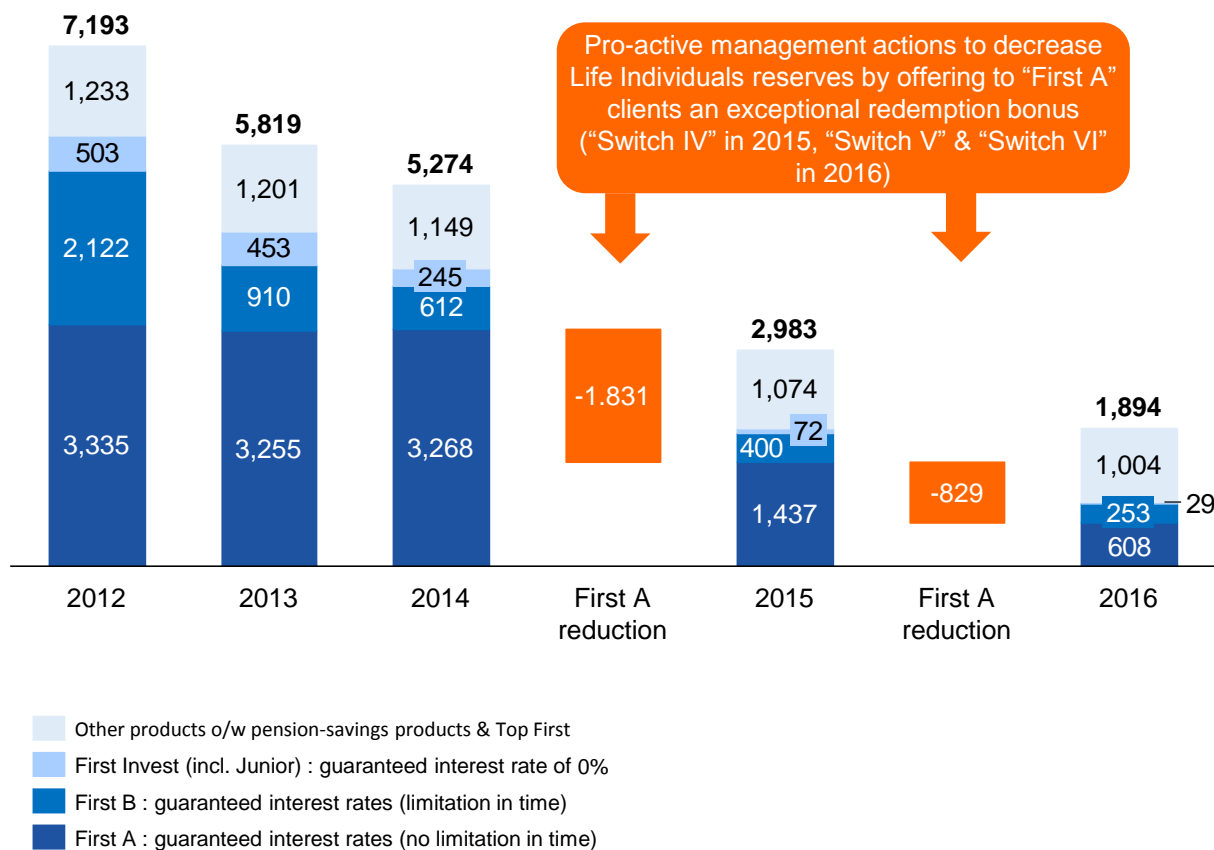


In €M	2015	2015 excluding non-recurring items	2016	2016 excluding non-recurring items	Difference
Gross written premiums	1,171	1,171	1,144	1,144	(27)
Net earned premiums	1,167	1,167	1,141	1,141	(26)
Claims incurred	(1,922)	(1,528)	(1,847)	(1,464)	64
Investment income	491	453	406	388	(65)
Other technical expenses	(36)	(36)	(20)	(20)	16
<b>Technical result</b>	<b>(300)</b>	<b>56</b>	<b>(320)</b>	<b>45</b>	

<sup>1</sup> Life technical result post-allocation to the flashing-light reserve and including non-recurring items

# FOCUS ON LIFE BUSINESS (3/3)

## Evolution in Life Individuals reserves (€M)

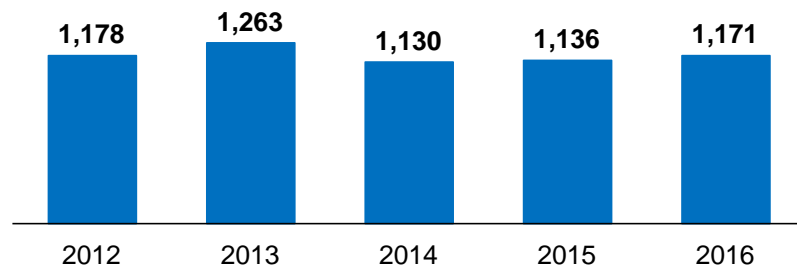


## Impact of redemption offers on First A :

- In Q1 2015 : Switch IV operation (exceptional redemption bonus of 4 years' interest, equivalent to an exit premium of c.14%) with surrenders of €1.9 billion (for a cost of €243M)
- In Q2 2016 : Switch V operation (redemption bonus of 10%) with surrenders of €65M (for a cost of €6M)
- In Q4 2016 : Switch VI (redemption bonus of 25%) with surrenders of €785M (for a cost of €196M)
- The surrenders of 2016, combined with the interest capitalization on existing contracts, involve a reduction of reserves for an amount of €829M in 2016 (representing 58% of 2015 First A reserves). Since 2012, First A reserves have been reduced by more than 81%.
- All those Switch operations impact positively our SII ratio (+25% for Switch IV and +24% for Switch VI) and our duration gap
- Stable average guaranteed interest rate of First A : 3.46% as per end of December 2016

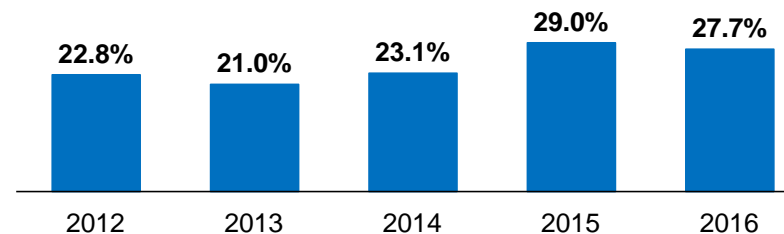
## OTHER KEY ELEMENTS (1/2)

Evolution in equity (€M)



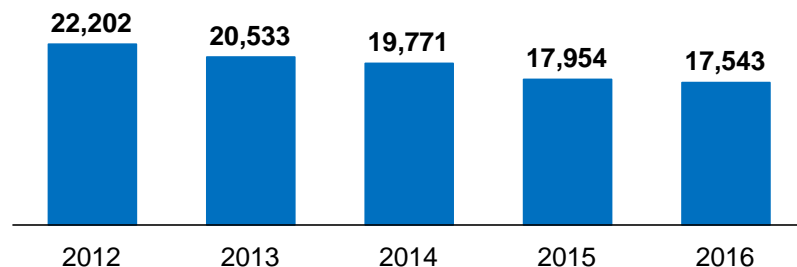
- Improvement in equity in 2016 due to the year result of €80M, reduced by €45M being allocated to a dividend to Vitrufin (to be decided by shareholder's meeting)

Evolution in debt ratio



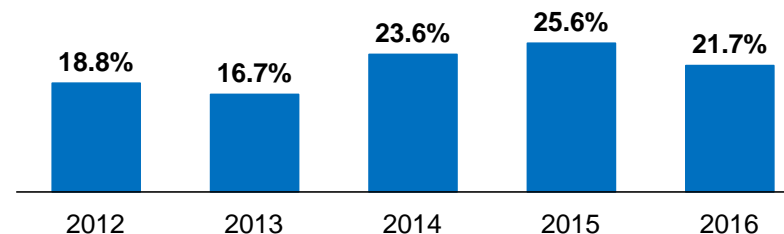
- Deterioration of debt ratio in 2015 following the issuance of additional bonds for an amount of € 170.8M in par value
- Decrease in the debt ratio in 2016 due to the increase in equity. Note that this ratio doesn't include the collateral received (€82M) in guarantee of hedging operations (acquisition of forward bonds and swaptions) against a decrease in interest rates (same amount on the asset side) and the repo's (€255M) concluded in the context of liquidity management for Switch VI operation

Evolution in total assets (€M)



- Decrease in total assets primarily linked to the reduction of the Life Individuals reserves

