

Quarterly results  
31.03.2017



26.06.2017



# Agenda

- **Key Q1 2017 highlights**
- Main events in Q1 2017
- Financial performance BGAAP <sup>1</sup>
- Financial performance IFRS <sup>2</sup>
- Solvency II of Ethias SA<sup>3</sup>
- Investment portfolio <sup>2</sup>
- Rating
- Appendix

<sup>1</sup> Figures as per end of March 2017 are based on non-audited statutory accounts

<sup>2</sup> Figures as per end of March 2017 are based on IFRS audited consolidated financial statements (limited review) of Ethias group (defined as Ethias SA and its subsidiaries)

<sup>3</sup> Figures as per end of March 2017 are non-audited

# Key Q1 2017 highlights

Key events		<ul style="list-style-type: none"> <li>Fitch IFS rating of <b>BBB outlook positive</b></li> <li>Updates of the <b>Financial Recovery Programme and Restoration Plan</b> transmitted to the NBB in February 2017</li> <li>Closure of the Financial Recovery Programme confirmed by the NBB in March 2017</li> <li>BNB agreement in March 2017 on the integration of Whestia</li> </ul>			
Financial results	Operating result	<u>BGAAP – Ethias SA</u> <ul style="list-style-type: none"> <li>▪ <b>€73M</b> o/w €62M from Non-Life</li> <li>▪ <b>€93M</b> taking into account :               <ul style="list-style-type: none"> <li>▪ <i>Other exceptional elements and tax: +€20M</i></li> </ul> </li> </ul>		<u>IFRS – Ethias Group</u> <ul style="list-style-type: none"> <li>▪ <b>€83M</b> o/w €71M from Non-Life</li> <li>▪ <b>€70M</b> taking into account:               <ul style="list-style-type: none"> <li>▪ <i>Shadow : -€22M</i></li> <li>▪ <i>Other exceptional elements and tax: +€9M</i></li> </ul> </li> </ul>	
	Net income				
Business units (IFRS)		<u>Non-Life</u> <ul style="list-style-type: none"> <li>▪ <b>GWP €629M</b></li> <li>▪ <b>Operational result €71M</b></li> <li>▪ <b>COR 83.6%</b></li> </ul>		<u>Life</u> <ul style="list-style-type: none"> <li>▪ <b>GWP €341M</b></li> <li>▪ <b>Operational result €10M</b></li> </ul>	
Other key indicators (IFRS)		<u>Equity</u> <ul style="list-style-type: none"> <li>▪ <b>€2,302M</b>, from €2,305M in 2016</li> </ul>	<u>Debt ratio</u> <ul style="list-style-type: none"> <li>▪ <b>18.0%</b> vs 18.0% end 2016</li> </ul>	<u>Solvency II</u> <ul style="list-style-type: none"> <li>▪ <b>156.5%</b> vs 145.9% end 2016</li> </ul>	<u>U/R gains (BGAAP)</u> <ul style="list-style-type: none"> <li>▪ <b>€1,507M</b>, up from €1,729M in 2016</li> </ul>
Investment portfolio (IFRS)		<ul style="list-style-type: none"> <li>▪ <b>€17.1B</b> total investment portfolio               <ul style="list-style-type: none"> <li>▪ <b>80.8% invested in bonds</b> (o.w. 60% government bonds, o.w. 91% rated BBB or higher)</li> <li>▪ <b>5.4% 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

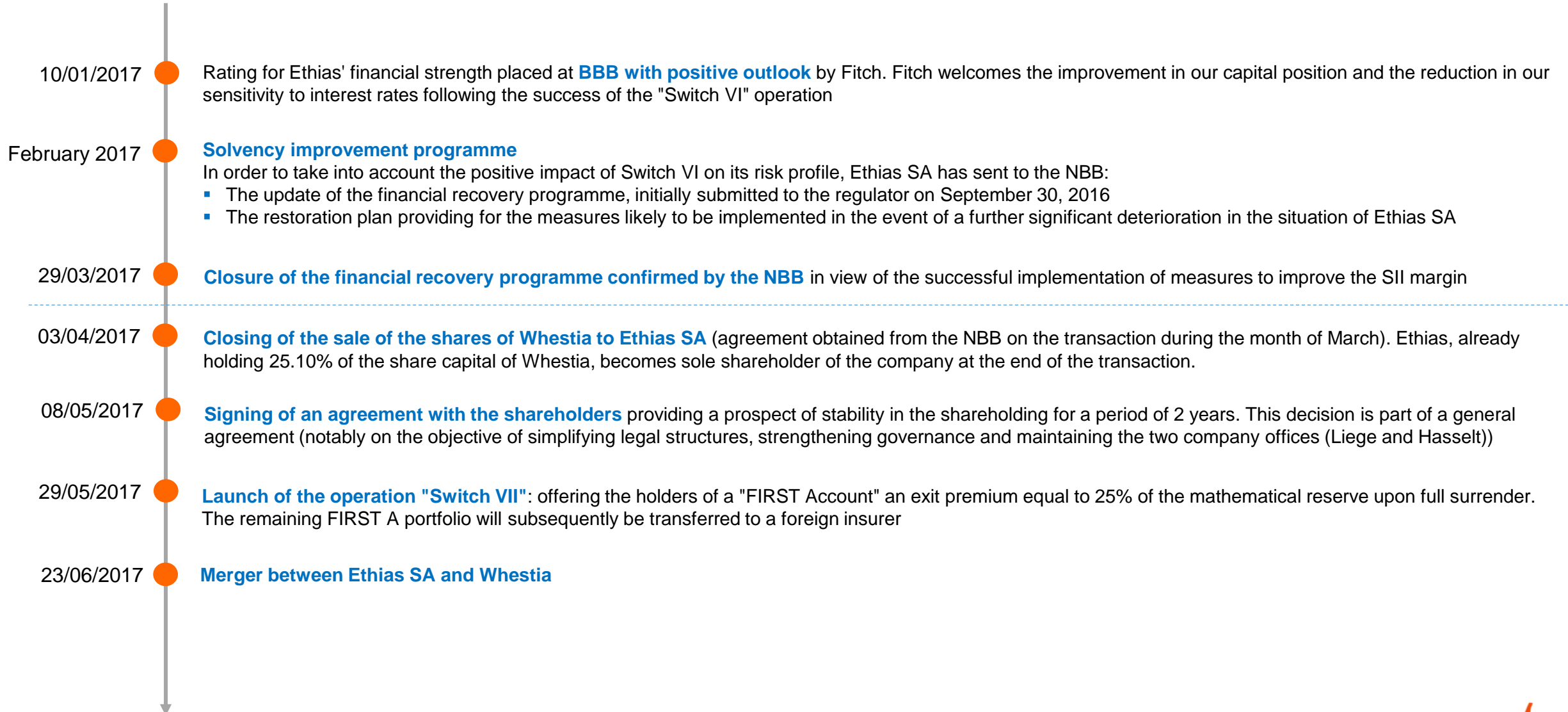
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- **Main events in Q1 2017**
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## Key events in Q1 2017





# Agenda

- Key Q1 2017 highlights
- Main events in Q1 2017
- **Financial performance BGAAP <sup>1</sup>**
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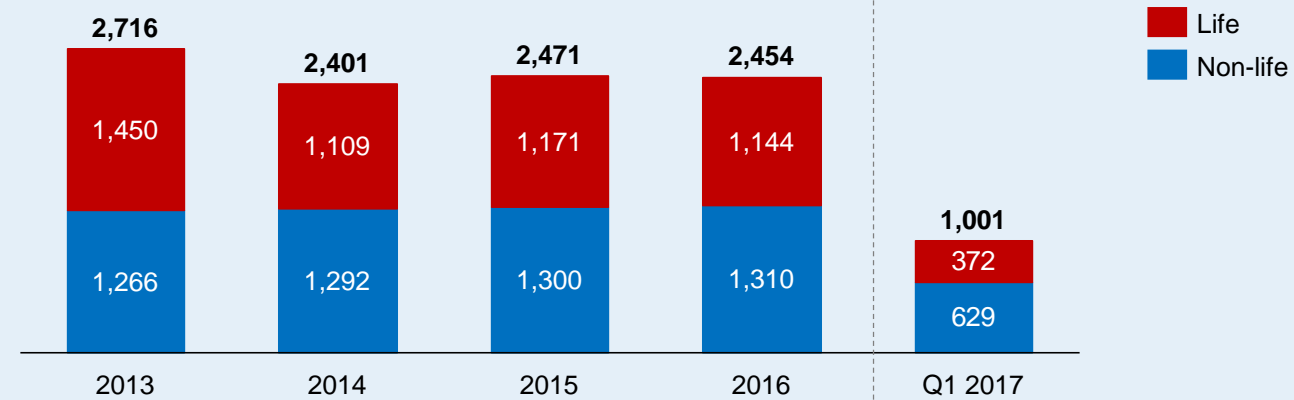
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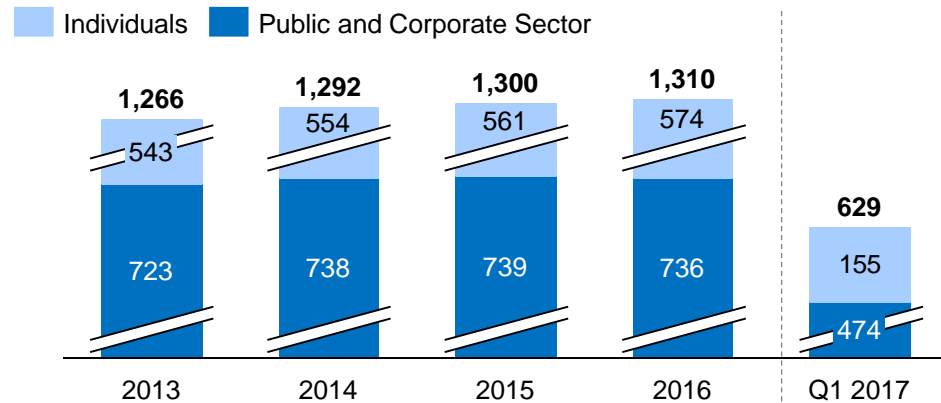
# BALANCED NON-LIFE/LIFE INFLOWS DESPITE DISCONTINUATION OF LIFE INDIVIDUALS

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Evolution of GWP (€M)

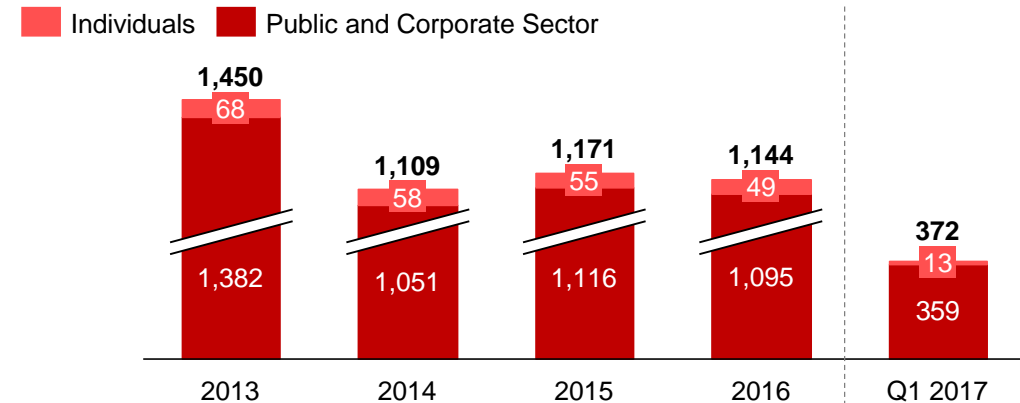


Evolution of Non-Life GWP (€M)



