



Quarterly results  
30.09.2017



22.12.2017



# Agenda

- **Key Q3 2017 highlights**
- Main events in Q3 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 September 2017 are based on non-audited statutory accounts

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

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

# Key Q3 2017 highlights

Key events		<ul style="list-style-type: none"> <li>Fitch IFS rating of <b>BBB+ stable outlook</b></li> <li><b>Switch VII operation</b> : redemptions for an amount of €432M for a cost of €108M but with a positive impact on the SII margin of 18%</li> <li>Merger between Ethias and Whestia</li> <li><b>Agreement with the shareholders</b> providing a prospect of stability in the shareholding for a period of 2 years</li> <li>Formal closing of the <b>EC commitments</b></li> </ul>			
Financial results	Operating result	BGAAP – Ethias SA		IFRS – Ethias Group	
	Net income	<ul style="list-style-type: none"> <li>▪ <b>€251M</b> o/w €201M from Non-Life</li> <li>▪ <b>€62M</b> taking into account :               <ul style="list-style-type: none"> <li>▪ Cost of Switch VI &amp; VII operations : -€109M</li> <li>▪ Cost of sale of remaining First A portfolio : -€89M</li> <li>▪ Other exceptional elements and tax: +€9M</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>▪ <b>€274M</b> o/w €220M from Non-Life</li> <li>▪ <b>€214M</b> taking into account:               <ul style="list-style-type: none"> <li>▪ Cost of Switch VI &amp; VII operations : -€109M</li> <li>▪ Cost of sale of remaining First A portfolio : -€89M</li> <li>▪ Shadow &amp; LAT : +€228M</li> <li>▪ Other exceptional elements: +€7M</li> <li>▪ Tax: -€97M</li> </ul> </li> </ul>	
Business units (IFRS)		Non-Life		Life	
		<ul style="list-style-type: none"> <li>▪ <b>GWP €1,121M</b></li> <li>▪ <b>Operational result €220M</b></li> <li>▪ <b>COR 86.6%</b></li> </ul>		<ul style="list-style-type: none"> <li>▪ <b>GWP €759M</b></li> <li>▪ <b>Operational result €52M</b></li> </ul>	
Other key indicators		Equity (IFRS)	Debt ratio (IFRS)	Solvency II	U/R gains (BGAAP)
		<ul style="list-style-type: none"> <li>▪ <b>€2,459M</b>, from €2,305M in 2016</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>17.3%</b> vs 18.0% end 2016</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>181.9%</b> vs 145.9% end 2016</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>€1,517M</b>, down from €1,729M in 2016 more than compensated by a positive impact on the valuation of liabilities under SII vs BGAAP (reduction of the gap between those referentials)</li> </ul>
Investment portfolio (IFRS)		<ul style="list-style-type: none"> <li>▪ <b>€16.7B total investment portfolio o.w. :</b> <ul style="list-style-type: none"> <li>▪ <b>81.4% invested in bonds</b> (o.w. 60% government bonds, o.w. 93% rated BBB or higher)</li> <li>▪ <b>2.8% held in cash</b></li> <li>▪ <b>4.6% in shares</b> (incl. funds &amp; participations)</li> <li>▪ <b>3.0% in real estate</b> - office buildings and nursing homes (cash flow guaranteed over the long term)</li> </ul> </li> </ul>			