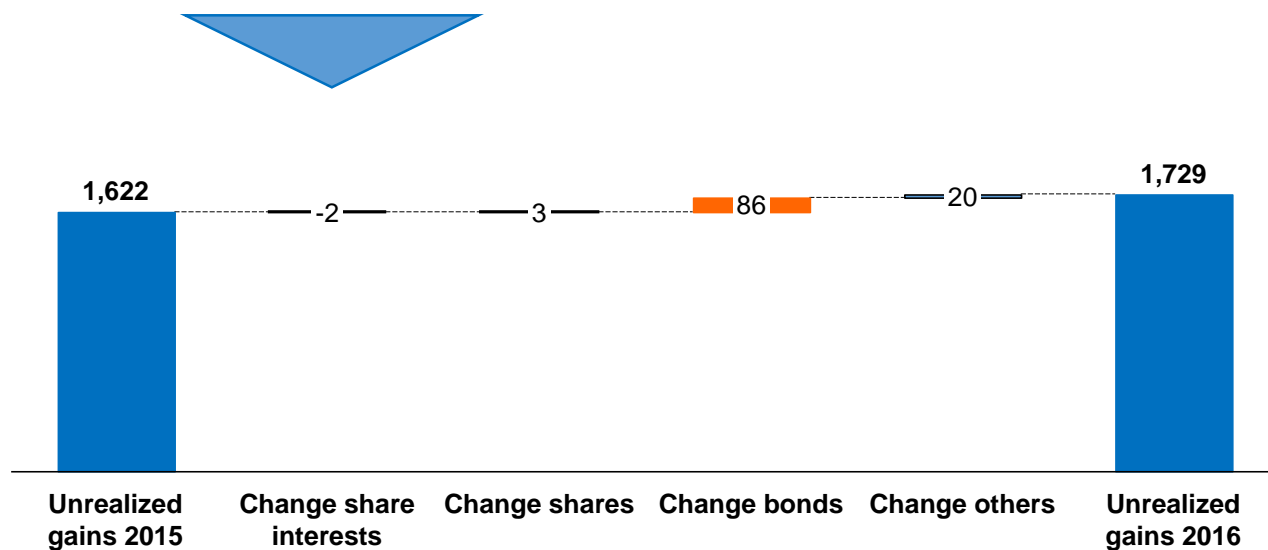
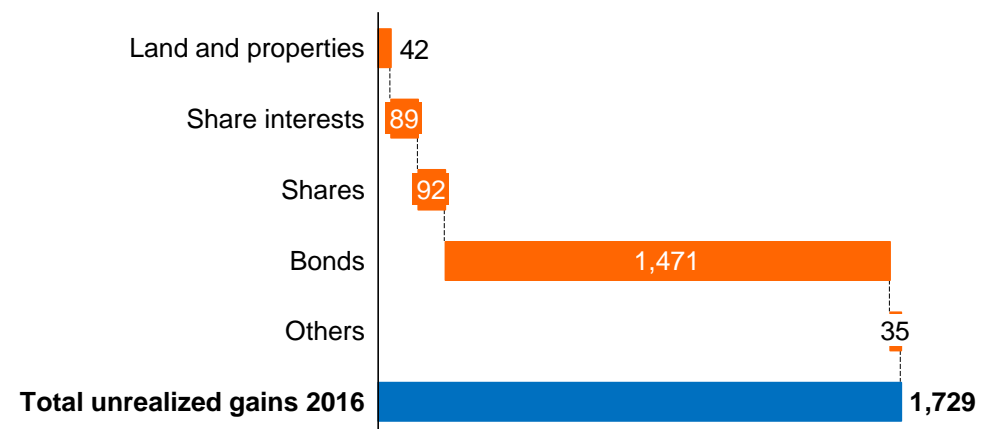
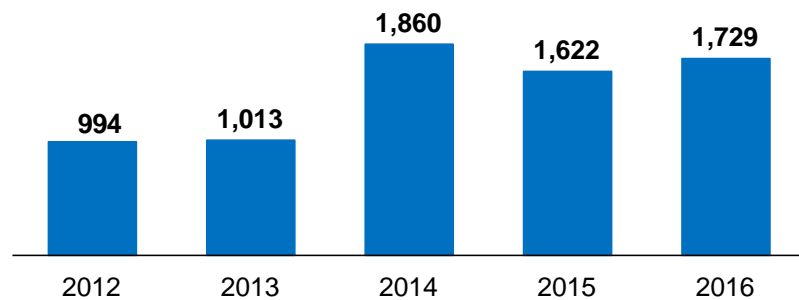
Evolution in operational ROE (\*)



(\*) determined using the following formula: operating result / equity

## OTHER KEY ELEMENTS (2/2)

Evolution in unrealized gains (€M)



# Agenda

- Key 2016 highlights
- Main events in 2016
- Financial performance BGAAP <sup>1</sup>
- **Financial performance IFRS <sup>2</sup>**
- Solvency II <sup>3</sup>
- Investment portfolio <sup>2</sup>
- Rating
- Appendix

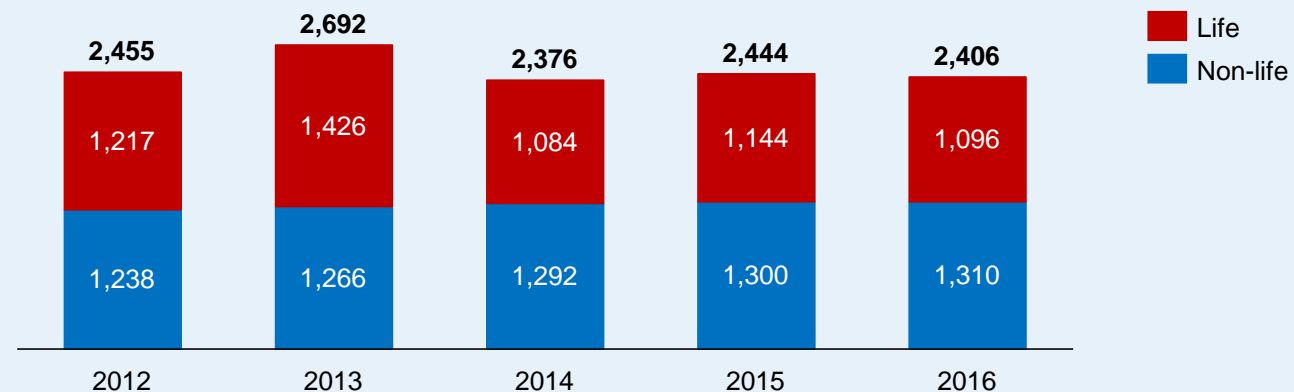
<sup>1</sup> Figures are based on audited Ethias SA statutory accounts. Figures at end of 2016 are subject to approval by the shareholders meeting in May 2017

<sup>2</sup> Figures are based on IFRS audited consolidated financial statements of Ethias group (defined as Ethias SA and its subsidiaries)

<sup>3</sup> Figures are non audited and are based on Ethias SA solo

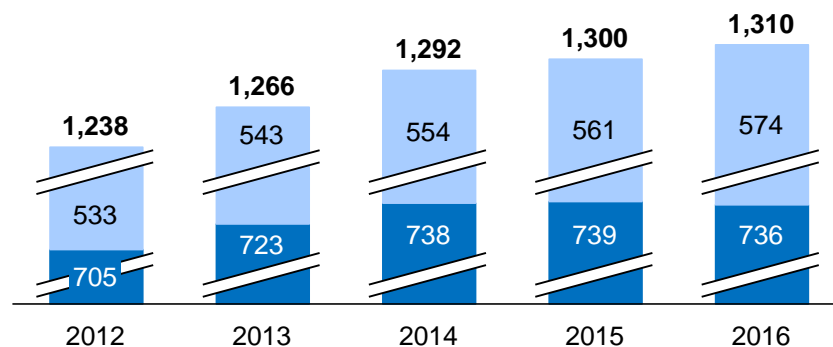
# BALANCED NON-LIFE/LIFE INFLOWS DESPITE DISCONTINUATION OF LIFE INDIVIDUALS

Evolution in GWP (€M)



Evolution in Non-Life GWP (€M)

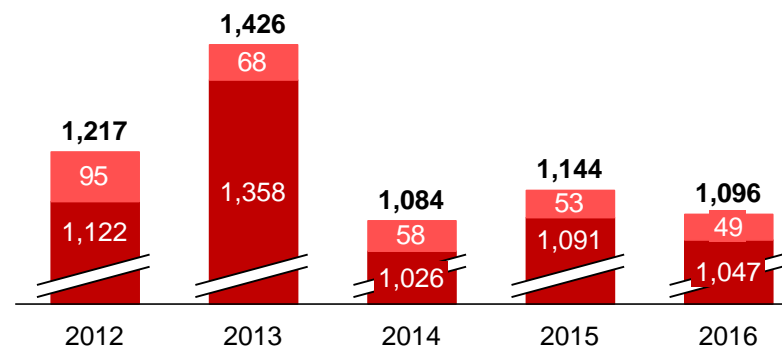
Individuals Public and Corporate Sector



- Steady increase of Non-Life GWP

Evolution in Life GWP (€M)

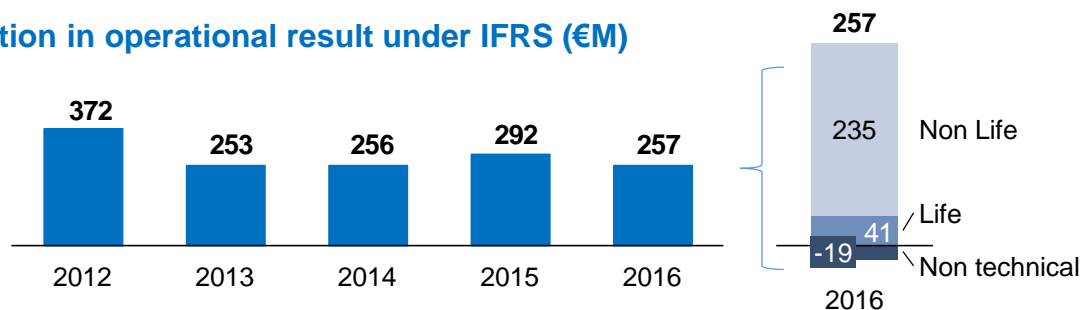
Individuals Public and Corporate Sector



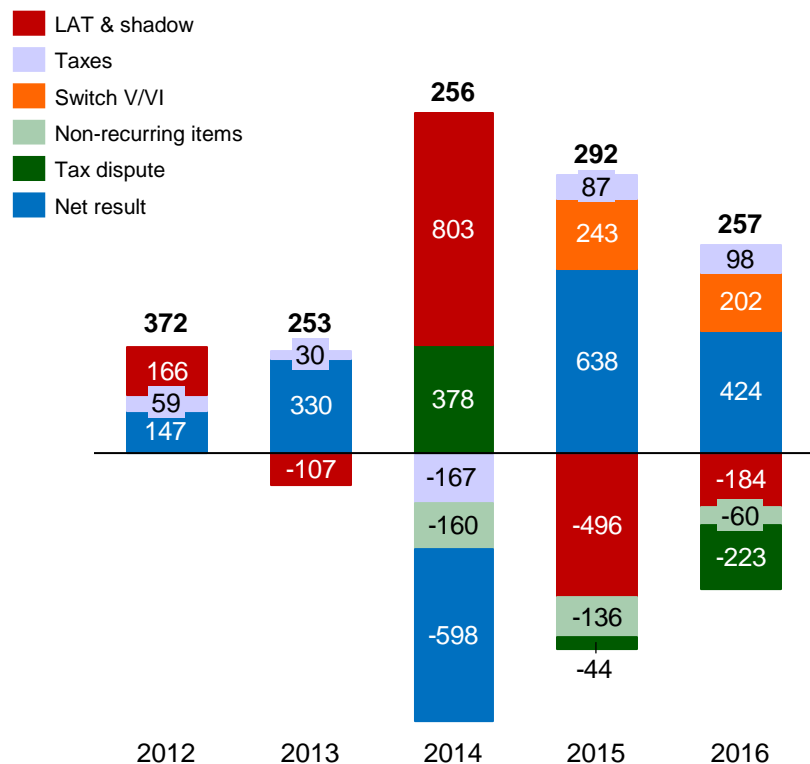
- High 2013 GWP of €1.4 billion of Life for Public & Corporate Sector impacted by one-offs (unique premiums)
- Few new business: life individuals in run-off and life group impacted by low interest rates environment