- Steady increase of Non-Life GWP between 2013-2016

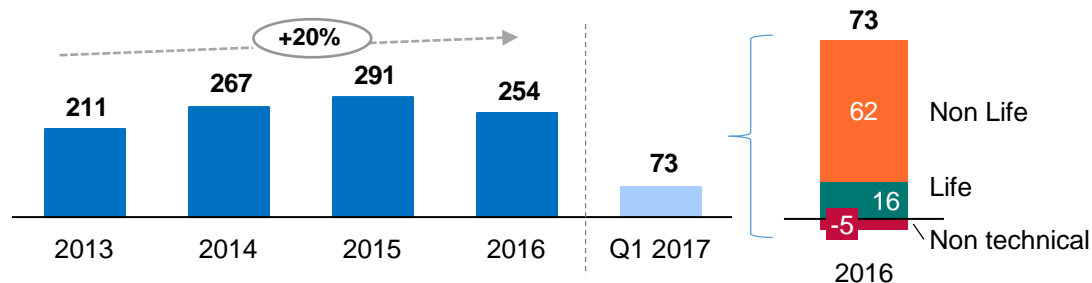
Evolution of Life GWP (€M)



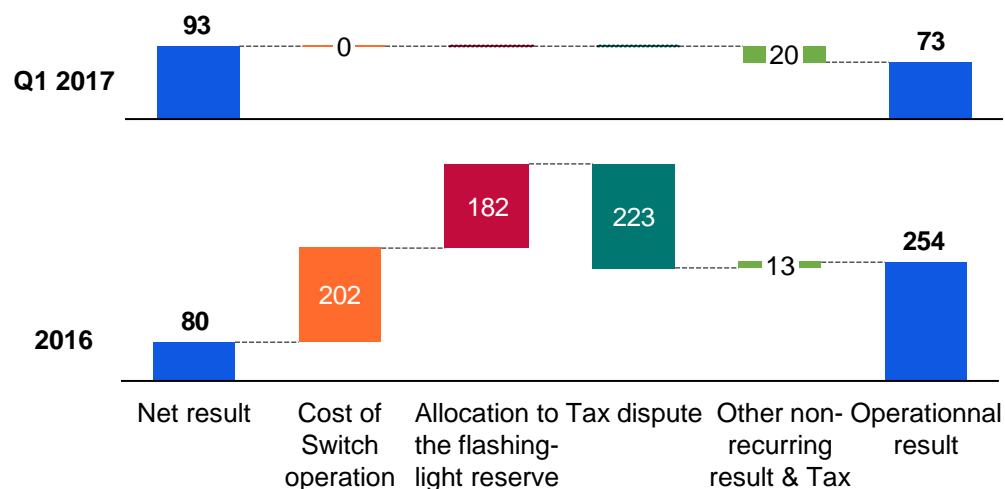
- High 2013 GWP of €1.4 billion of Life for Public & Corporate Sector impacted by one-offs (unique premiums)
- Few new business: life individuals in run-off and life group impacted by low interest rates environment

# 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)

- **Strong operational Q1 2017 result of €73M**, after adjusting the reported net result of €93M by the non recurring items (namely non-recurring financial revenue). The result was favorably impacted by a low loss ratio, by the increase in Automotive tariffs at end-2016 as well as by an increase in new business in Non-Life (mainly in private sector Workers' compensation and in Civil Liability)

- **No allocation to flashing-light reserve** since 1<sup>st</sup> January 2017 (\*)

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

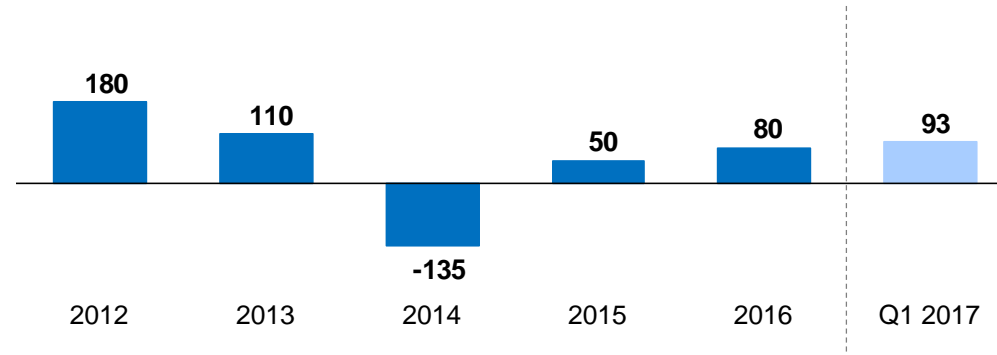
- Cost reduction (except investments to increase efficiency and to go digital)
- Operational and technical excellence
- Pro-active management on First reserves (run-down strategy)
- Improvement of underwriting
- Reduction of claim handling costs
- Strengthening of sales force (omnichannel, digital strategy)
- 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 flashing-light provision is no longer endowed since 2017.



# EVOLUTION IN NET RESULT

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



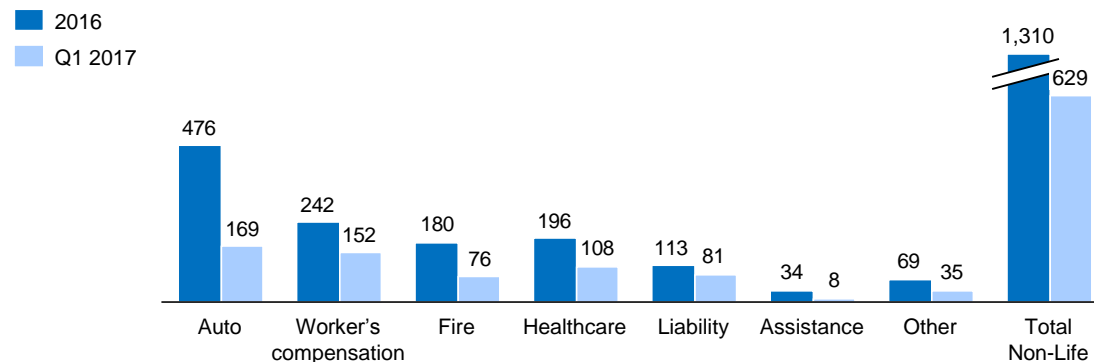
## Evolution in net result under BGAAP (€M) - Breakdown

	2012	2013	2014	2015	2016	Q1 2017
Technical result pre-allocation	251	235	401	164	117	97
o/w Non-Life	193	208	272	310	272	77
o/w Life	58	27	129	(146)	(155)	20
Allocation to the flashing-light reserve	(40)	(116)	(166)	(166)	(182)	
Technical result post-allocation	211	119	235	(2)	(65)	97
o/w Non-Life	189	202	263	298	255	77
o/w Life	22	(83)	(28)	(300)	(320)	20
Non-technical result	(28)	(24)	(366)	56	148	(4)
o/w recurring items	(28)	(24)	(8)	(5)	(20)	(5)
o/w financial non-recurring items	0	0	20	17	3	1
o/w non-recurring items (tax dispute)	0	0	(378)	44	223	0
o/w other non-recurring items	0	0	0	0	(58) <sup>1</sup>	0
Tax	(1)	15	(1)	(3)	(3)	0
Transfers and withdrawals from untaxed reserves	(2)	0	(3)	(1)	0	0
<b>Net result<sup>1</sup></b>	<b>180</b>	<b>110</b>	<b>(135)</b>	<b>50</b>	<b>80</b>	<b>93</b>

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

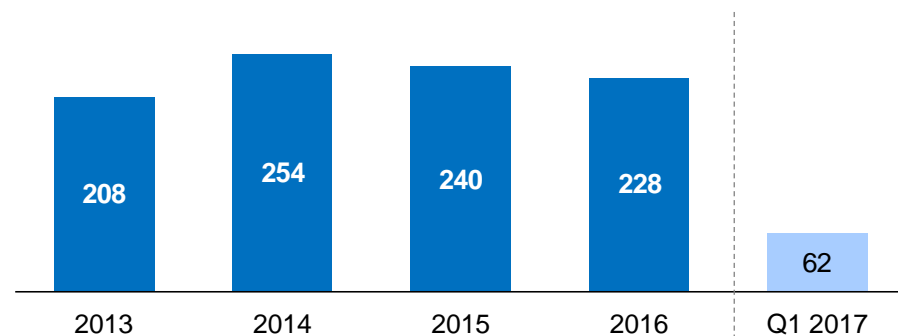
# FOCUS ON NON-LIFE BUSINESS

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



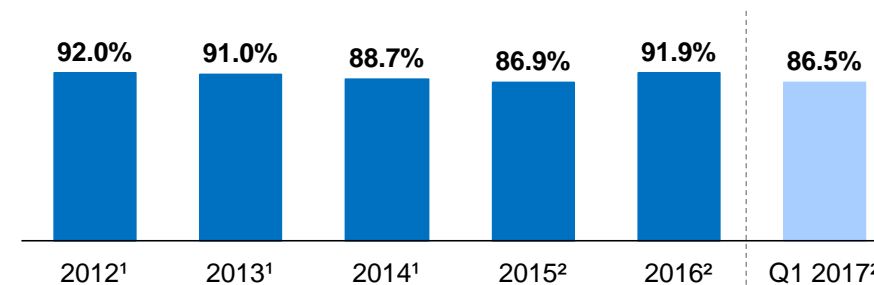
The income collection at end-March 2017 benefits from the increase in prices at end-2016 in Automotive and from a volume effect in Liability and Worker's compensation for the private sector (increase in new business) partially offset by the loss of certain contracts in Worker's compensation for the public sector

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



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

## Net combined ratio of Ethias (BGAAP)

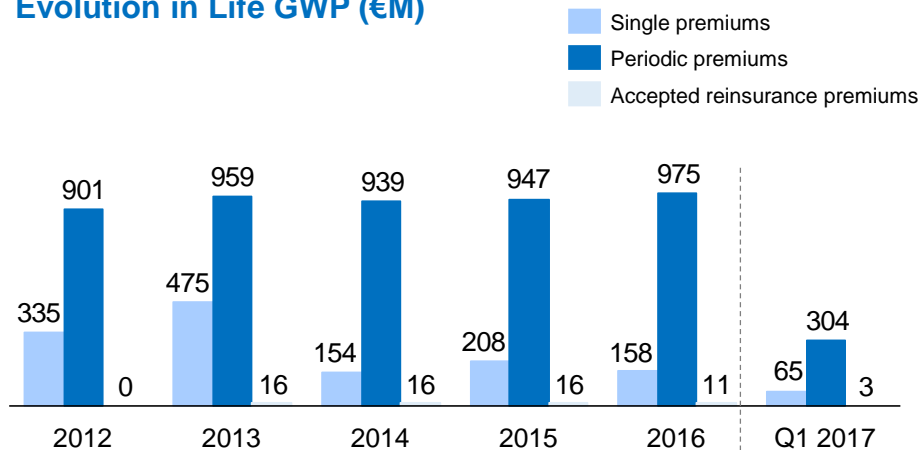


- Net CoR among the best of the Belgian market resulting, on the one hand, from the various optimizations operated since several years in terms of pricing, claims management and management of overheads and, on the other hand, from our distribution model which is primarily direct.
- Net CoR of 2015 impacted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