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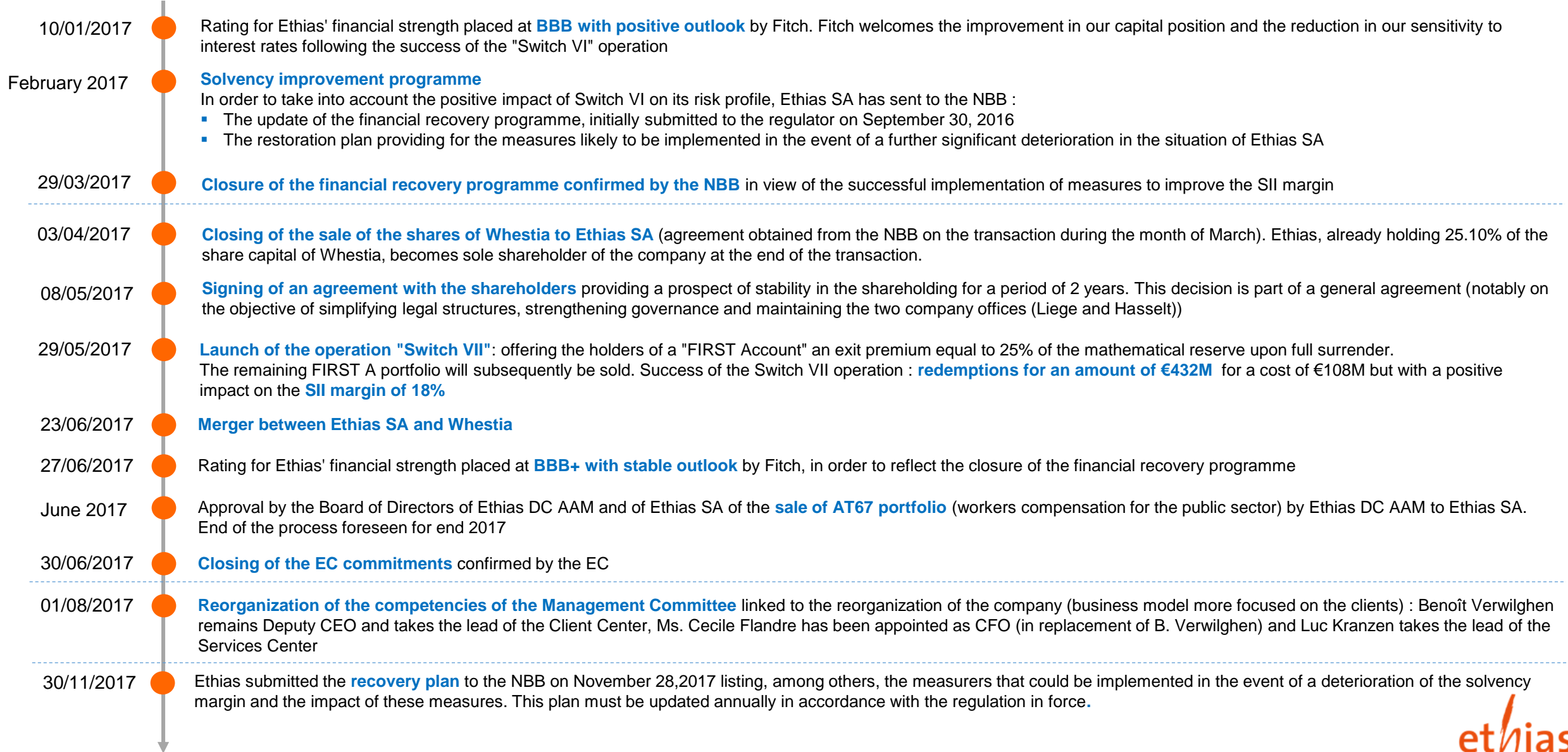
- Key Q3 2017 highlights
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# Key events in Q3 2017