# EVOLUTION IN OPERATIONAL RESULT

Evolution in operational result under IFRS (€M)



Evolution in operational result under IFRS (€M) - Breakdown



■ **Operational 2016 result of €257M**, after adjusting the reported net result of €424M by the following elements :

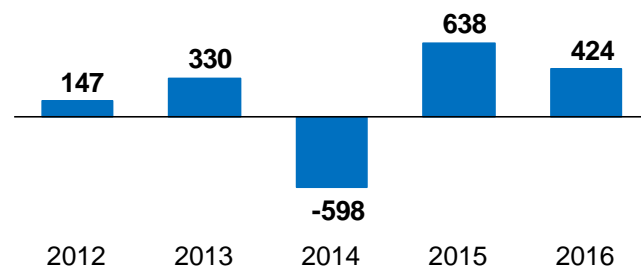
- The reversal of Life insurance provisions following the increase in interest rates (impact of €160M)
- The valuation of some securities in market value – shadow FVPL (impact of €24M)
- The recovery of €223M on tax dispute
- The gross costs related to “Switch V” and Switch VI (impact of -€202M)
- Other non-recurring items (+€60M), essentially financial non-recurring items
- Taxes of -€98M

■ Ethias expects to maintain its operational results in this range by implementing its strategy and continuing the following actions :

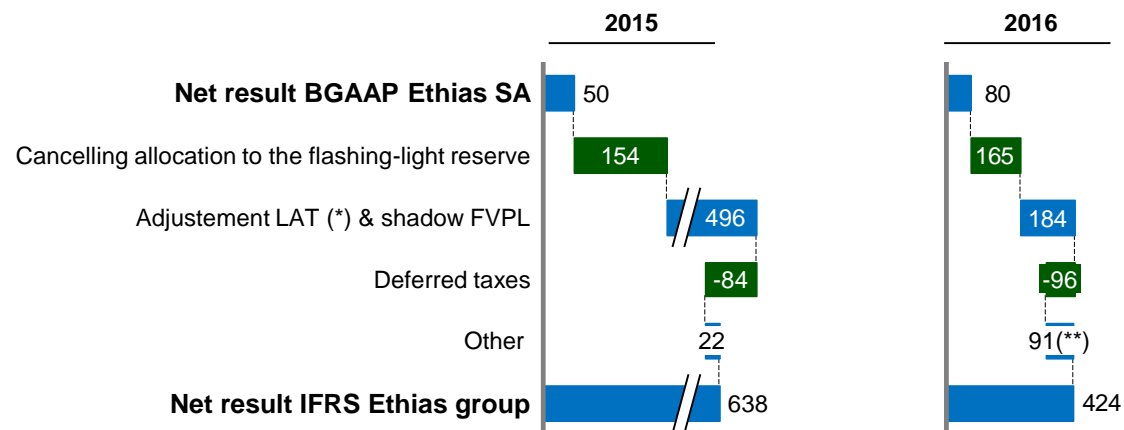
- Cost reduction (investments to increase efficiency and to go digital)
- Operational and technical excellence
- Pro-active management on First reserves (run-down strategy)
- Improvement of underwriting
- Reduction of claim handling costs
- Strengthening of sales force
- De-risking of investment portfolio

# EVOLUTION OF NET RESULT UNDER IFRS (€M)

## Evolution in net result under IFRS (€M)



## Reconciliation of net result between BGAAP & IFRS (€M)



## Breakdown of net result under IFRS (€M)

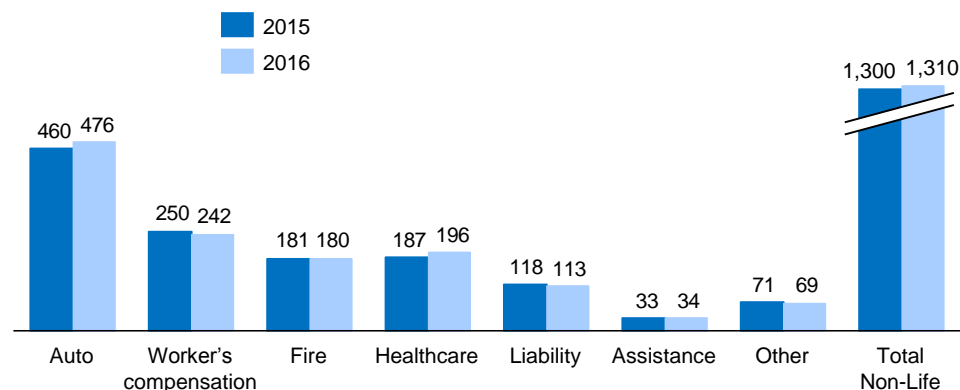
	2012	2013	2014	2015	2016
Technical result	200	366	(439)	630	340
o/w Non-Life	171	233	242	306	278
o/w Life	29	133	(681)	324	62
Non-technical result	6	(6)	(326)	95	182
o/w recurring items	6	(6)	32	30	(19)
o/w financial non-recurring items	0	0	20	17	2
o/w non-recurring items (tax dispute)	0	0	(378)	44	225
o/w other non-recurring items	0	0	0	4	(26)
Tax	(59)	(30)	167	(87)	(98)
<b>Net result</b>	<b>147</b>	<b>330</b>	<b>(598)</b>	<b>638</b>	<b>424</b>
For reference :					
<b>Net result BGAAP</b>	<b>180</b>	<b>110</b>	<b>(135)</b>	<b>50</b>	<b>80</b>

(\*) impact of changes in interest rates

(\*\*) Namely includes the provision for the 60+ retirement plan (different valuation rules between BGAAP & IFRS)

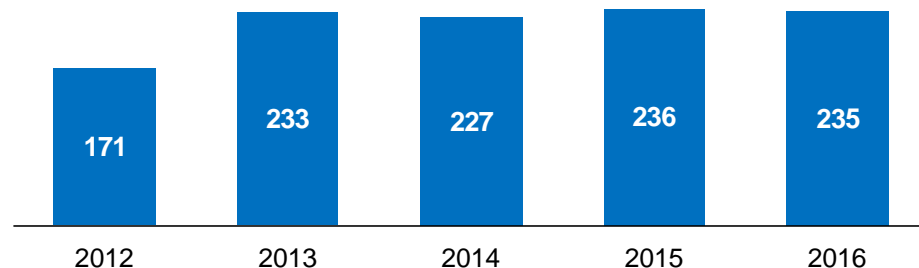
# FOCUS ON NON-LIFE BUSINESS (1/2)

Evolution in Non-Life GWP of Ethias Group (€M)



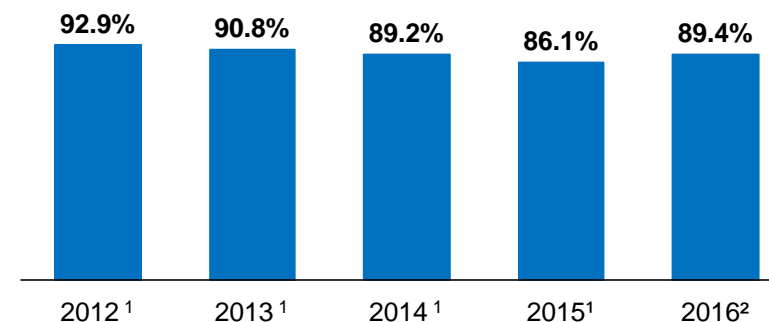
- Increase in Auto (price increase) and Healthcare (new business)
- Decrease in Worker's compensation (price decrease and churn) and Liability (price decrease)

Non-Life operational result IFRS (€M)



- Robustness of the Non-Life model given the significant and recurring profitability for several years now

Net combined ratio (IFRS)

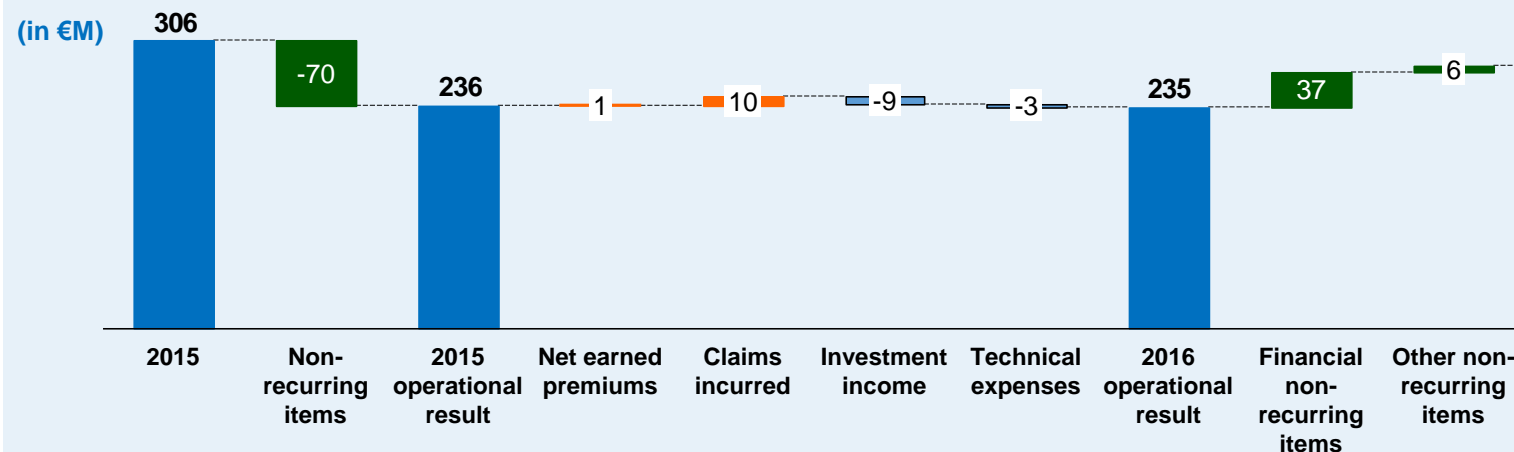


- Net CoR among the best of the Belgian market resulting, on the one hand, from the various optimizations operated since several years in terms of pricing, claims management and management of overheads and, on the other hand, from our distribution model which is primarily direct
- Net CoR of 2015 impacted by exceptional elements