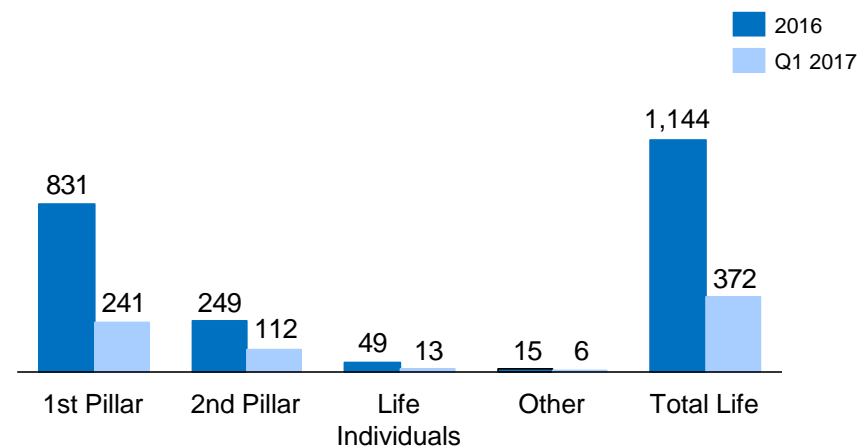
<sup>1</sup> Based on internal calculations ; <sup>2</sup> Based on Assuralia formula

# FOCUS ON LIFE BUSINESS (1/2)

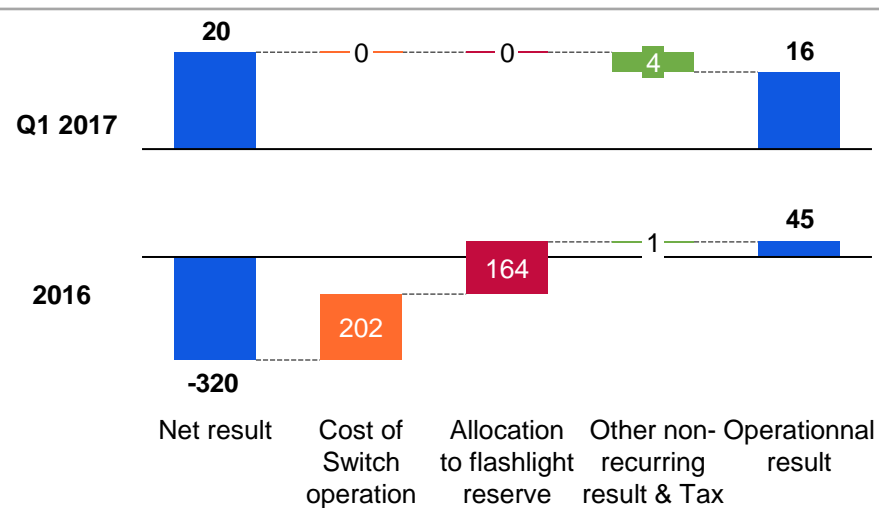
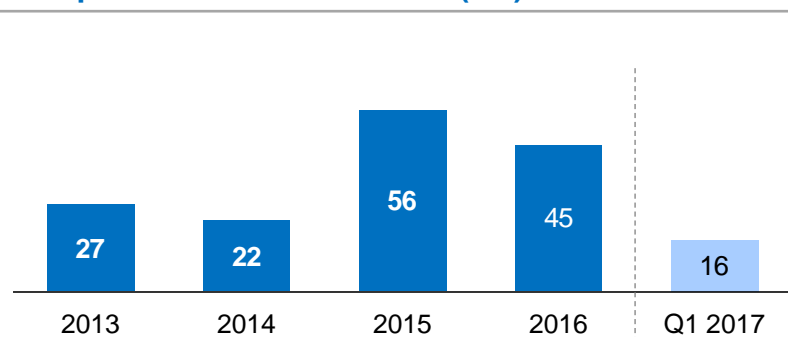
Evolution in Life GWP (€M)



Evolution in Life GWP (€M)



Life operational result BGAAP (€M)

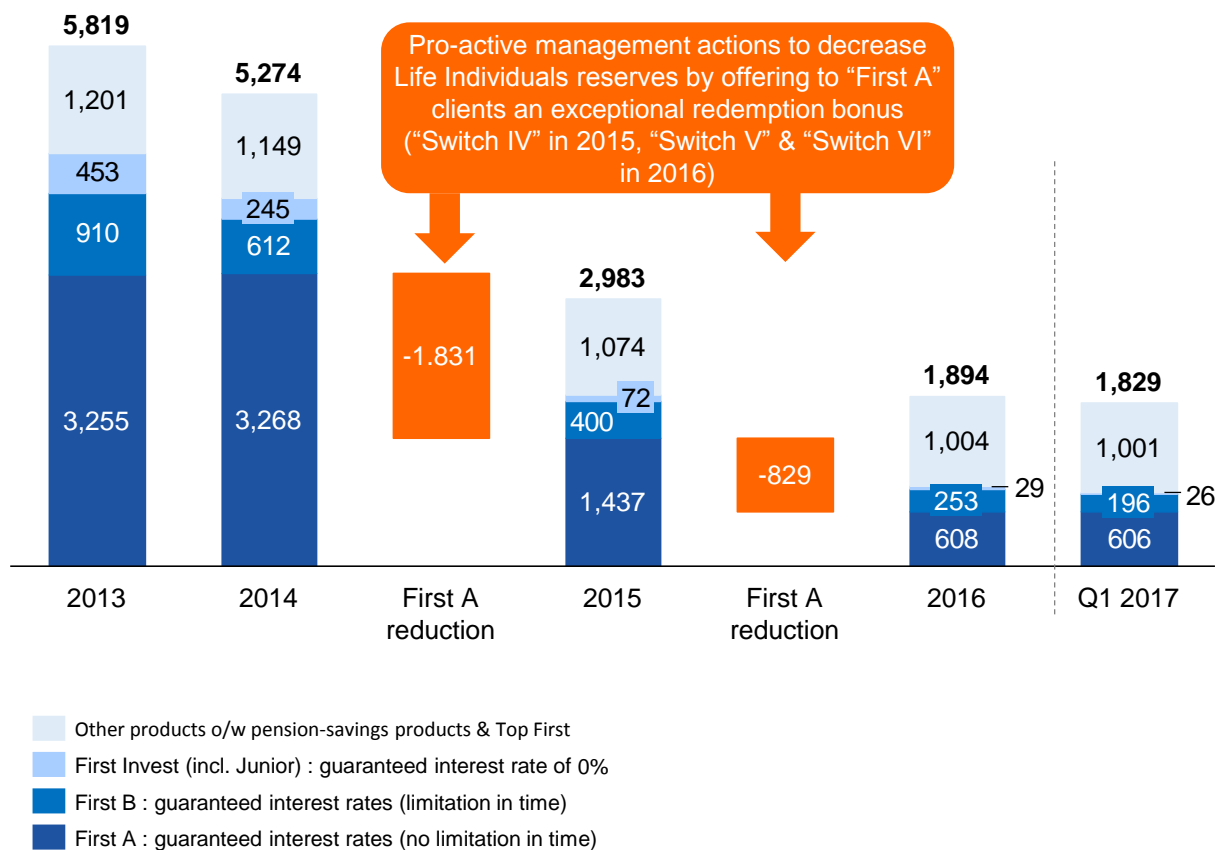


- Life operational result (before allocation to the flashing-light reserve and non-recurring items) has been positive since several years
- Life result mainly impacted by the cost of Switch operation (for 2015 & 2016) and the allocation to flashing-light reserve (for 2013-2016)



# FOCUS ON LIFE BUSINESS (2/2)

## Evolution in Life Individuals reserves (€M)

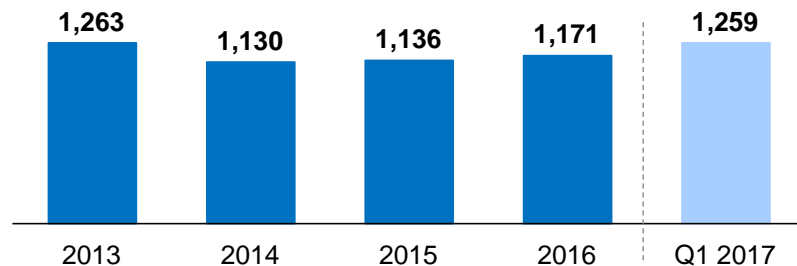


## Impact of redemption offers on First A :

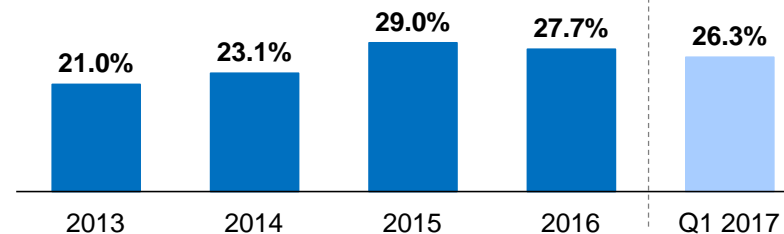
- In Q1 2015 : Switch IV operation (exceptional redemption bonus of 4 years' interest, equivalent to an exit premium of c.14%) with surrenders of €1.9 billion (for a cost of €243M)
- In Q2 2016 : Switch V operation (redemption bonus of 10%) with surrenders of €65M (for a cost of €6M)
- In Q4 2016 : Switch 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 March 2017

## OTHER KEY ELEMENTS

Evolution in equity (€M)

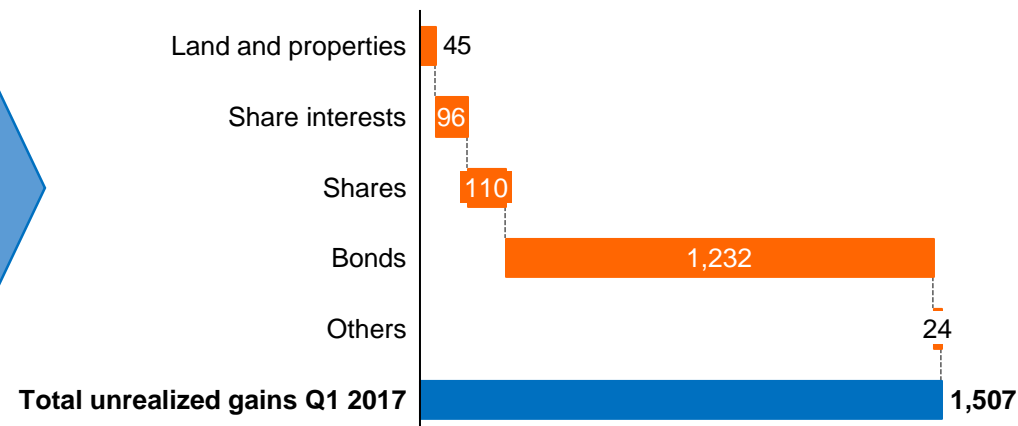
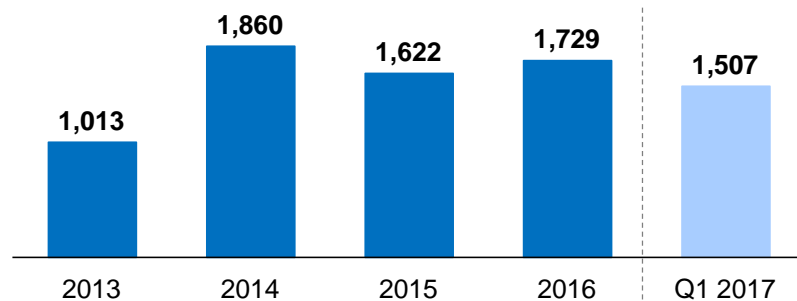


Evolution in debt ratio



- 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 Q1 2017 due to the increase in equity. Note that this ratio doesn't include the collateral received (€25M) 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 (€283M) concluded in the context of liquidity management for Switch operations

Evolution in unrealized gains (€M)



