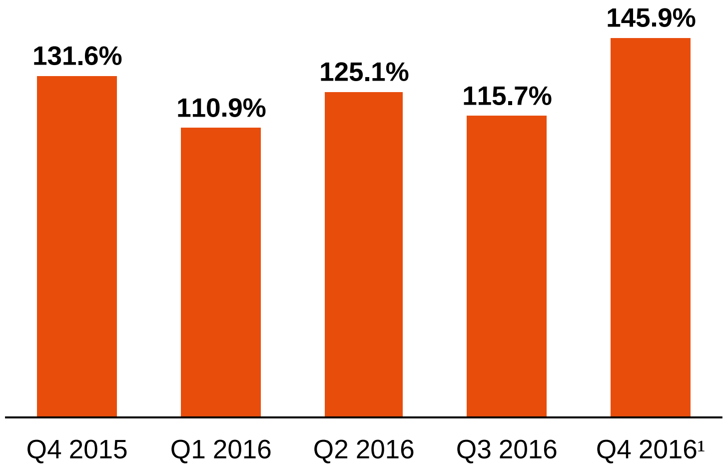
SII - extra information
31.12.2016

19.05.2017

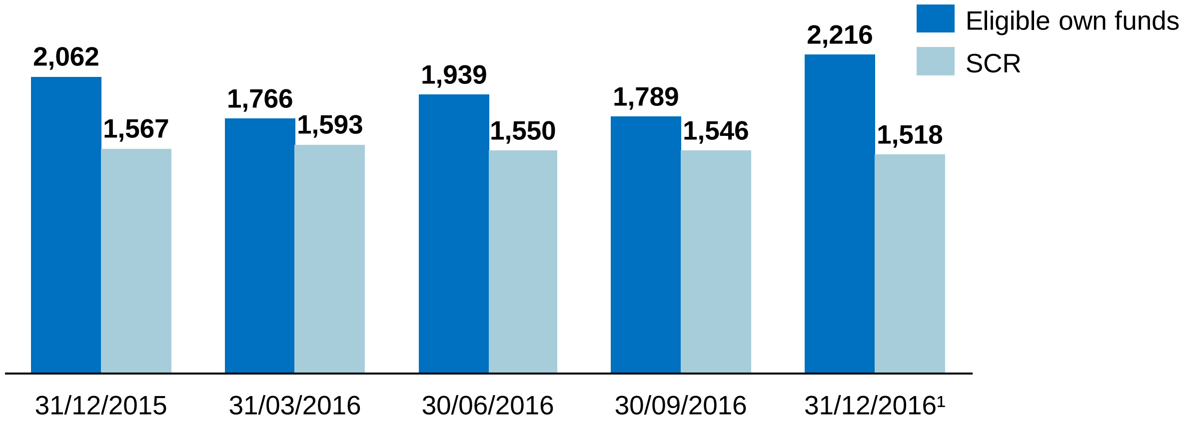
SOLVENCY II – WITH USE OF THE STANDARD FORMULA (1/3)

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

Evolution of SII margin



Breakdown of eligible own funds and SCR



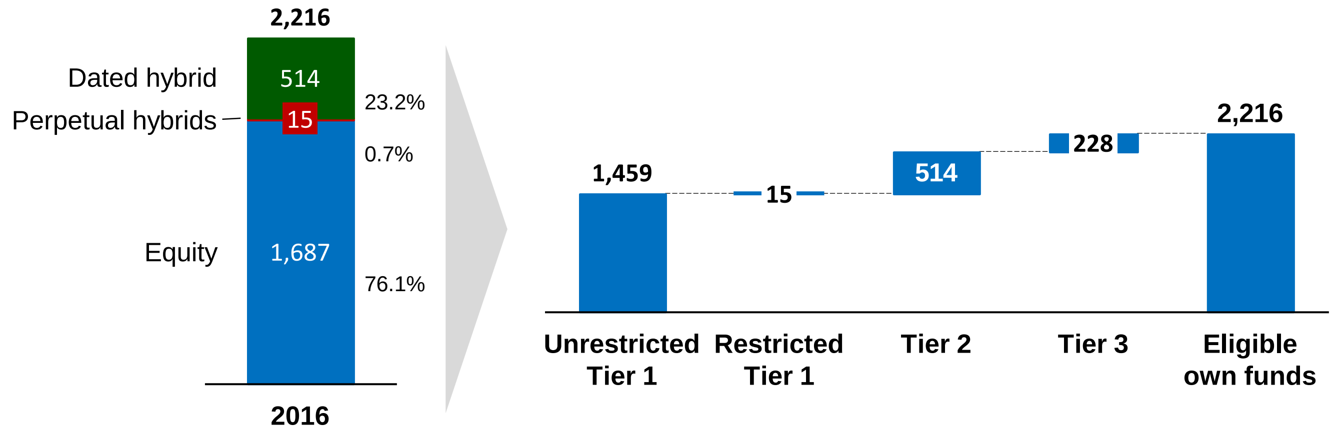
Unaudited figures except for 30/06/2016 (limited review)