<sup>1</sup> Based on internal calculations; <sup>2</sup> Based on internal calculations using Fitch methodology

## FOCUS ON NON-LIFE BUSINESS (2/2)

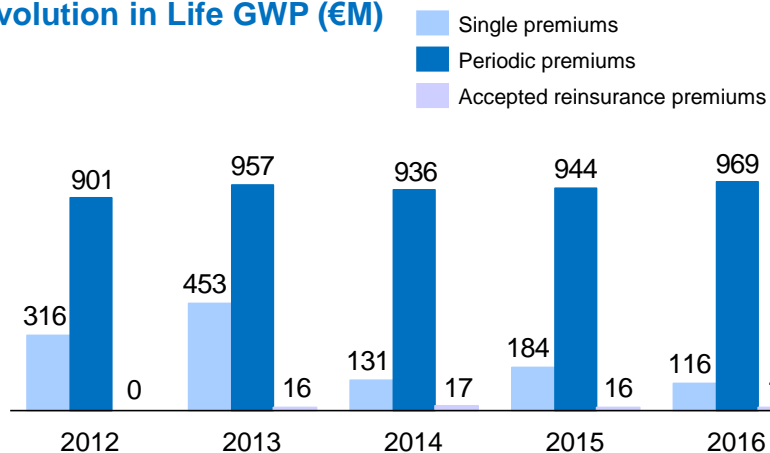
### Evolution in Non-Life earnings between 2015 & 2016



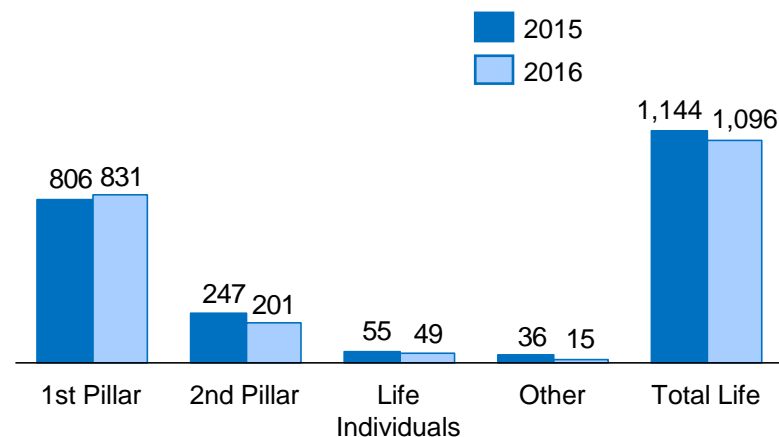
In €M	2015	2015 excluding non-recurring items	2016	2016 excluding non-recurring items	Difference
Gross written premiums	1,300	1,300	1,310	1,310	10
Net earned premiums	1,258	1,258	1,259	1,259	1
Claims incurred	(863)	(923)	(907)	(913)	10
Investment income	129	119	147	110	(9)
Other technical expenses	(218)	(218)	(221)	(221)	(3)
<b>Technical result</b>	<b>306</b>	<b>236</b>	<b>278</b>	<b>235</b>	

# FOCUS ON LIFE BUSINESS (1/3)

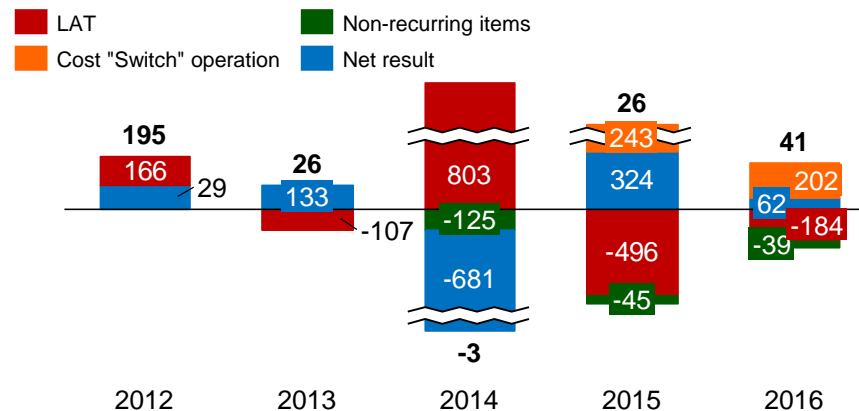
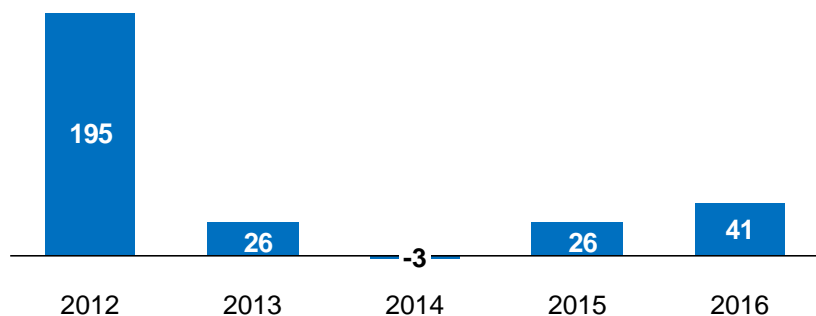
## Evolution in Life GWP (€M)



## Evolution in Life GWP (€M)



## Life operational result IFRS (€M)

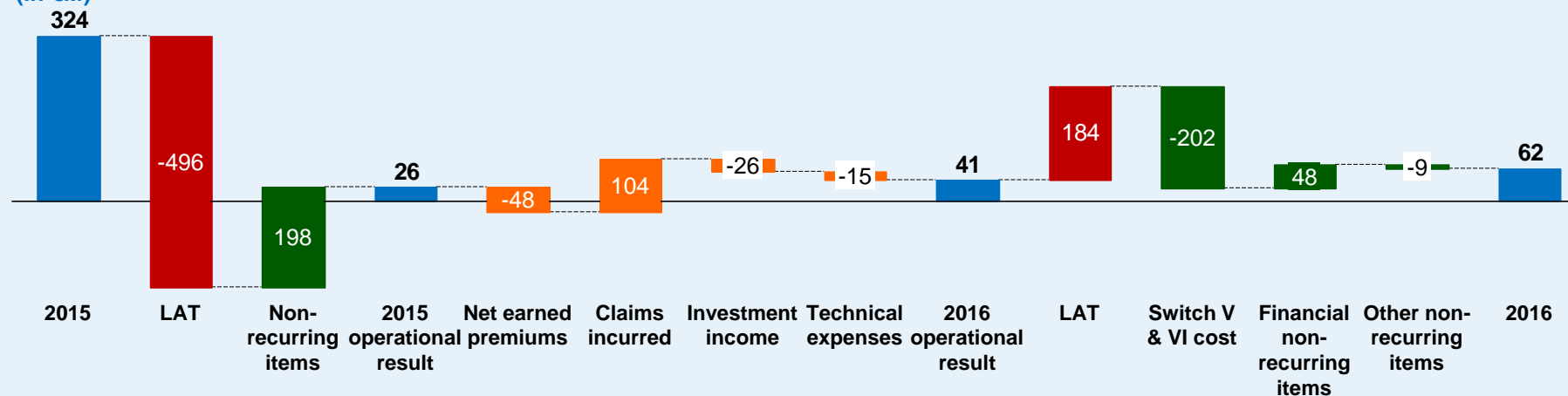


- With the exception of 2014, the Life result (excluding non-recurring items) is positive over the period 2012-2016
- The Life operational result is dependent on the results of the LAT (depending on the interest rate environment and on our duration gap) and the cost of the "Switch" operation (for 2015 and 2016)

## FOCUS ON LIFE BUSINESS (2/3)

### Evolution in Life earnings between 2014 & 2015 – EBIT impacted by the cost of Switch V & VI operations

(in €M)

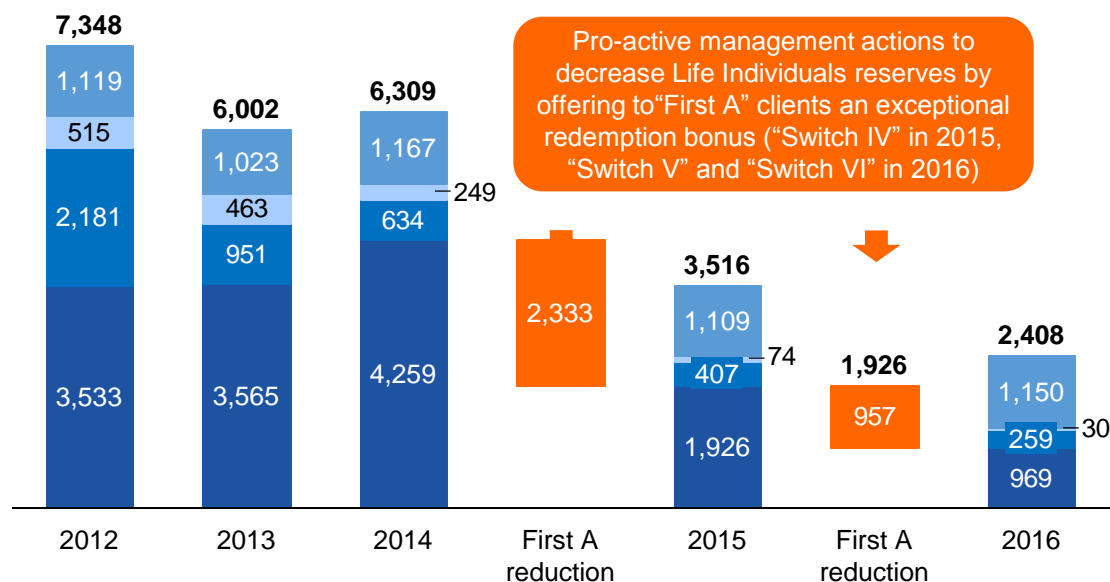


In €M	2015	2015 excluding non-recurring items	2016	2016 excluding non-recurring items	Difference
Gross written premiums	1,144	1,144	1,096	1,096	(48)
Net earned premiums	1,141	1,141	1,093	1,093	(48)
Claims incurred	(1,226)	(1,482)	(1,405)	(1,378)	104
Investment income	443	401	423	375	(26)
Other technical expenses	(34)	(34)	(49)	(49)	(15)
<b>Technical result</b>	<b>324</b>	<b>26</b>	<b>62</b>	<b>41</b>	