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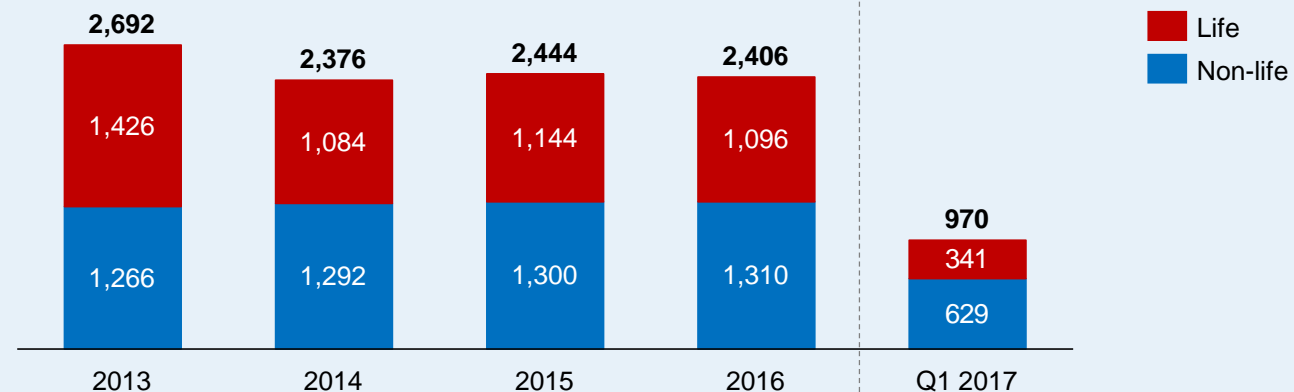
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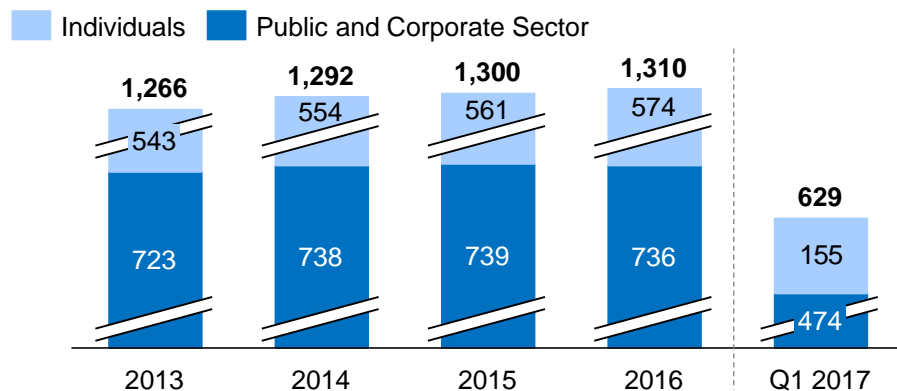


# BALANCED NON-LIFE/LIFE INFLOWS DESPITE DISCONTINUATION OF LIFE INDIVIDUALS

Evolution in GWP (€M)

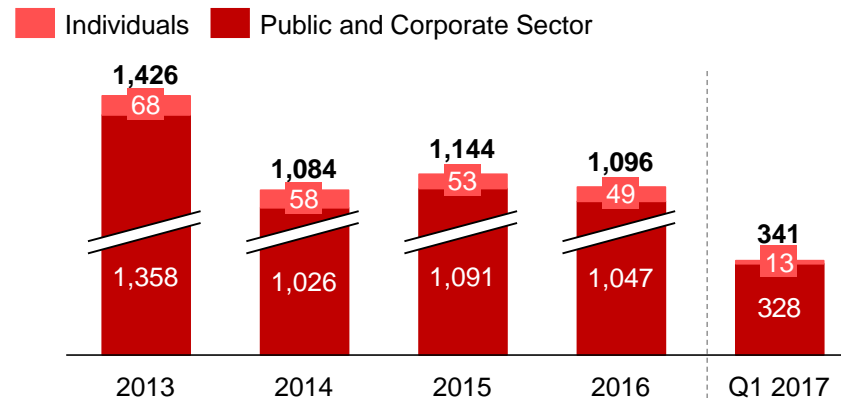


Evolution in Non-Life GWP (€M)



- Steady increase of Non-Life GWP

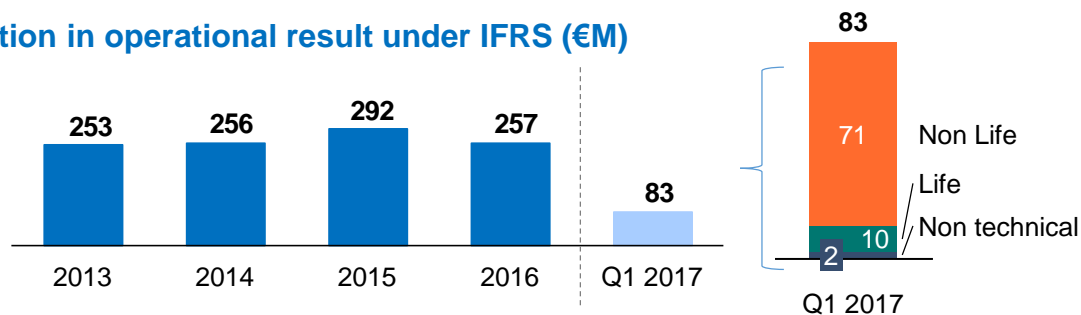
Evolution in Life GWP (€M)



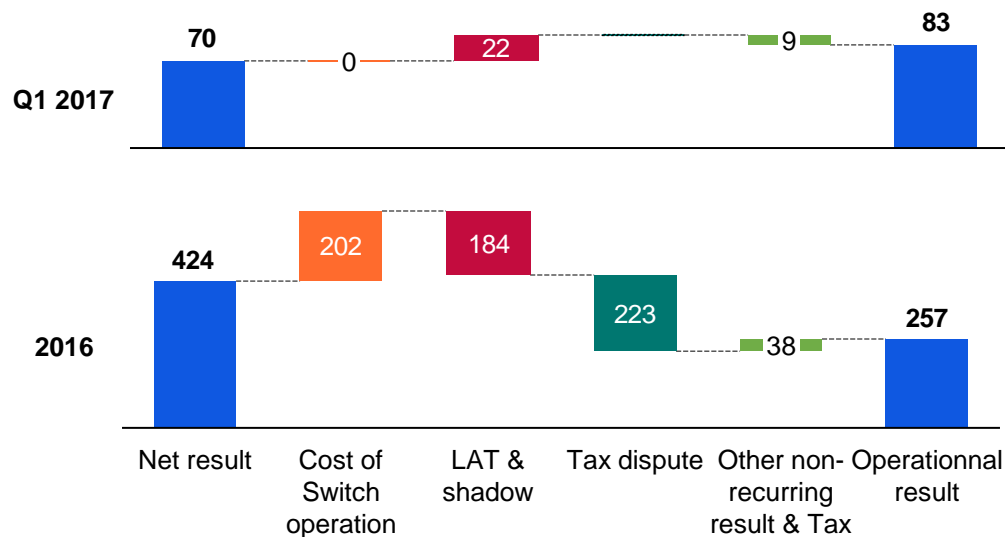
- High 2013 GWP of €1.4 billion of Life for Public & Corporate Sector impacted by one-offs (unique premiums)
- Few new business: life individuals in run-off and life group impacted by low interest rates environment

# EVOLUTION IN OPERATIONAL RESULT

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



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



- **Strong 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

- **Strong Q1 2017 operational result of €83M**, after adjusting the reported net result of €70M by the following elements:

- The valuation of some securities in market value – shadow FVPL (impact of -22M)
- Other non-recurring items (+€9M), essentially financial non-recurring items

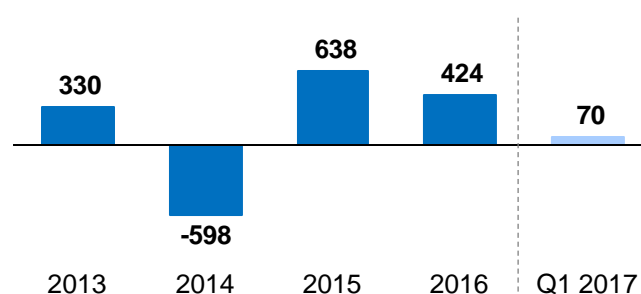
The result is favorably impacted by a low loss ratio, by the increase in Automotive tariffs at end-2016 as well as by an increase in new business in Non-Life (mainly in private sector Workers' compensation and in Civil Liability)

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

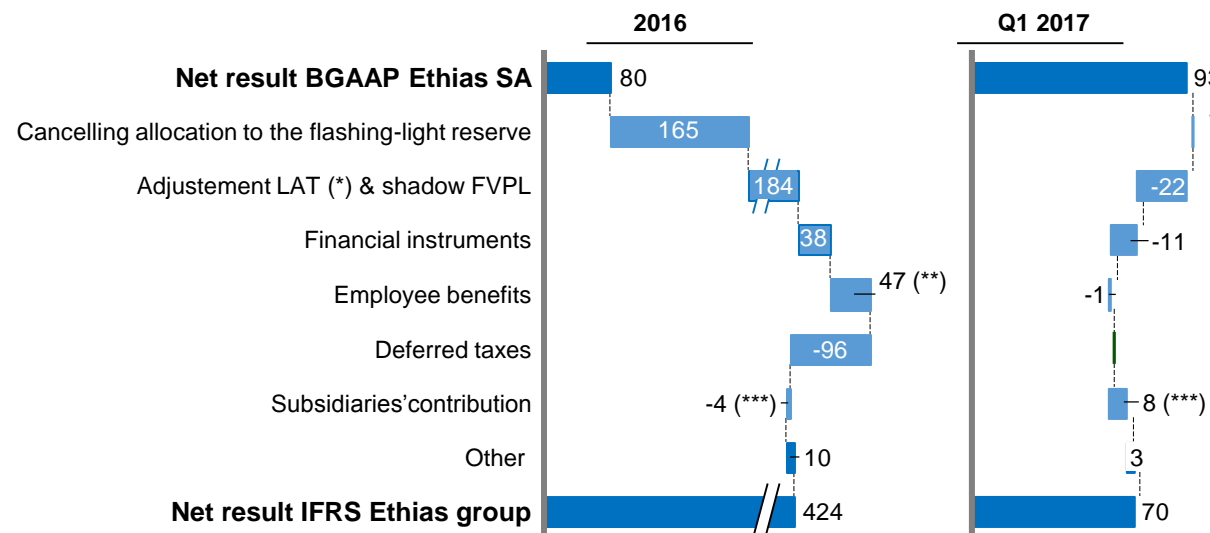
- Cost reduction (except investments to increase efficiency and to go digital)
- Operational and technical excellence
- Pro-active management on First reserves (run-down strategy)
- Improvement of underwriting
- Reduction of claim handling costs
- Strengthening of sales force (omnichannel, digital strategy)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



The BGAAP 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 Vitrufrin needs to serve its senior debt. The flashing-light provision is no longer endowed in BGAAP since 2017.