# Agenda

- Key Q3 2017 highlights
- Main events in Q3 2017
- **Financial performance BGAAP <sup>1</sup>**
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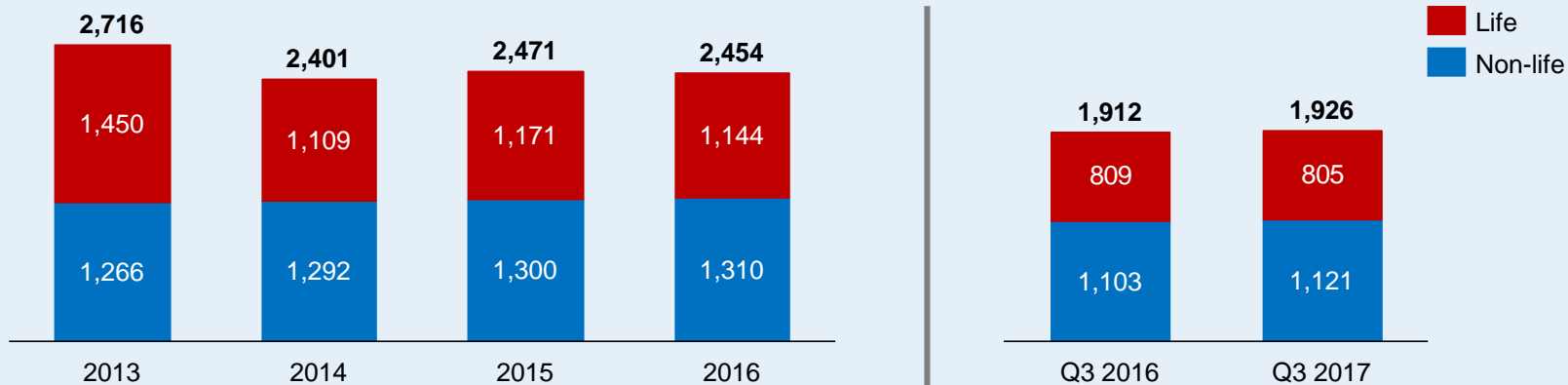
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# BALANCED NON-LIFE/LIFE INFLOWS DESPITE DISCONTINUATION OF LIFE INDIVIDUALS

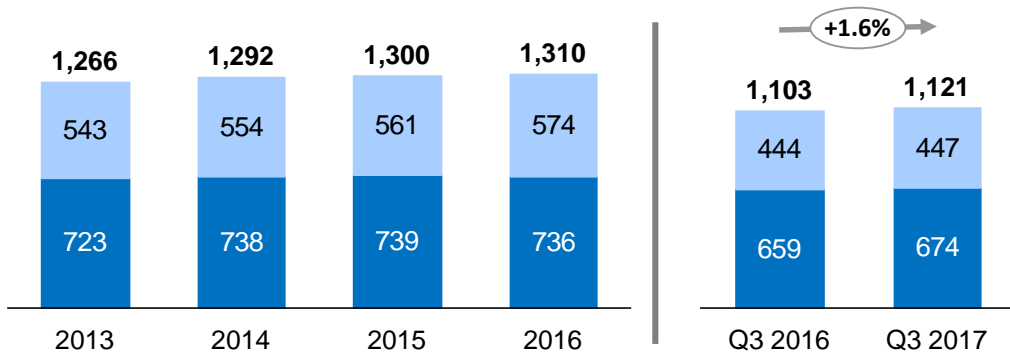
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Evolution of GWP (€M)



Evolution of Non-Life GWP (€M)

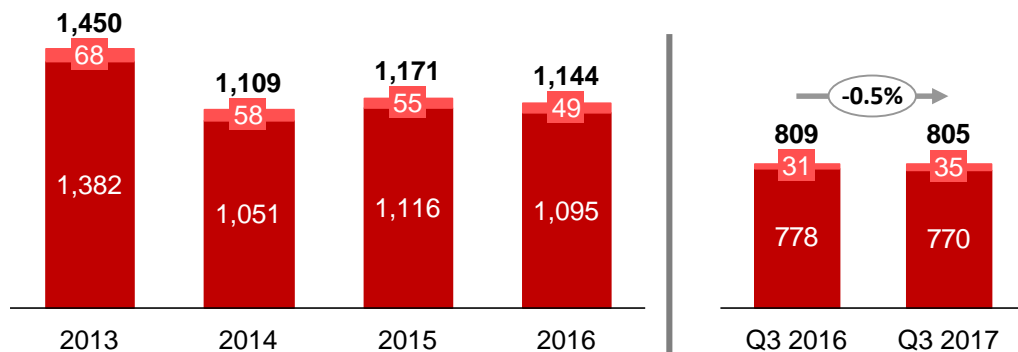
Individuals Public and Corporate Sector



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

Evolution of Life GWP (€M)