# FOCUS ON LIFE BUSINESS (3/3)

## Evolution in Life Individuals reserves (€M) – excluding unit-linked

- Other products o/w pension-savings products & Top First
- First Invest (incl. Junior) : guaranteed interest rate of 0%
- First B : guaranteed interest rates (limitation in time)
- First A : guaranteed interest rates (no limitation in time)



## Duration gap

	31/12/2014			31/12/2015			31/12/2016		
	Assets Duration	Liab. Duration	Duration gap	Assets Duration	Liab. Duration	Duration gap	Assets Duration	Liab. Duration	Duration gap
Total Life	4.51	12.26	(8.71)	7.24	12.57	(3.23)	9.20	15.91	(2.81)
Total Non-Life	3.44	5.85	0.14	4.31	4.44	1.49	4.64	5.73	0.79

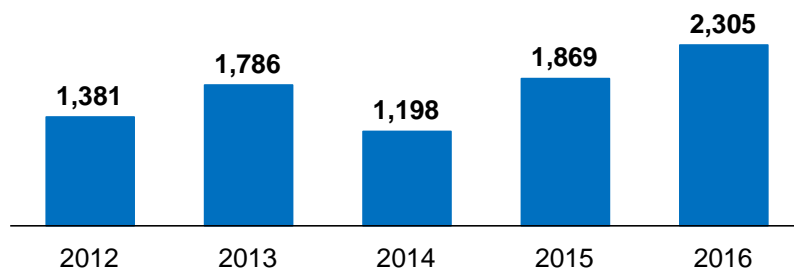
## Impact of redemption offer on First A :

- In Q1 2015 : Switch IV operation (exceptional redemption bonus of 4 years' interest, equivalent to an exit premium of c.14%) with surrenders of €1.9 billion (for a cost of €243M).
- In Q2 2016 : Switch V operation (redemption bonus of 10%) with surrenders of €65M (for a cost of €6M)
- In Q4 2016 : Switch VI (redemption bonus of 25%) with surrenders of €785M (for a cost of €196M)
- The surrenders of 2016, combined with the interest capitalization on existing contracts, involve a reduction of reserves for an amount of €957M in 2016 (representing 50% of 2015 First A reserves). Since 2012, First A reserves have been reduced by more than 72%.
- All those Switch operations impact positively our SII ratio (+25% Switch IV and +24% Switch VI) and our duration gap
- Stable average guaranteed interest rate of First A : 3.46% as per end of December 2016

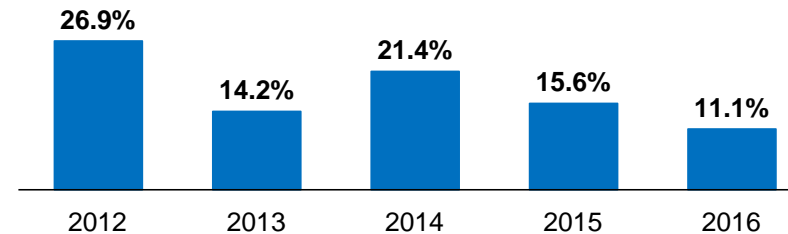
- Life duration gap is mainly due to First A reserves
- Several actions have been undertaken in 2015 and 2016 to reduce the gap :
  - Switch offers
  - Reinvestment of cash in long-term linear bonds
  - Sales of shares/ABS and reinvestment in long-term bonds
  - Acquisition of financial hedging instruments related to FIRST A (protection against decrease in interest rates)
  - Review of part of the mortgage loan portfolio (switching from a variable rate to a fixed rate)
- The deterioration in the liability duration gap at the end of 2016 is explained by the combination of the following two elements:
  - The extension of the liabilities in group insurance following the career lengthening resulting from a regulatory change;
  - The extension of the liabilities related to the FIRST A following the decrease in average age of the policyholders resulting from the operation Switch VI.

## OTHER KEY ELEMENTS (1/2)

Evolution in equity (€M)

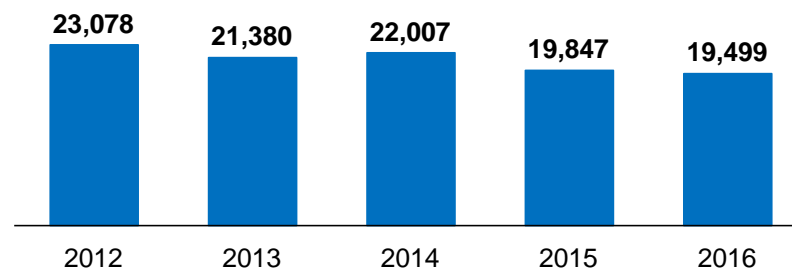


Evolution in operational ROE (\*)



(\*) determined using the following formula : operating result / equity

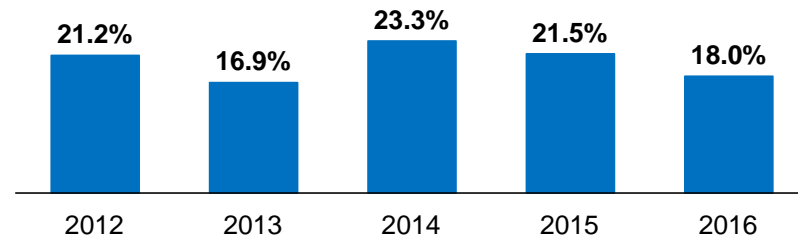
Evolution in total assets (€M)



- Decrease in total assets primarily linked to the reduction of the Life reserves in Private Individuals

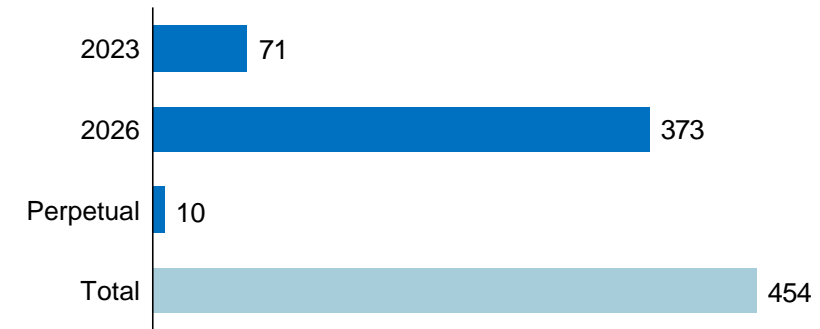
## OTHER KEY ELEMENTS (2/2)

Evolution in debt ratio



- Improvement of debt ratio in 2015, the increase in indebtedness resulting from the issuance of additional bonds being compensated by the strong increase in equity
- Decrease in the debt ratio in 2016 due to the increase in equity. Note that this ratio doesn't include the collateral received (€82M) in guarantee of hedging operations (acquisition of forward bonds and swaptions) against a decrease in interest rates (same amount on the asset side) and the repo's (€255M) concluded in the context of liquidity management for Switch VI operation

Outstanding bonds and maturity structure



- Only subordinated bonds

# Agenda

- Key 2016 highlights
- Main events in 2016
- Financial performance BGAAP <sup>1</sup>
- Financial performance IFRS <sup>2</sup>
- **Solvency II <sup>3</sup>**
- Investment portfolio <sup>2</sup>
- Rating
- Appendix

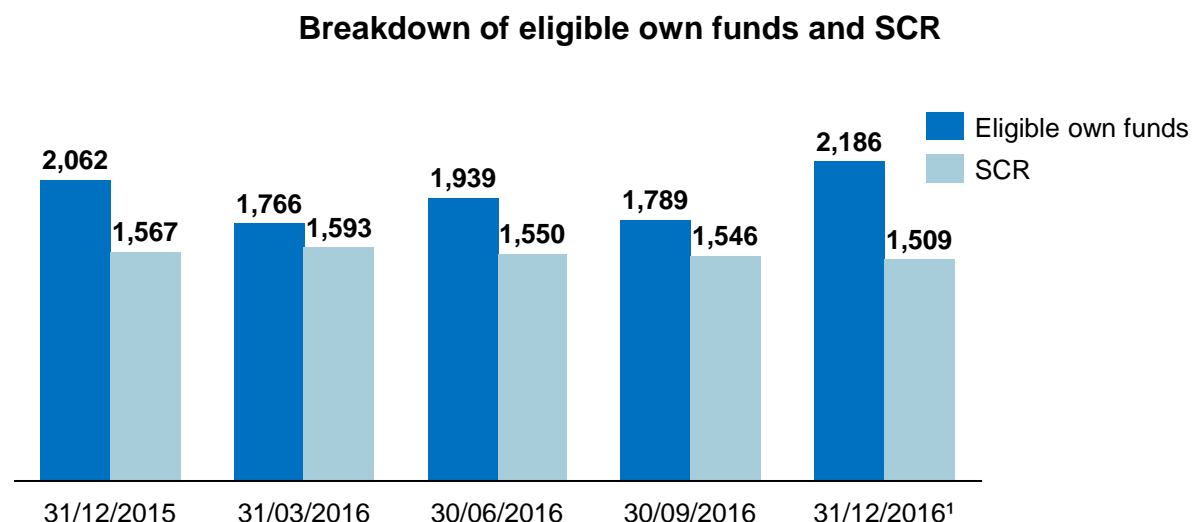
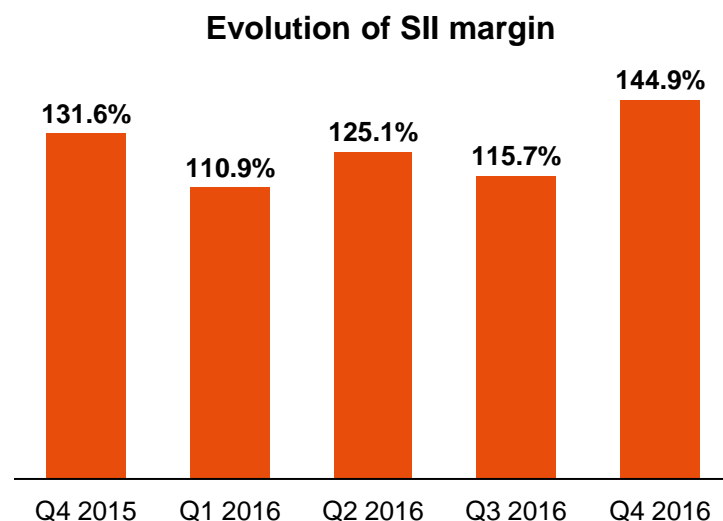
<sup>1</sup> Figures are based on audited Ethias SA statutory accounts. Figures at end of 2016 are subject to approval by the shareholders meeting in May 2017