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

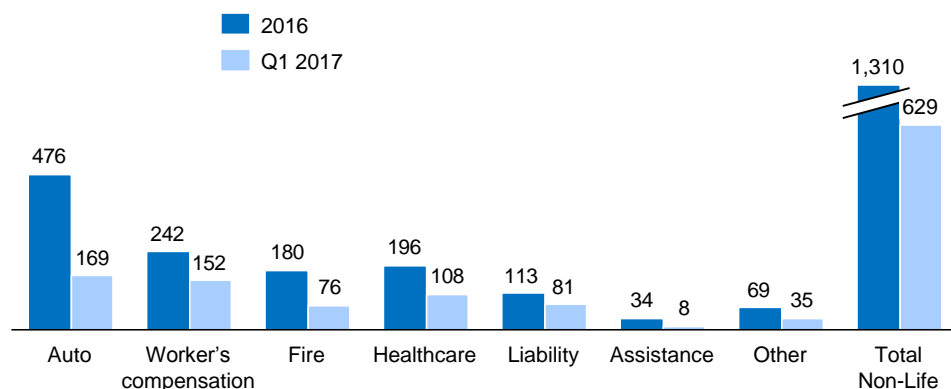
	2012	2013	2014	2015	2016	Q1 2017
Technical result	200	366	(439)	630	340	67
o/w Non-Life	171	233	242	306	278	92
o/w Life	29	133	(681)	324	62	-25
Non-technical result	6	(6)	(326)	95	182	3
o/w recurring items	6	(6)	32	30	(19)	2
o/w financial non-recurring items	0	0	20	17	2	1
o/w non-recurring items (tax dispute)	0	0	(378)	44	225	0
o/w other non-recurring items	0	0	0	4	(26)	0
Tax	(59)	(30)	167	(87)	(98)	0
<b>Net result</b>	<b>147</b>	<b>330</b>	<b>(598)</b>	<b>638</b>	<b>424</b>	<b>70</b>
For reference :						
<b>Net result BGAAP</b>	<b>180</b>	<b>110</b>	<b>(135)</b>	<b>50</b>	<b>80</b>	<b>93</b>

(\*) impact of changes in interest rates; (\*\*) Namely includes the provision for the 60+ retirement plan (different valuation rules between BGAAP & IFRS); (\*\*\*) Mainly NRB, Ethias Sustainable Investment Fund and Real estate subsidiaries



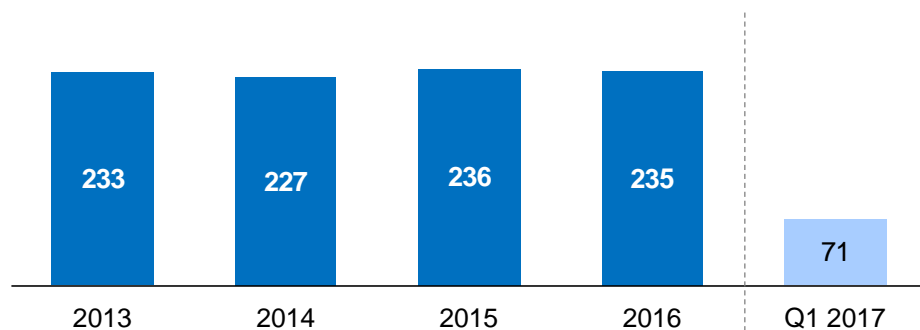
# FOCUS ON NON-LIFE BUSINESS

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



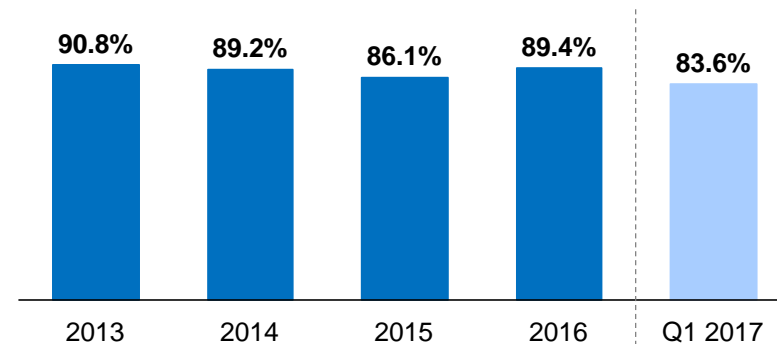
The income collection at end-March 2017 benefits from the increase in prices at end-2016 in Automotive and from a volume effect in Liability and Worker's compensation for the private sector (increase in new business) partially offset by the loss of certain contracts in Worker's compensation for the public sector

Non-Life operational result IFRS (€M)



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

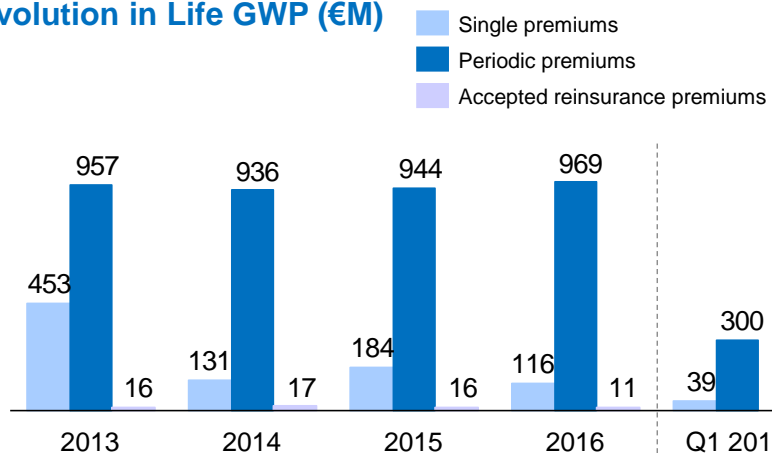
Net combined ratio (IFRS)



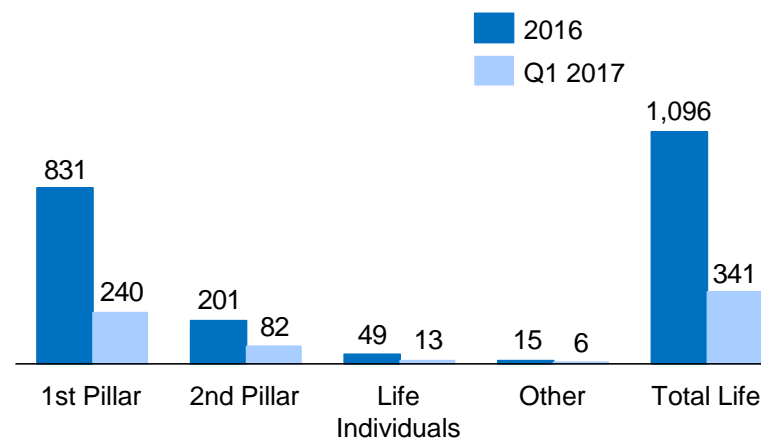
- Net CoR among the best of the Belgian market resulting, on the one hand, from the various optimizations operated since several years in terms of pricing, claims management and management of overheads and, on the other hand, from our distribution model which is primarily direct
- Net CoR of 2015 impacted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

# FOCUS ON LIFE BUSINESS (1/3)

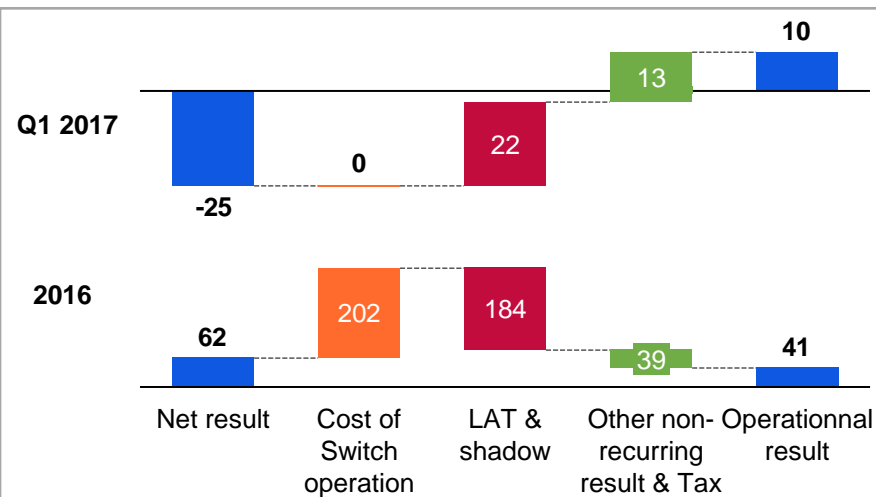
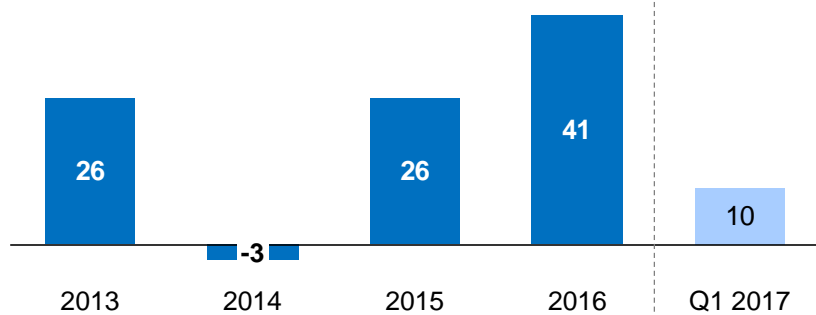
## Evolution in Life GWP (€M)



## Evolution in Life GWP (€M)



## Life operational result IFRS (€M)

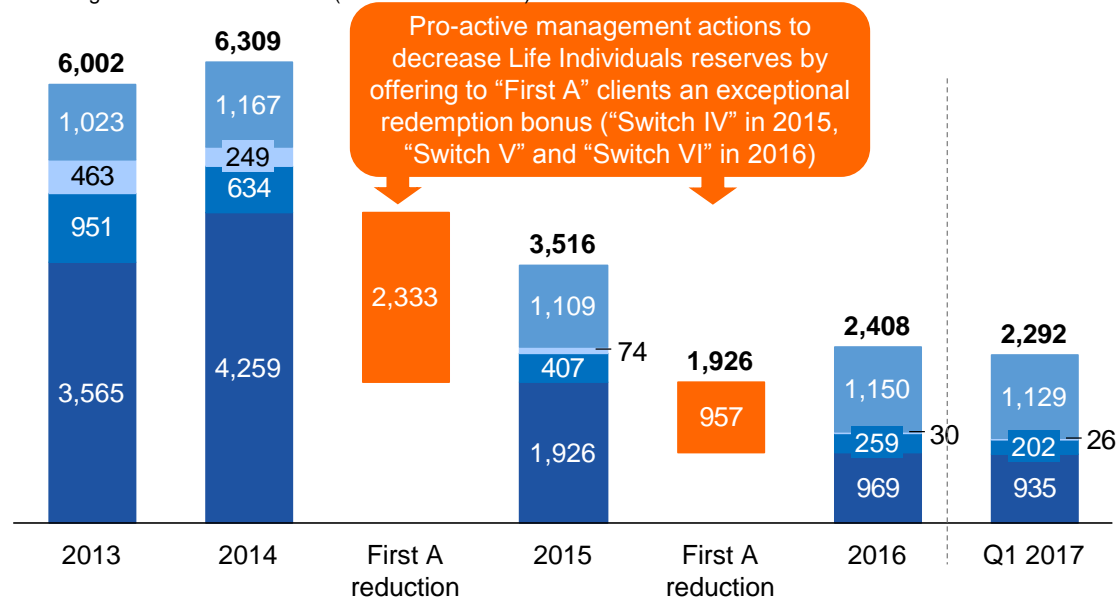


- With the exception of 2014, the Life result (excluding non-recurring items) is positive over the period 2013-2016

# FOCUS ON LIFE BUSINESS (2/3)

## 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 March 2017

- 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 (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.