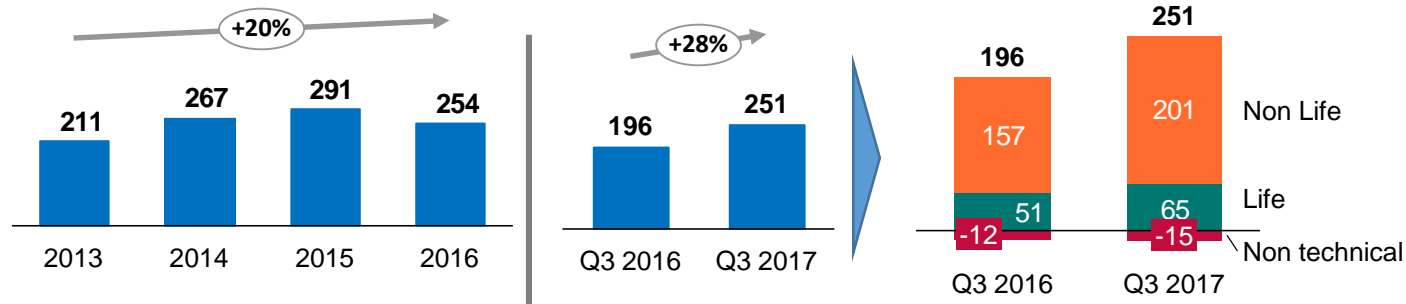
Individuals Public and Corporate Sector



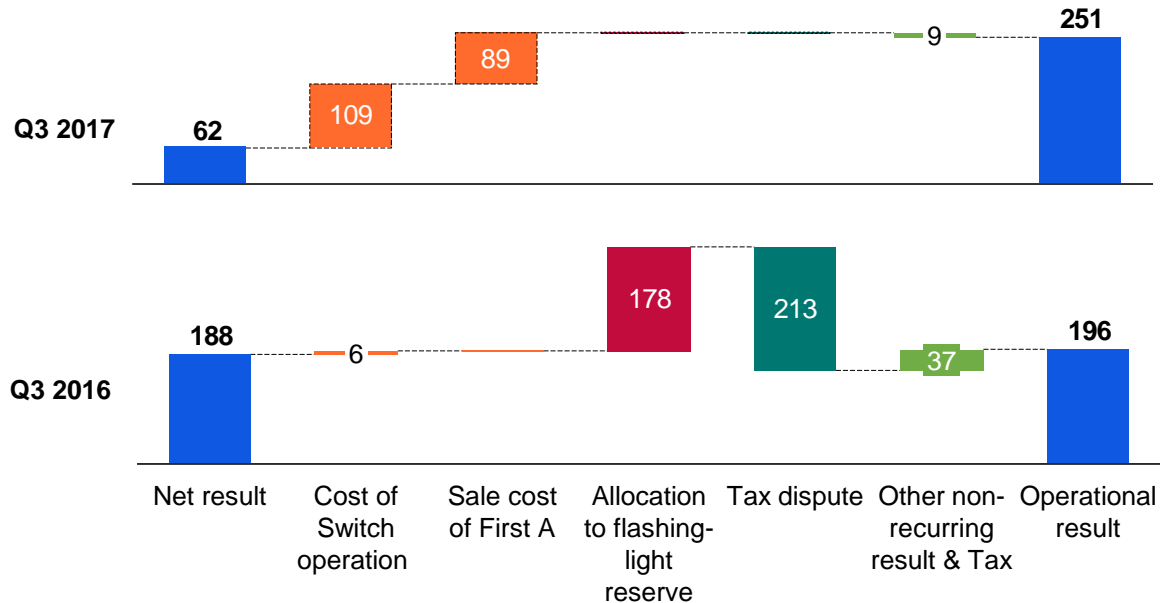
- High 2013 GWP of €1.4 billion of Life for Public & Corporate Sector impacted by one-offs (unique premiums)
- Few new business: life individuals in run-off and life group impacted by low interest rates environment