- 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 (an Ethias' subsidiary offering "outstanding balance insurances") with retroactive effect from 1st of January 2017 (measure for which we received the approval of the regulator in March 2017)
- SII margin at the end of 2016 amounts to 145,9% as per annual QRT :
  - The margin has been strengthened vs Q3 2016 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%
  - This level takes into account the impact of the integration of Whestia
  - It does not take into account the impact of the financial reinsurance program : due to the remaining level of First A reserves after the Switch VI operation, we have given up our first line of approach, in which were more focused on the transfer of the Individual Life reserves to a reinsurer. We have now been working for several months on a credit spread reinsurance program with an European reinsurer, with the objective of realizing the transaction in 2017
- End March 2017, the regulator confirmed us that the financial recovery plan has borne fruit and that it can be considered as closed

[1] Results from the annual QRT at end of 2016.

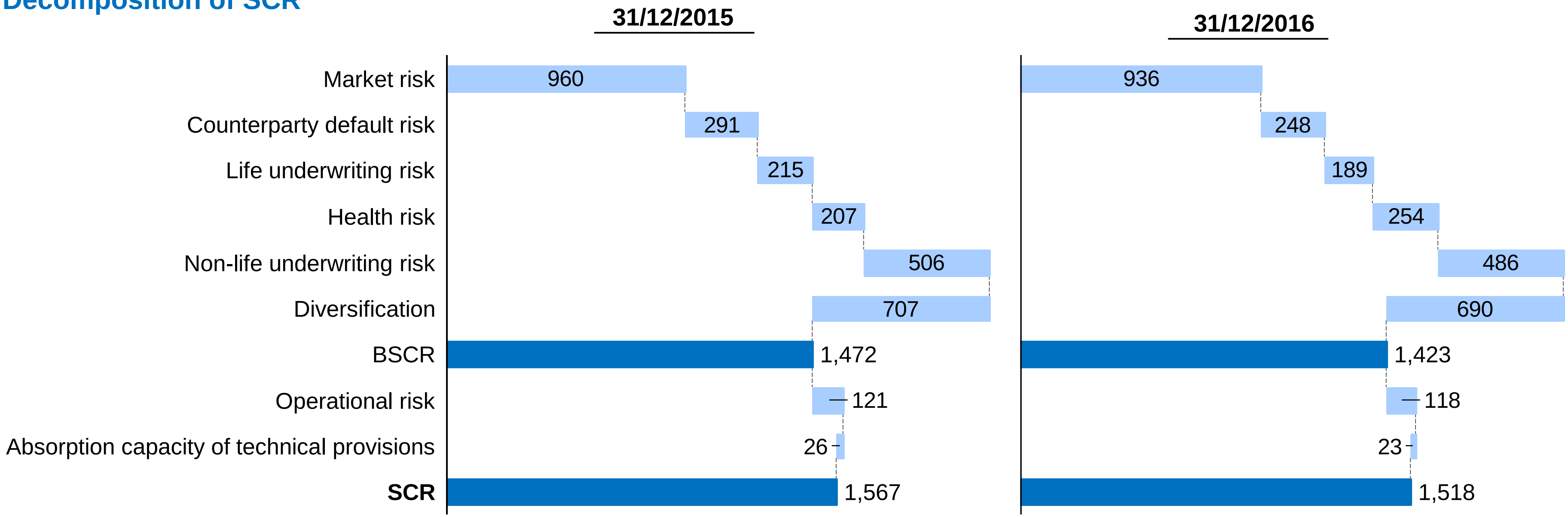
SOLVENCY II – WITH USE OF THE STANDARD FORMULA (2/3)

Decomposition of eligible own funds



- Tier 1 capital represents 66.5% 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

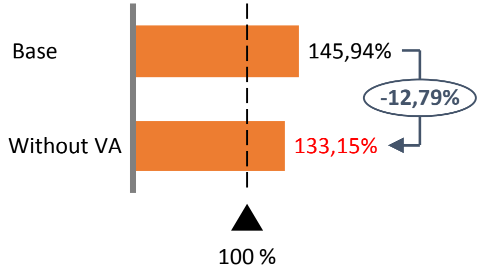
Decomposition of SCR



The SCR remains quite stable :