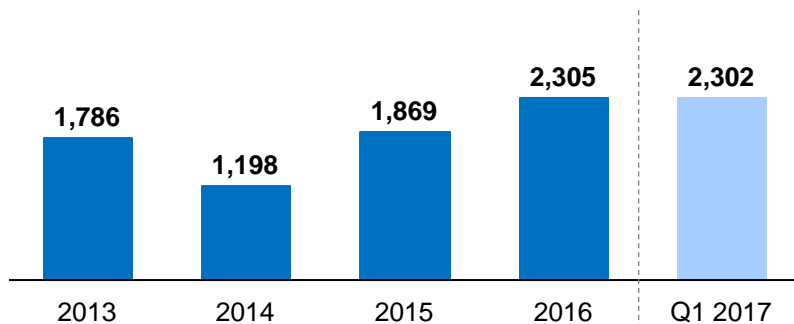
## FOCUS ON LIFE BUSINESS (3/3)

### Breakdown of reserves per guaranteed interest rates

	2015	2015	2016	2016	31/03/2017	31/03/2017
Ethias Life	Book reserves (IFRS)	Average guaranteed interest	Book reserves (IFRS)	Average guaranteed interest	Book reserves (IFRS)	Average guaranteed interest
First A	1.925.970.430	3,44%	968.849.783	3,46%	935.120.886	3,46%
First B	406.790.209	1,47%	259.024.890	0,72%	201.802.338	0,88%
First Invest	73.620.273	0,00%	29.610.940	0,00%	26.143.224	0,00%
Others	1.109.896.553	3,26%	1.150.874.495	3,15%	1.128.509.686	3,15%
Total Life Retail	3.516.277.465	3,08%	2.408.360.108	2,97%	2.291.576.134	3,04%
Total Group Life	8.742.854.480	2,61%	8.584.803.849	2,50%	8.589.288.345	2,06%
Branch 23 (Retail)	102.482.328		70.843.704		69.905.582	
Branch 23 (Group)	256.596.012		337.545.072		414.636.673	
Accepted Reinsurance	136.670.422		132.898.206		132.611.039	
Total Life reserves	12.754.880.707		11.534.450.938		11.498.017.774	

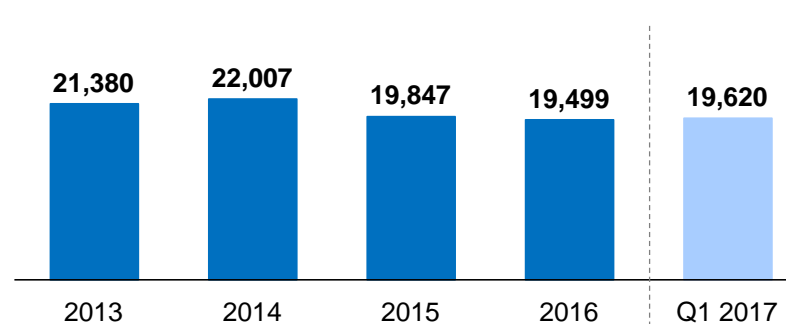
## OTHER KEY ELEMENTS

Evolution in equity (€M)



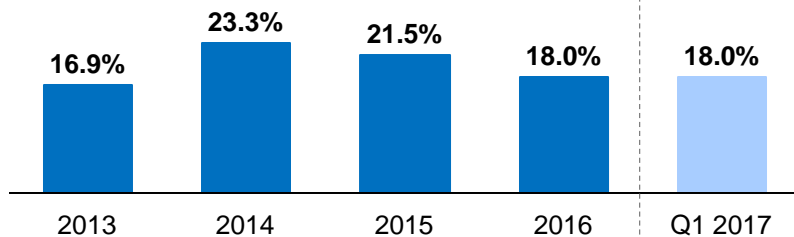
- Variation in Q1 2017 in equity is mainly due to the net result in the relevant period (€70M) and the decrease in the other comprehensive income (-€68M) following the increase of the interest rate during Q1 2017

Evolution in total assets (€M)



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

Evolution in debt ratio



- The Q1 2017 ratio doesn't include the collateral received (€25M) 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 (€283M) concluded in the context of liquidity management for Switch operations



# Agenda

- Key Q1 2017 highlights
- Main events in Q1 2017
- Financial performance BGAAP <sup>1</sup>
- Financial performance IFRS <sup>2</sup>
- **Solvency II of Ethias SA<sup>3</sup>**
- Investment portfolio <sup>2</sup>
- Rating
- Appendix

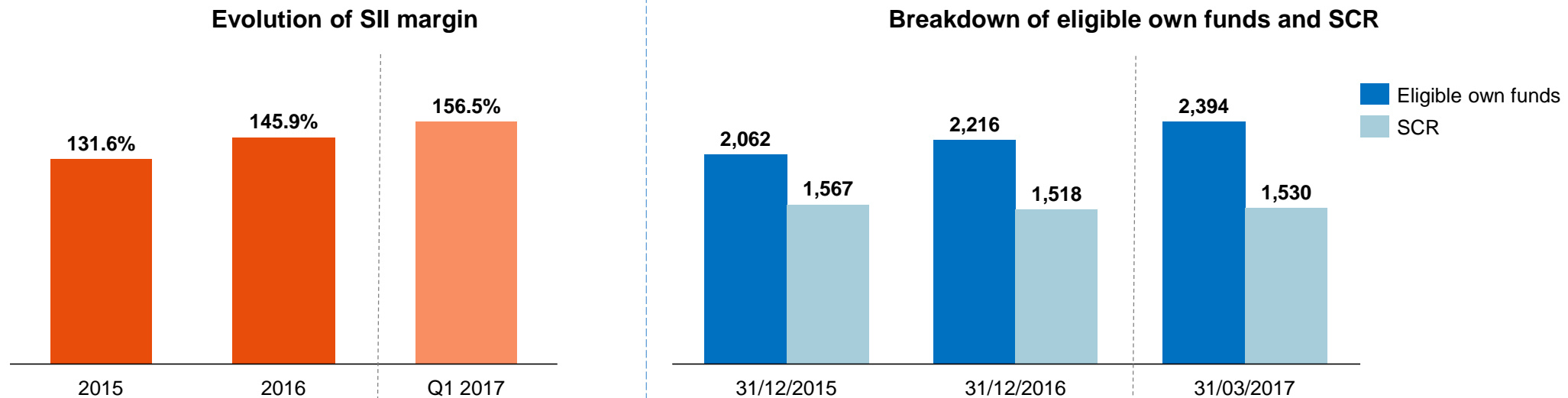
<sup>1</sup> Figures as per end of March 2017 are based on non-audited statutory accounts

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

## Required capital, eligible own funds and SII margin of Ethias SA (in €M) – Without transitory measure on technical provisions



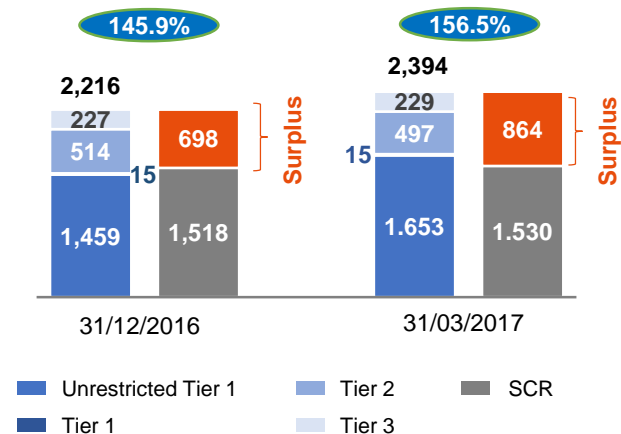
Unaudited figures

- 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%.
- At the end of March 2017, the regulator has confirmed that the financial recovery plan lead to results and can be considered as closed
- Increase in SII margin at the end of March 2017 (156.5%) mainly due to an improvement in the modelling of pension for work's accident involving a decrease in BE and by the way an increase in eligible own funds.
- SII margin at the end of March 2017 doesn't take into account the impact of the reinsurance of credit spread on corporate bonds which have to be implemented in 2017

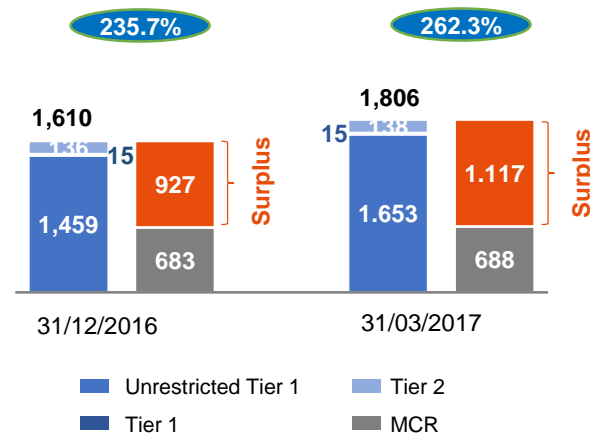
# SOLVENCY II – WITH USE OF THE STANDARD FORMULA (2/2)

## Decomposition of eligible own funds

Consolidated SCR coverage ratio (€M)

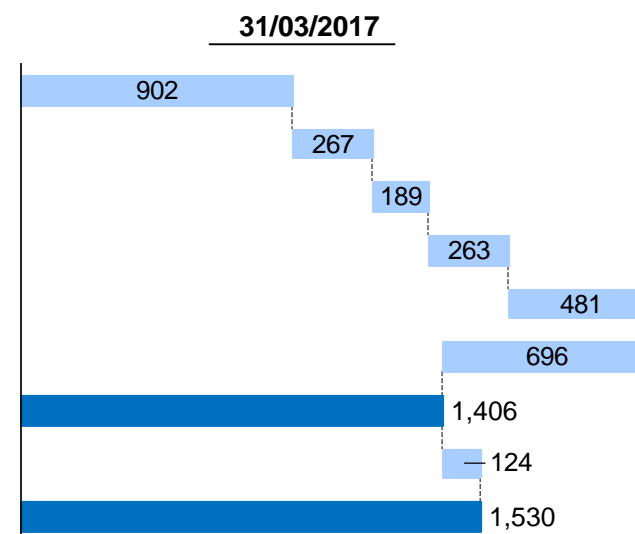
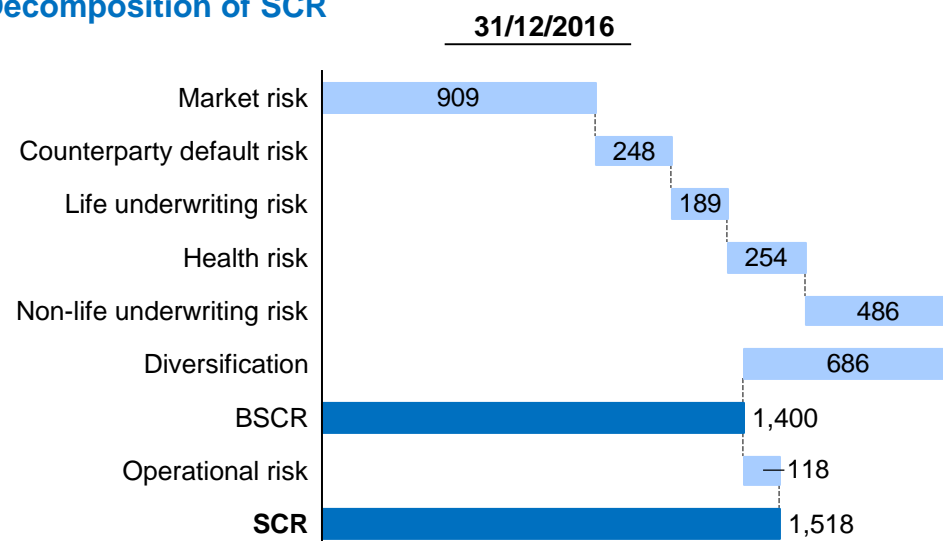


Consolidated MCR coverage ratio (€M)