<sup>2</sup> Figures are based on IFRS audited consolidated financial statements of Ethias group (defined as Ethias SA and its subsidiaries)

<sup>3</sup> Figures are non audited and are based on Ethias SA solo

# SOLVENCY II – WITH USE OF THE STANDARD FORMULA (1/2)

## Required capital, eligible own funds and SII margin of Ethias SA (in €M) – Before transitory measure on technical provisions



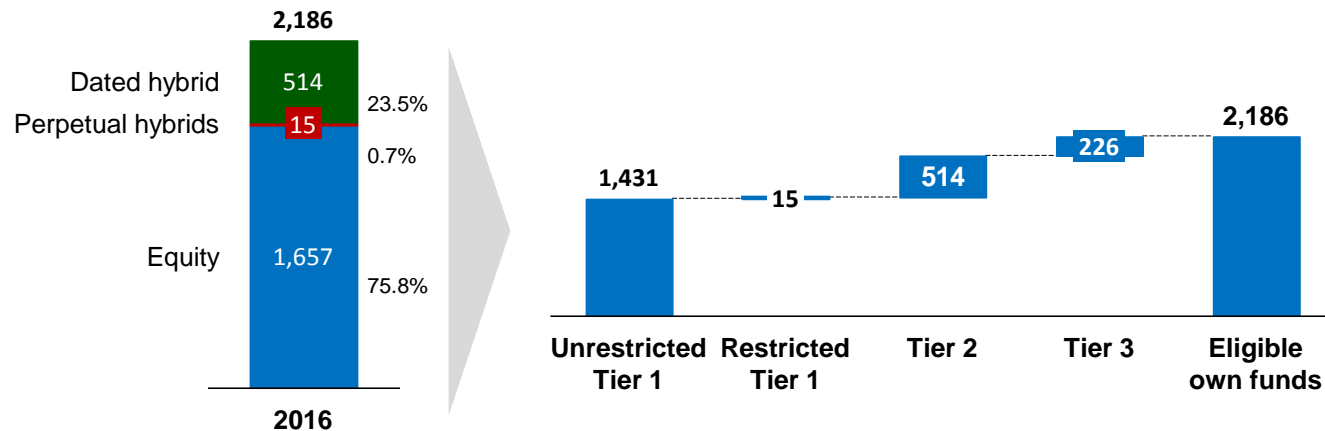
Unaudited figures except for 30/06/2016 (limited review)

- A solvability risk has been identified following the European stress test results involving that Ethias submitted a financial recovery plan to the Belgian regulator at the end of September 2016 and an update of this plan in February 2017. This financial recovery plan included among others the implementation of a financial reinsurance program, the implementation of other Switch operations and the integration of Whestia with retroactive effect from 1<sup>st</sup> of January 2017 (measure for which we received the approval of the regulator in March 2017).
- SII margin at the end of 2016 was strengthened mainly thanks to the results of the Switch VI operation launched in November 2016 (holders of First A were offered an exceptional redemption bonus of 25%) with surrenders of €785M for a cost of €196M and an SII net impact of +24%.
- SII margin at the end of 2016 doesn't take into account the impact of two measures of the financial recovery plan (the financial reinsurance and the integration of Whestia) which have to be implemented in 2017.

<sup>1</sup> Quarterly SII margin at end of 2016. Annual SII margin will be available in May 2017

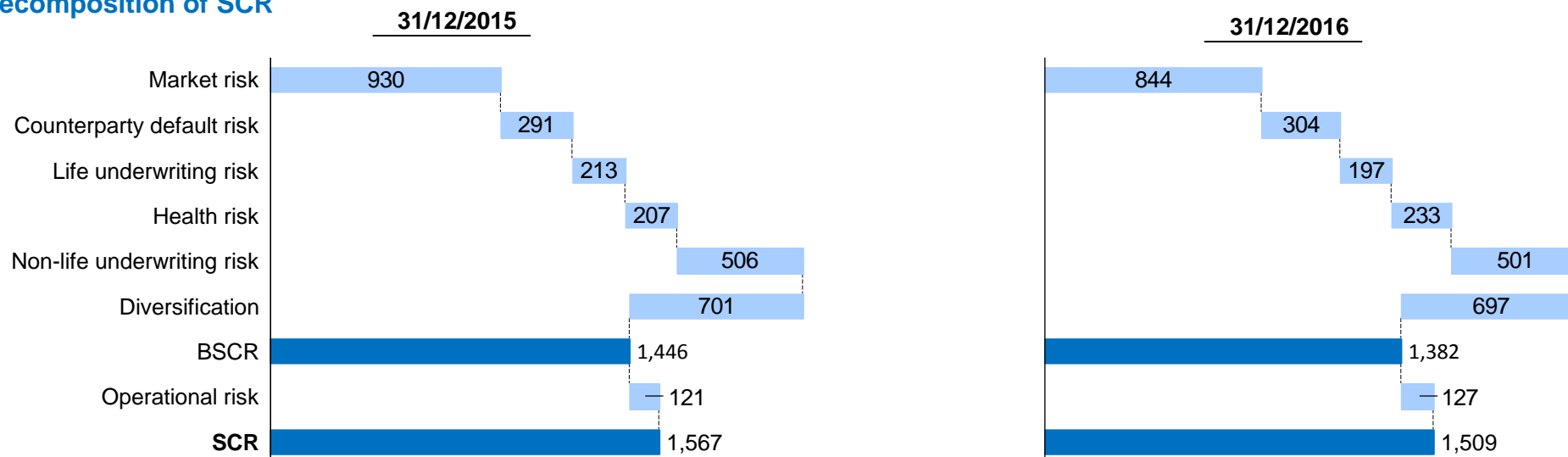
# SOLVENCY II – WITH USE OF THE STANDARD FORMULA (2/2)

## Decomposition of eligible own funds



- Tier 1 capital represents 66% of total own funds
- Restricted Tier 1 and a part of Tier 2 (€75M in book value) capital grandfathered under Solvency II
- Tier 3 comprises deferred tax assets

## Decomposition of SCR



# Agenda

- Key 2016 highlights
- Main events in 2016
- Financial performance BGAAP <sup>1</sup>
- Financial performance IFRS <sup>2</sup>
- Solvency II <sup>3</sup>
- **Investment portfolio <sup>2</sup>**
- Rating
- Appendix

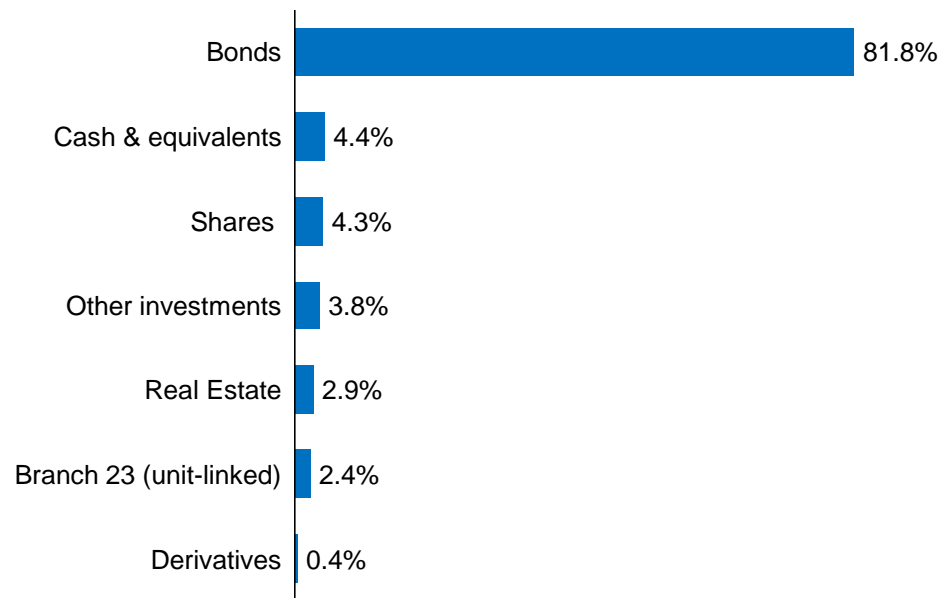
<sup>1</sup> Figures are based on audited Ethias SA statutory accounts. Figures at end of 2016 are subject to approval by the shareholders meeting in May 2017

<sup>2</sup> Figures are based on IFRS audited consolidated financial statements of Ethias group (defined as Ethias SA and its subsidiaries)

<sup>3</sup> Figures are non audited and are based on Ethias SA solo

# TOTAL INVESTMENT PORTFOLIO AS OF 31 DECEMBER 2016

## Total investment portfolio by asset class

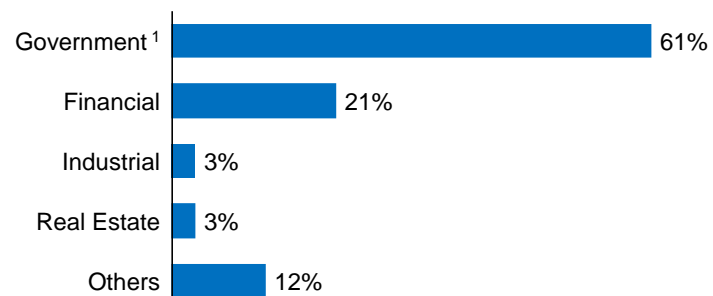


Asset class (€M)	IFRS value
Bonds	14,065
<i>a/w Government bonds</i>	<i>8,467</i>
Cash & cash equivalents	751
Shares (incl. funds & participations)	747
Other investments	652
Real Estate	495
Branch 23 (unit-linked)	408
Derivatives	75
<b>Total</b>	<b>17,193</b>