- Decrease in the SCR interest due to the reduction of the duration gap and this, despite the extension of the liabilities in group insurance following the career lengthening resulting from a regulatory change and 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 ;
- Increase in SCR Equity due to the amortization of the shock applied to the SCR computation (transitory measure « equity ») and to the increase in exposure following a prudent approach of the market risk transfer in the frame of the reinsurance contract between Ethias SA and Ethias DC AAM

SOLVENCY II – IMPACT OF VOLATILITY ADJUSTMENT (3/3)



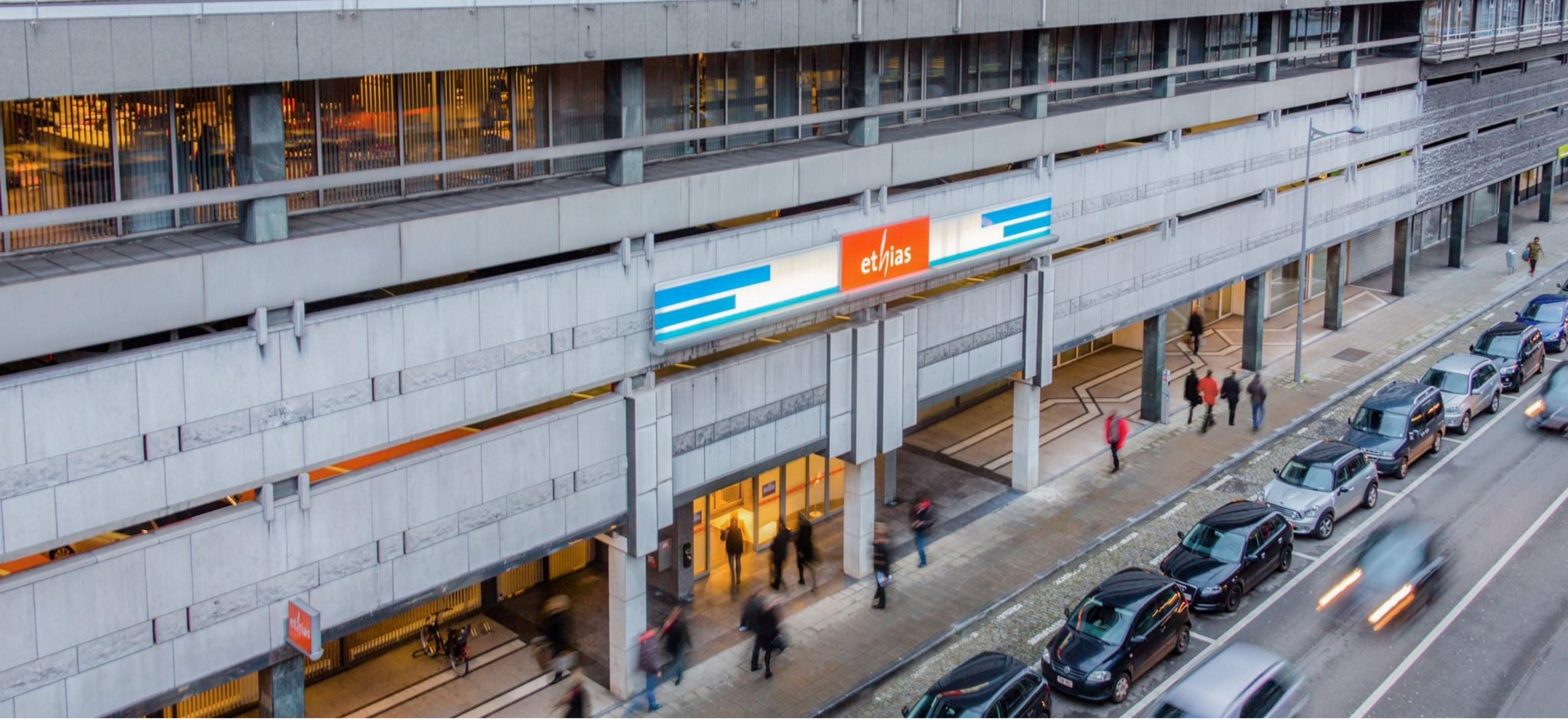
- Impact of volatility adjustment :
  - The SII margin is computed on the basis of the EIOPA curve with the volatility adjustment at 0,13% as per end 2016
  - Without this adjustment, the SII margin would be 13% lower :
    - No impact on the market value of assets as that value doesn’t depend on the curve defined by the EIOPA
    - On the contrary, an actualization of the liabilities flows on the basis of a lower curve generates an increase in the Best Estimates reducing the amount of eligible own funds of 181 mios EUR
    - As the main components of the required capital for insurance risks and interest rates are sensitivities of Best Estimates, the increase in the Best Estimates generates an increase in SCR of 10 mios EUR

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



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