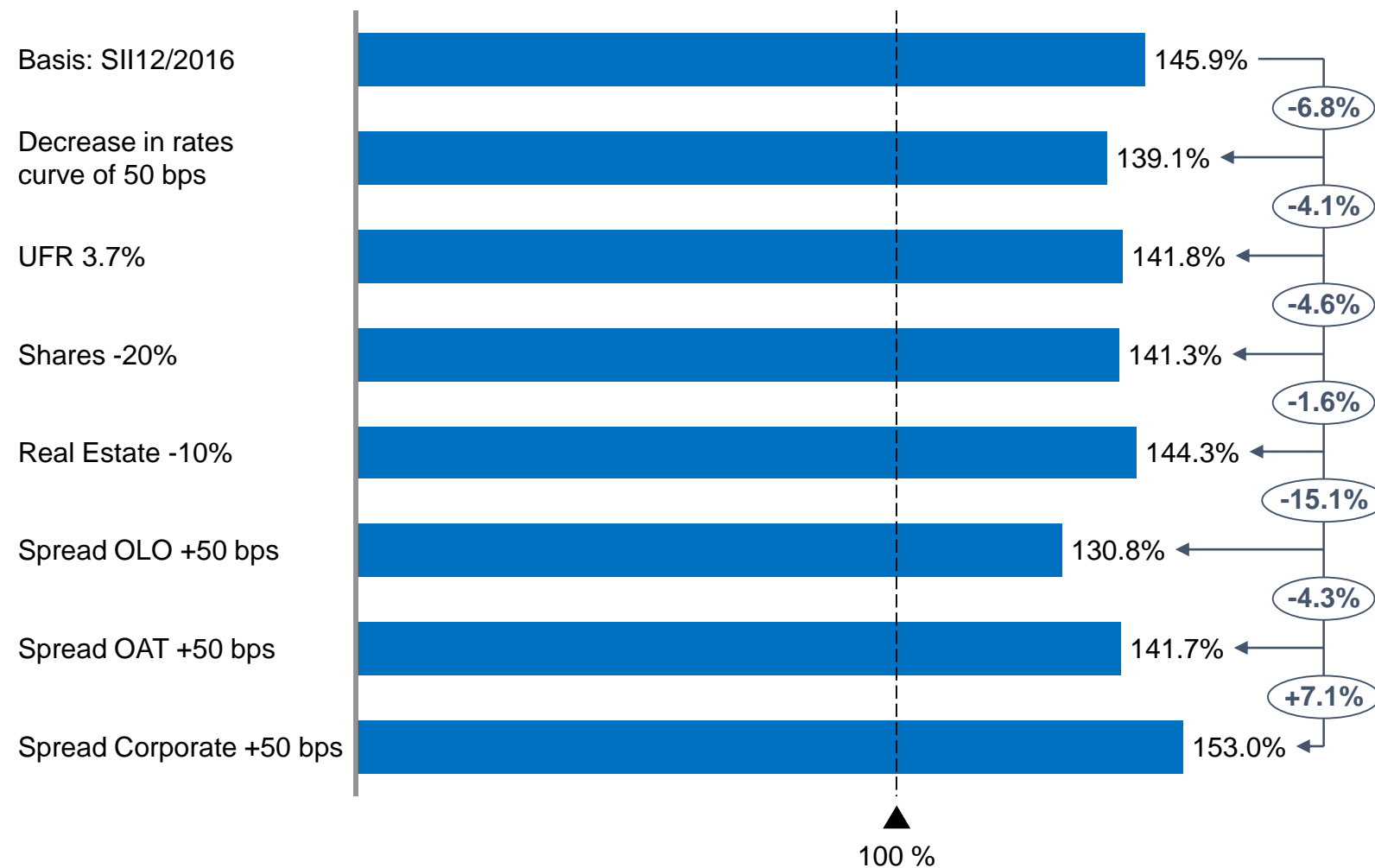
- **Very high quality capital structure**  
Unrestricted Tier 1 SCR coverage > 100% as of Q1 2017
- Tier 1 capital represents 70% of total own funds
- Restricted Tier 1 and a part of Tier 2 (€75M in book value) capital grandfathered under Solvency II
- Tier 3 comprises deferred tax assets

## Decomposition of SCR



# SOLVENCY II – STRESS TESTS AU 31/12/2016

## Impact of sensitivity analyses on the Solvency II margin at end-2016



# Agenda

- Key Q1 2017 highlights
- Main events in Q1 2017
- Financial performance BGAAP <sup>1</sup>
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- **Investment portfolio <sup>2</sup>**
- Rating
- Appendix

<sup>1</sup> Figures as per end of March 2017 are based on non-audited statutory accounts

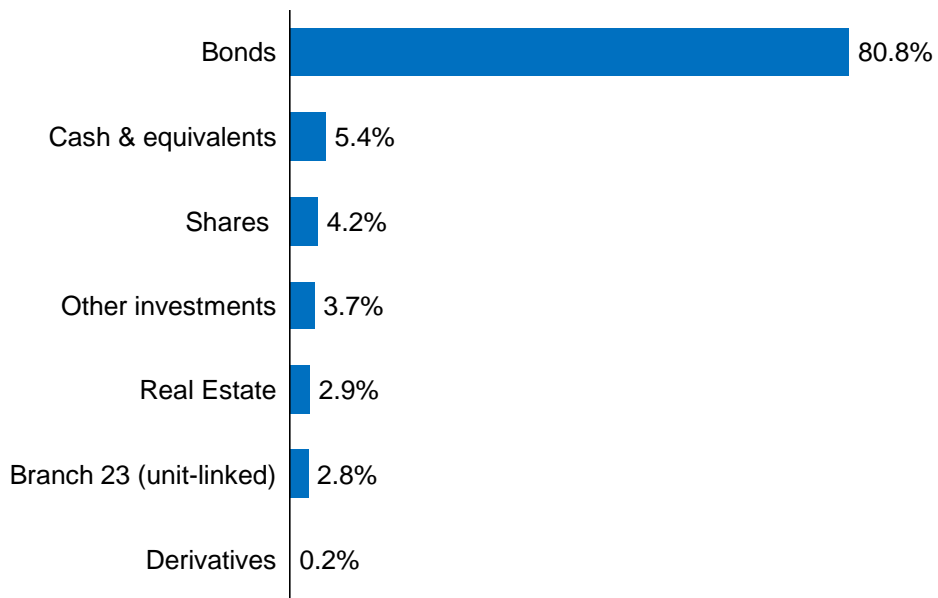
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# TOTAL INVESTMENT PORTFOLIO AS OF 31 MARCH 2017

## Total investment portfolio by asset class



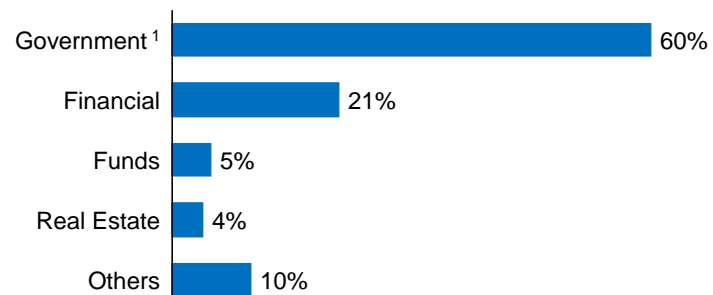
Asset class (€M)	IFRS value
Bonds	13,845
<i>a/w Government bonds</i>	<i>8,184</i>
Cash & cash equivalents	924
Shares (incl. funds & participations)	725
Other investments	636
Real Estate	492
Branch 23 (unit-linked)	485
Derivatives	32 (*)
<b>Total</b>	<b>17,139</b>

(\*) The derivative financial instruments in the liability side amount to EUR 14 million

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

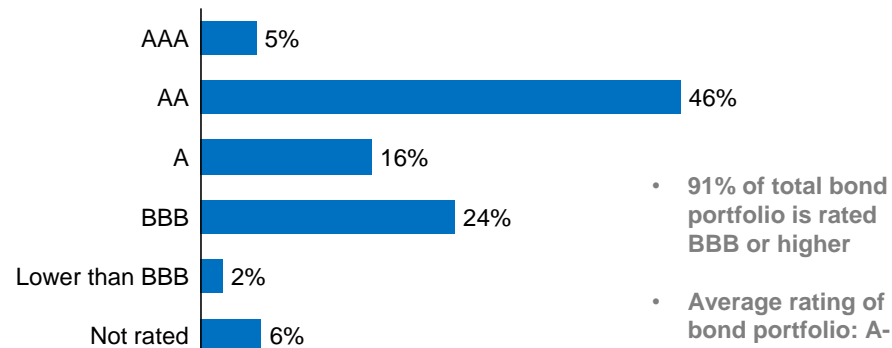
# TOTAL INVESTMENT PORTFOLIO AS OF 31 MARCH 2017