Note: Figures under IFRS ; Total might not add up to 100% as a result of rounding errors

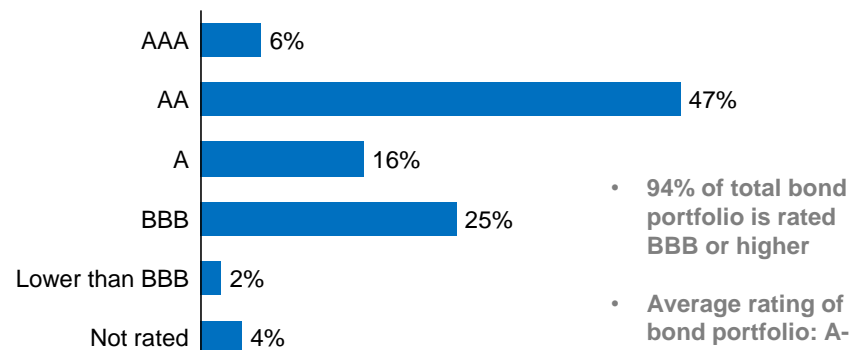
# TOTAL INVESTMENT PORTFOLIO AS OF 31 DECEMBER 2016

## Bond portfolio by sector



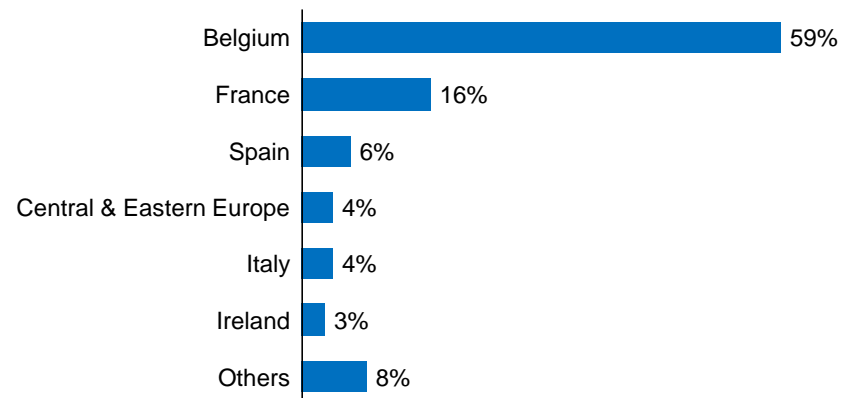
Total 2016 IFRS value = €14,065M

## Bond portfolio by rating



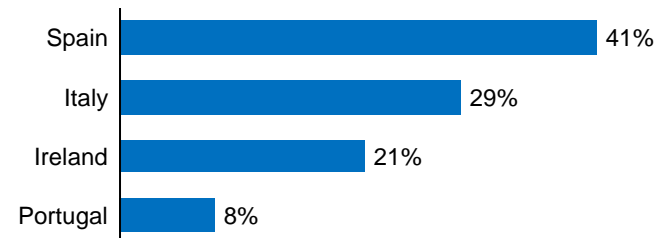
Total 2016 IFRS value = €14,065M

## Government bond portfolio by country



Total 2016 IFRS value = €8,467M

## PIIGS exposure



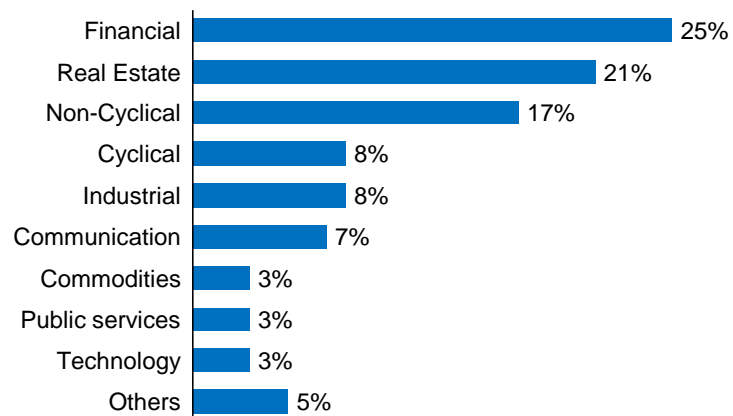
Total 2016 IFRS value = €1,189M

Note: Figures under IFRS ; Total might not add up to 100% as a result of rounding errors

<sup>1</sup> Including bonds issued by Public Sector and guaranteed by the Belgian State

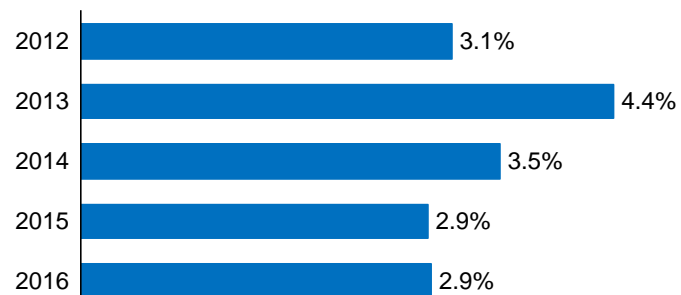
# SHARES (INCL. FUNDS) AND REAL ESTATE PORTFOLIO AS OF 31 DECEMBER 2016

## Shares (incl. funds & participations) by sector

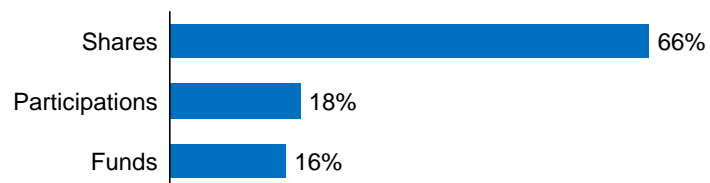


Total 2016 IFRS value = €747M

## Evolution of shares (in % of total investment portfolio)

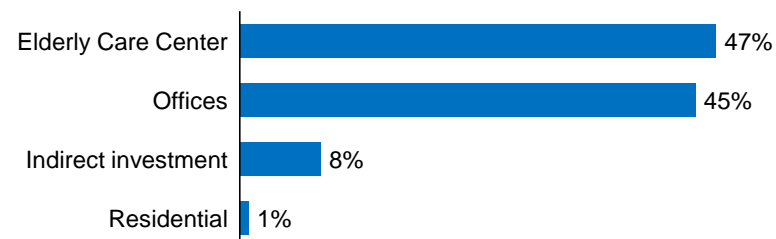


## Shares (incl. funds & participations) by asset class



Total 2016 IFRS value = €747M

## Direct real estate by nature



Total 2016 IFRS value = €495M

Note: Figures under IFRS ; Total might not add up to 100% as a result of rounding errors

# Agenda

- Key 2016 highlights
- Main events in 2016
- Financial performance BGAAP <sup>1</sup>
- Financial performance IFRS <sup>2</sup>
- Solvency II <sup>3</sup>
- Investment portfolio <sup>2</sup>
- **Rating**
- Appendix

<sup>1</sup> Figures are based on audited Ethias SA statutory accounts. Figures at end of 2016 are subject to approval by the shareholders meeting in May 2017

<sup>2</sup> Figures are based on IFRS audited consolidated financial statements of Ethias group (defined as Ethias SA and its subsidiaries)

<sup>3</sup> Figures are non audited and are based on Ethias SA solo

# Rating overview



Insurer Financial Strength	<b>BBB</b>	Outlook positive
----------------------------	------------	------------------

Long-Term Issuer Default Rating	<b>BBB-</b>	Outlook positive
---------------------------------	-------------	------------------

Subordinated Debt Rating	<b>BB</b>
--------------------------	-----------

Last review	10 January 2017
-------------	-----------------

*"The rating actions follow Ethias's announcement that it completed on 23 December 2016 an offer (Switch VI) to certain policyholders of « First A » products aimed at strengthening its Solvency II position and reducing the sensitivity of its Solvency II coverage ratio to change in interest rates."*

Fitch January 10th, 2017

## Selected extracts from Fitch report:

**"Strong Non-Life Performance:** Ethias's non-life financial performance is strong. The technical non-life IFRS result for Ethias was a strong EUR306m in 2015 (2014: EUR242m). The net combined ratio for the group was 86.1% in 2015 (2014: 89.2%). Tight control of operating costs is key to the group's strategy, which is reflected in the combined ratio."

**"Adequate Regulatory Capital:** Fitch considers Ethias' group regulatory capitalization as adequate. At end-2015, Ethias's group regulatory Solvency II ratio was 132%, excluding transitional arrangements. When transitional arrangements on technical provisions are included, the ratio improves to 179%. However, the group Solvency II margin is sensitive to interest rate changes. It fell to 125% (excluding transitional arrangements) in 1H16, driven by the decline in interest rates "

**"Improved Prism Score :** Ethias's score based on year-end 2015 results in Prism FBM is 'Strong'. It was 'Somewhat weak' in 2014. The reduction of the First A reserves and the reversal of provisions following an increase in interest rates were beneficial for the Prism FBM score."

**"Exposure to Interest-Rate Risk:** Ethias is exposed to interest-rate risk as life technical liabilities are subject to high minimum guaranteed returns and there is a duration gap between assets and liabilities in the life accounts. However, the gap shrank significantly to 3.2 years in 2015 from 8.7 in 2014, following the Switch IV operation and the purchase of hedging derivatives. "

**"Solid Business Position Concentrated on Belgian Market:** Ethias a a solid business in the Belgian Insurance market. It was the fourth-largest insurer in 2015 by gross written premium (GWP) ), with a market share of 11.3% in non-life insurance and 8.6% in life insurance. Ethias has strong historical links with Belgian local public organisations, with a market share of more than 80% in this sector."