## Bond portfolio by sector



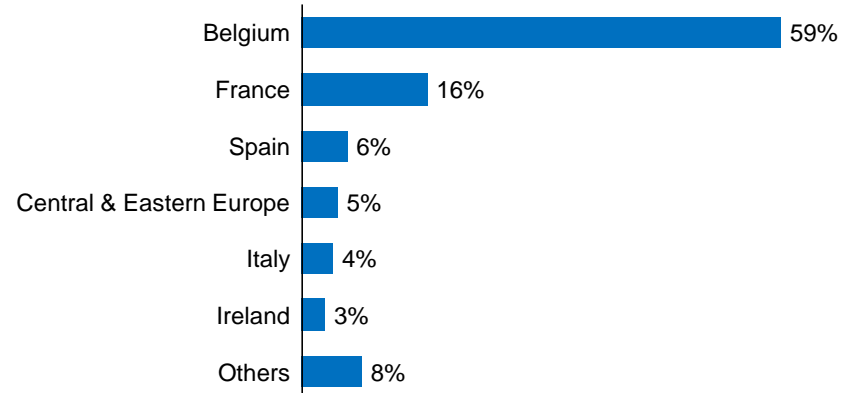
Total Q1 2017 IFRS value = €13,845M

## Bond portfolio by rating



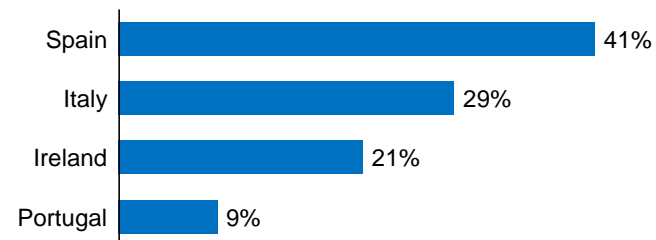
Total Q1 2017 IFRS value = €13,845M

## Government bond portfolio by country



Total Q1 2017 IFRS value = €8,184M

## PIIGS exposure



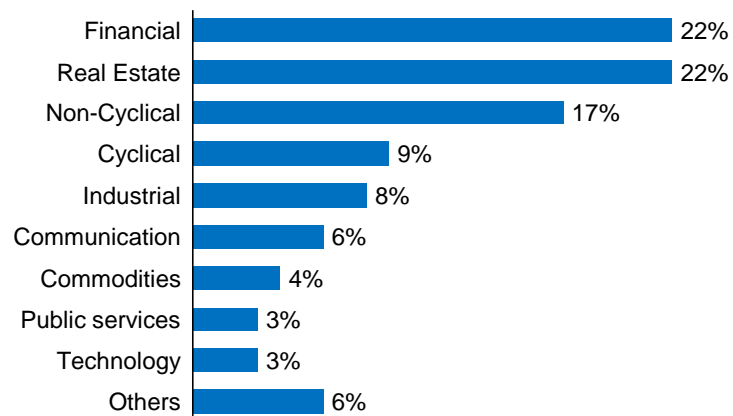
Total Q1 2017 IFRS value = €1,154M

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

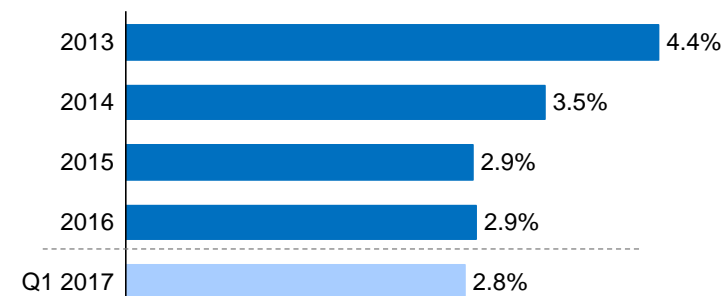
# SHARES (INCL. FUNDS) AND REAL ESTATE PORTFOLIO AS OF 31 MARCH 2017

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

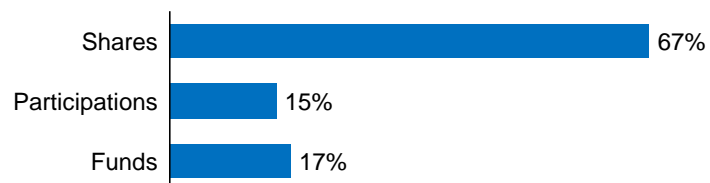


Total Q1 2017 IFRS value = €725M

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

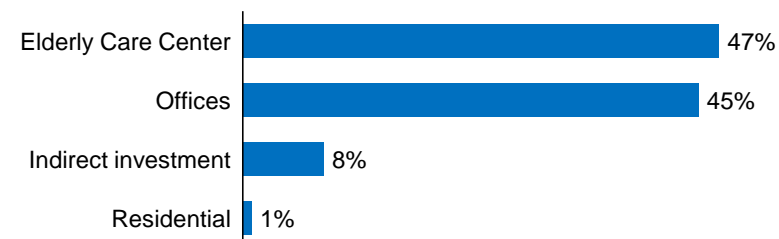


## Shares (incl. funds & participations) by asset class



Total Q1 2017 IFRS value = €725M

## Direct real estate by nature



Total Q1 2017 IFRS value = €492M

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

# Agenda

- Key Q1 2017 highlights
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- Appendix

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# Rating overview



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

Long-Term Issuer Default Rating	<b>BBB-</b>	Outlook positive
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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 (28/09/2016):

**“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's 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 has 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

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- **Appendix**

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# Consolidated balance sheet (IFRS)

	2013	2014	2015	2016	Q1 2017
<b>Assets</b>					
Goodwill	29	30	45	45	45
Other intangible assets	13	14	46	94	101
Properties and other fixed assets	133	132	136	140	140
Investments in associates	25	21	0	1	0
Investments properties	357	391	433	495	492
Financial investments	16.773	17.310	15.912	15.948	15.723
Reinsurers' share of insurance liabilities	141	114	134	122	135
Deferred tax assets	126	279	170	74	121
Receivables arising from insurance operations or accepted reinsurance	1.226	1.269	1.291	1.344	1.527
Receivables arising from ceded reinsurance operations	65	62	57	64	60
Other receivables	634	210	278	179	135
Other assets	286	281	258	242	217
Cash and cash equivalents	1.567	1.893	1.087	751	924
Available-for-sale assets including assets from discontinued operations	4	1	0	0	0
<b>Total assets</b>	<b>21.380</b>	<b>22.007</b>	<b>19.847</b>	<b>19.499</b>	<b>19.620</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>1.000</i>
<i>Reserves and retained earnings</i>	<i>249</i>	<i>574</i>	<i>-31</i>	<i>557</i>	<i>981</i>
<i>Net profit (loss) of the period</i>	<i>325</i>	<i>-604</i>	<i>633</i>	<i>424</i>	<i>70</i>
<i>Other items of comprehensive income</i>	<i>170</i>	<i>177</i>	<i>233</i>	<i>276</i>	<i>208</i>
<b>Equity of the Group</b>	<b>1.744</b>	<b>1.146</b>	<b>1.835</b>	<b>2.257</b>	<b>2.259</b>
Non-controlling interests	42	52	34	48	43
<b>Total equity</b>	<b>1.786</b>	<b>1.198</b>	<b>1.869</b>	<b>2.305</b>	<b>2.302</b>
<i>Insurance contract liabilities</i>	<i>8.136</i>	<i>8.530</i>	<i>8.607</i>	<i>8.541</i>	<i>8.796</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>6.112</i>
<i>Investment contract liabilities without discretionary participation features</i>	<i>0</i>	<i>4</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>484</i>
<i>Profit sharing liabilities</i>	<i>13</i>	<i>21</i>	<i>38</i>	<i>24</i>	<i>2</i>
<b>Insurance and investment contract liabilities</b>	<b>18.096</b>	<b>19.250</b>	<b>16.359</b>	<b>15.174</b>	<b>15.398</b>
Subordinated debts	322	322	454	454	455
Other financial debts	42	46	56	387	360
Employee benefits	537	603	502	535	543
Provisions	149	119	63	30	28
Derivative financial instruments	0	0	20	8	14
Tax payables	35	39	49	52	68
Deferred tax liabilities	4	4	0	21	22
Liabilities from operating activities	186	208	216	227	210
Other liabilities	218	214	259	306	220
Liabilities related to assets available for sale and discontinued operations	5	2	0	0	0
<b>Total other liabilities</b>	<b>19.594</b>	<b>20.809</b>	<b>17.978</b>	<b>17.194</b>	<b>17.318</b>
<b>Total liabilities</b>	<b>21.380</b>	<b>22.007</b>	<b>19.847</b>	<b>19.499</b>	<b>19.620</b>

# Consolidated income statement (IFRS)

(in €M)	2013	2014	2015	2016	Q1 2017
Gross premiums	2.692	2.376	2.444	2.406	970
Premiums ceded to reinsurers	-72	-41	-38	-37	-32
Change in the provision for unearned premiums and outstanding risks <sup>1</sup>	-12	-15	-7	-17	-283
Other income from insurance activities	3	4	5	5	2
<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>	<b>657</b>
Revenues from other activities	163	173	199	384	61
<b>Revenues</b>	<b>2.775</b>	<b>2.497</b>	<b>2.603</b>	<b>2.741</b>	<b>718</b>
Investment income	658	621	624	646	116
Net realized gains or losses on investments	33	120	34	62	2
Change in fair value of investment through profit or loss <sup>2</sup>	82	22	26	-2	21
<b>Net financial income</b>	<b>773</b>	<b>764</b>	<b>684</b>	<b>706</b>	<b>139</b>
<b>Net revenues</b>	<b>3.548</b>	<b>3.261</b>	<b>3.287</b>	<b>3.447</b>	<b>857</b>
Benefits and claims	2.633	3.185	2.137	2.326	626
Net expenses or revenues ceded to reinsurers	-26	-15	-48	-15	4
Management costs <sup>3</sup>	281	285	258	274	78
<b>Technical expenses for insurance activities</b>	<b>2.887</b>	<b>3.455</b>	<b>2.347</b>	<b>2.585</b>	<b>708</b>
Expenses for other activities	175	542	201	306	64
<b>Operating expenses</b>	<b>3.062</b>	<b>3.997</b>	<b>2.548</b>	<b>2.891</b>	<b>772</b>
Change in depreciation and amortization on investments (net)	25	23	41	-10	4
Other investment financial expenses	83	-11	-45	14	4
Finance costs	18	18	20	30	7
<b>Financial expenses</b>	<b>126</b>	<b>30</b>	<b>16</b>	<b>34</b>	<b>15</b>
<b>Net expenses</b>	<b>3.188</b>	<b>4.027</b>	<b>2.563</b>	<b>2.925</b>	<b>787</b>
Goodwill impairment					
<b>Net profit (loss) before tax</b>	<b>360</b>	<b>-766</b>	<b>724</b>	<b>522</b>	<b>70</b>
Income taxes	-30	167	-87	-98	0
<b>Net profit (loss) after tax</b>	<b>330</b>	<b>-599</b>	<b>637</b>	<b>424</b>	<b>70</b>
Investment in associates through profit or loss	0	1	0	0	0
Net profit (loss) before tax of available-for-sale companies and of discontinued operations	0	0	1	0	0
<b>Net consolidated profit (loss) attributable to :</b>	<b>330</b>	<b>-598</b>	<b>638</b>	<b>424</b>	<b>70</b>
Owners of the parent	325	-604	633	424	70
Non-controlling interests	5	6	5	0	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

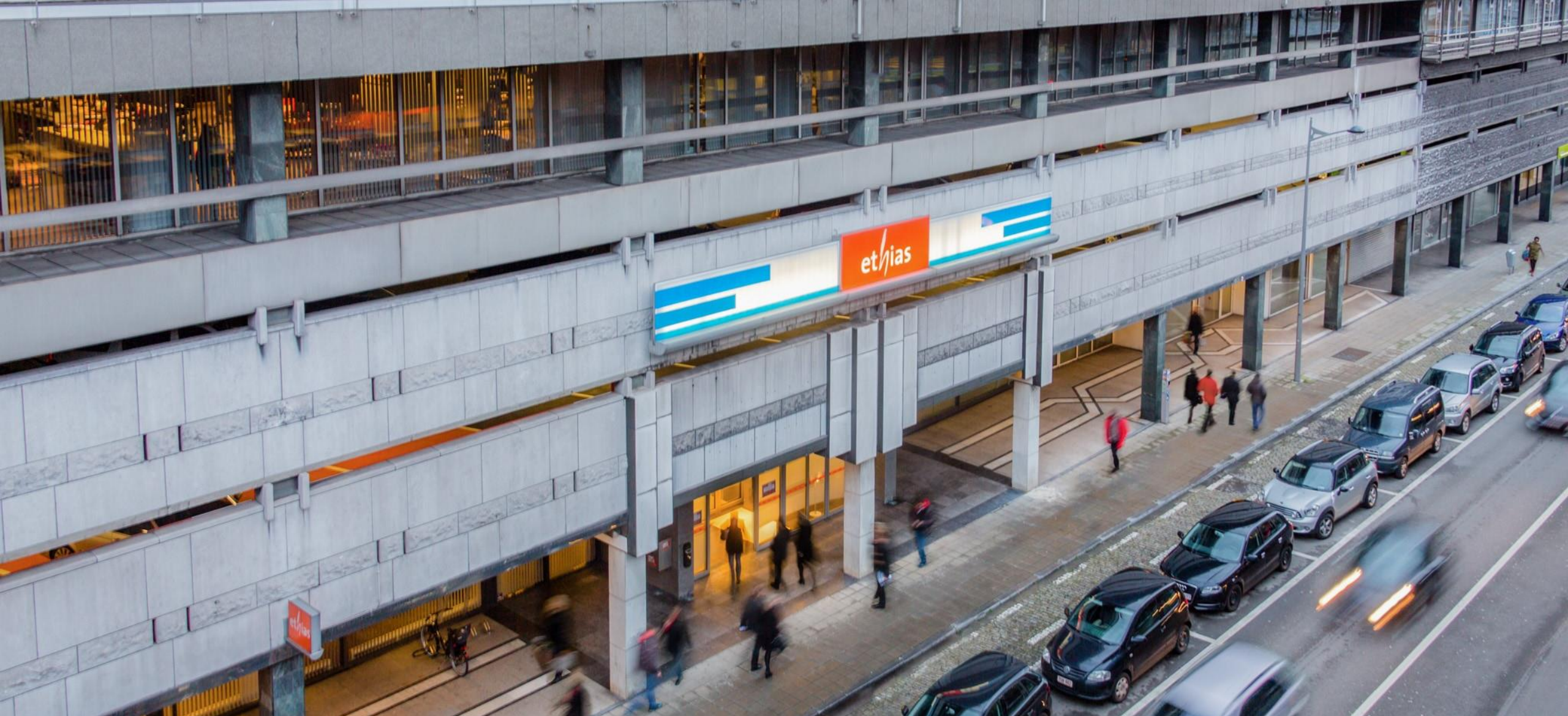
These assessments are, as always, subject to the disclaimer provided below.

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)