# Agenda

- Key 2016 highlights
- Main events in 2016
- Financial performance BGAAP <sup>1</sup>
- Financial performance IFRS <sup>2</sup>
- Solvency II <sup>3</sup>
- Investment portfolio <sup>2</sup>
- Rating
- **Appendix**

*Figures as per end of December are based on audited statutory and consolidated financial statements*

# Consolidated balance sheet (IFRS)

	2013	2014	2015	2016
<b>Assets</b>				
Goodwill	29	30	45	45
Other intangible assets	13	14	46	94
Properties and other fixed assets	133	132	136	140
Investments in associates	25	21	0	1
Investments properties	357	391	433	495
Financial investments	16.773	17.310	15.912	15.948
Reinsurers' share of insurance liabilities	141	114	134	122
Deferred tax assets	126	279	170	74
Receivables arising from insurance operations or accepted reinsurance	1.226	1.269	1.291	1.344
Receivables arising from ceded reinsurance operations	65	62	57	64
Other receivables	634	210	278	179
Other assets	286	281	258	242
Cash and cash equivalents	1.567	1.893	1.087	751
Available-for-sale assets including assets from discontinued operations	4	1	0	0
<b>Total assets</b>	<b>21.380</b>	<b>22.007</b>	<b>19.847</b>	<b>19.499</b>
<b>Liabilities</b>				
<i>Share capital</i>	<i>1.000</i>	<i>1.000</i>	<i>1.000</i>	<i>1.000</i>
<i>Reserves and retained earnings</i>	<i>249</i>	<i>574</i>	<i>-31</i>	<i>557</i>
<i>Net profit (loss) of the period</i>	<i>325</i>	<i>-604</i>	<i>633</i>	<i>424</i>
<i>Other items of comprehensive income</i>	<i>170</i>	<i>177</i>	<i>233</i>	<i>276</i>
<b>Equity of the Group</b>	<b>1.744</b>	<b>1.146</b>	<b>1.835</b>	<b>2.257</b>
Non-controlling interests	42	52	34	48
<b>Total equity</b>	<b>1.786</b>	<b>1.198</b>	<b>1.869</b>	<b>2.305</b>
<i>Insurance contract liabilities</i>	<i>8.136</i>	<i>8.530</i>	<i>8.607</i>	<i>8.541</i>
<i>Investment contract liabilities with discretionary participation features</i>	<i>9.470</i>	<i>10.279</i>	<i>7.351</i>	<i>6.197</i>
<i>Investment contract liabilities without discretionary participation features</i>	<i>0</i>	<i>4</i>	<i>4</i>	<i>4</i>
<i>Liabilities belonging to unit-linked insurance contracts</i>	<i>477</i>	<i>416</i>	<i>359</i>	<i>408</i>
<i>Profit sharing liabilities</i>	<i>13</i>	<i>21</i>	<i>38</i>	<i>24</i>
<b>Insurance and investment contract liabilities</b>	<b>18.096</b>	<b>19.250</b>	<b>16.359</b>	<b>15.174</b>
Subordinated debts	322	322	454	454
Other financial debts	42	46	56	387
Employee benefits	537	603	502	535
Provisions	149	119	63	30
Derivative financial instruments	0	0	20	8
Tax payables	35	39	49	52
Deferred tax liabilities	4	4	0	21
Liabilities from operating activities	186	208	216	227
Other liabilities	218	214	259	306
Liabilities related to assets available for sale and discontinued operations	5	2	0	0
<b>Total other liabilities</b>	<b>19.594</b>	<b>20.809</b>	<b>17.978</b>	<b>17.194</b>
<b>Total liabilities</b>	<b>21.380</b>	<b>22.007</b>	<b>19.847</b>	<b>19.499</b>

# Consolidated income statement (IFRS)

(in €M)	2013	2014	2015	2016
Gross premiums	2.692	2.376	2.444	2.406
Premiums ceded to reinsurers	-72	-41	-38	-37
Change in the provision for unearned premiums and outstanding risks <sup>1</sup>	-12	-15	-7	-17
Other income from insurance activities	3	4	5	5
<b>Revenues from insurance activities<sup>1</sup></b>	<b>2.611</b>	<b>2.324</b>	<b>2.404</b>	<b>2.357</b>
Revenues from other activities	163	173	199	384
<b>Revenues</b>	<b>2.775</b>	<b>2.497</b>	<b>2.603</b>	<b>2.741</b>
Investment income	658	621	624	646
Net realized gains or losses on investments	33	120	34	62
Change in fair value of investment through profit or loss <sup>2</sup>	82	22	26	-2
<b>Net financial income</b>	<b>773</b>	<b>764</b>	<b>684</b>	<b>706</b>
<b>Net revenues</b>	<b>3.548</b>	<b>3.261</b>	<b>3.287</b>	<b>3.447</b>
Benefits and claims	2.633	3.185	2.137	2.326
Net expenses or revenues ceded to reinsurers	-26	-15	-48	-15
Management costs <sup>3</sup>	281	285	258	274
<b>Technical expenses for insurance activities</b>	<b>2.887</b>	<b>3.455</b>	<b>2.347</b>	<b>2.585</b>
Expenses for other activities	175	542	201	306
<b>Operating expenses</b>	<b>3.062</b>	<b>3.997</b>	<b>2.548</b>	<b>2.891</b>
Change in depreciation and amortization on investments (net)	25	23	41	-10
Other investment financial expenses	83	-11	-45	14
Finance costs	18	18	20	30
<b>Financial expenses</b>	<b>126</b>	<b>30</b>	<b>16</b>	<b>34</b>
<b>Net expenses</b>	<b>3.188</b>	<b>4.027</b>	<b>2.563</b>	<b>2.925</b>
Goodwill impairment				
<b>Net profit (loss) before tax</b>	<b>360</b>	<b>-766</b>	<b>724</b>	<b>522</b>
Income taxes	-30	167	-87	-98
<b>Net profit (loss) after tax</b>	<b>330</b>	<b>-599</b>	<b>637</b>	<b>424</b>
Investment in associates through profit or loss	0	1	0	0
Net profit (loss) before tax of available-for-sale companies and of discontinued operat	0	0	1	0
<b>Net consolidated profit (los) attributable to :</b>	<b>330</b>	<b>-598</b>	<b>638</b>	<b>424</b>
Owners of the parent	325	-604	633	424
Non-controlling interests	5	6	5	0

<sup>1</sup> Net of reinsurance; <sup>2</sup> Includes change in fair value at of the fair value of investments of which the financial risk is supported by the insured; <sup>3</sup> Includes contract acquisition costs, administration costs, internal claim handling costs and other technical expenses

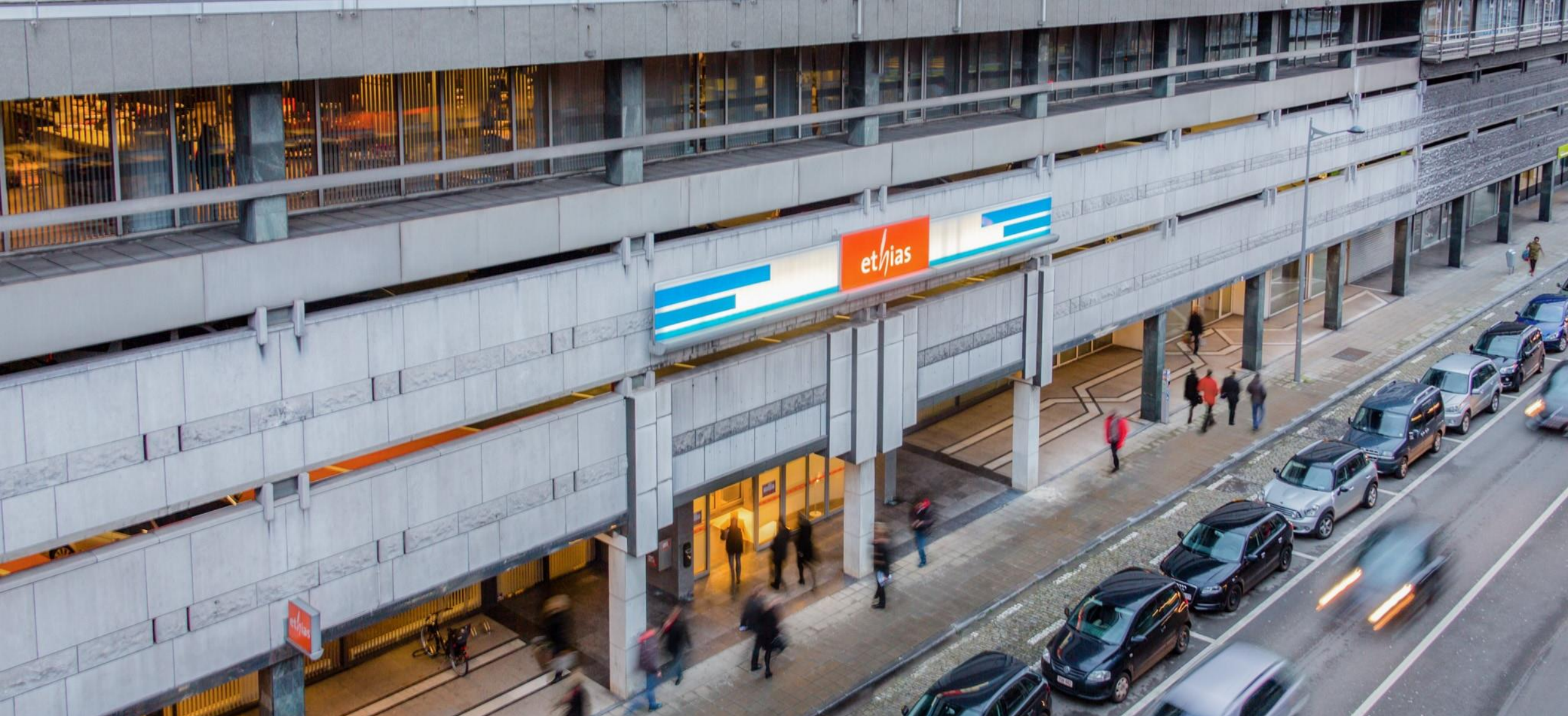
# Disclaimer

These assessments are, as always, subject to the disclaimer provided below.

Certain of the statements contained herein are statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Future actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, (ii) performance of financial markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) interest rate levels, (vii) currency exchange rates, (viii) increasing levels of competition, (ix) changes in laws and regulations, including monetary convergence and the Economic and Monetary Union, (x) changes in the policies of central banks and/or foreign governments and (xi) general competitive factors,

**No duty to update**

The company assumes no obligation to update any information or forward-looking statement contained herein, save for any information required to be disclosed by law



# Investor Relations

Website : [www.ethias.be/investors](http://www.ethias.be/investors)