# EVOLUTION IN OPERATIONAL RESULT

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



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



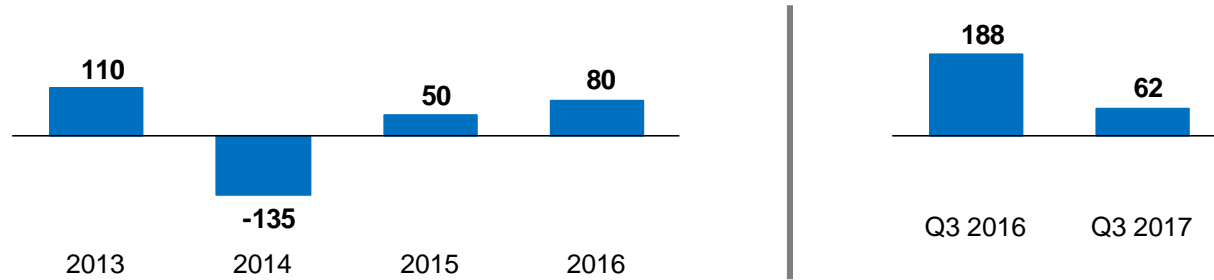
- **Strong increase in operational result between Q3 2016 et Q3 2017** namely due to the improvement of loss ratio in Auto and Fire.
- **Strong operational Q3 2017 result of €251M**, after adjusting the reported net result of €62M by the following elements:
  - €(109)M gross costs related to Switch VI and VII
  - €(89)M cost of sale of First A
  - €9M of non-recurring items and tax (namely non-recurring financial revenue (€51M), partly compensated by the provision for the 60+ retirement plan and the risk provision).
- **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
  - Improvement of underwriting
  - Reduction of claim handling costs
  - Strengthening of sales force (omnichannel, digital strategy)

(\*) The NBB has granted the exemption to endow the flashing-light provision for the 2017 financial year following the exemption file introduced by Ethias, and this in compliance with the circular NBB\_2016\_39 issued in October 2016.



# EVOLUTION IN NET RESULT

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



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

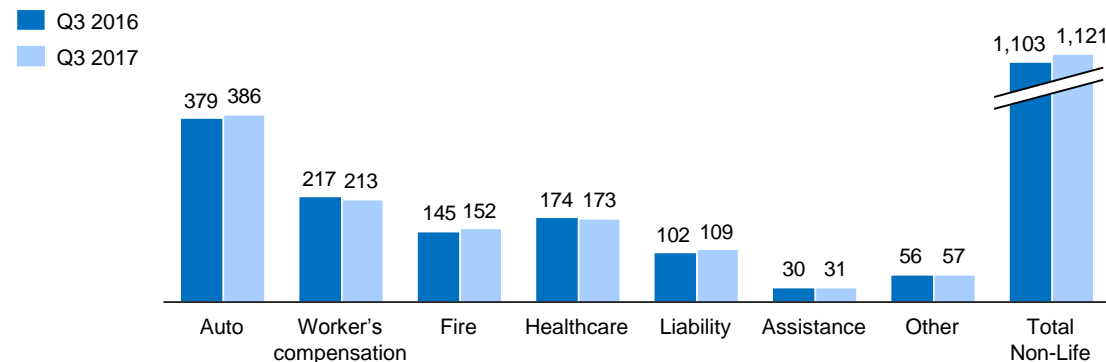
	2013	2014	2015	2016	Q3 2016	Q3 2017
Technical result pre-allocation	235	401	164	117	218	188
o/w Non-Life	208	272	310	272	175	196
o/w Life	27	129	(146)	(155)	43	(8)
Allocation to the flashing-light reserve	(116)	(166)	(166)	(182)	(178)	0
Technical result post-allocation	119	235	(2)	(65)	40	188
o/w Non-Life	202	263	298	255	162	196
o/w Life	(83)	(28)	(300)	(320)	(122)	(8)
Non-technical result	(24)	(366)	56	148	150	(124)
o/w recurring items	(24)	(8)	(5)	(20)	(11)	(14)
o/w financial non-recurring items	0	20	17	3	2	1
o/w non-recurring items (tax dispute)	0	(378)	44	223	213	0
o/w other non-recurring items	0	0	0	(58) <sup>1</sup>	(54) <sup>1</sup>	(111) <sup>2</sup>
Tax	15	(1)	(3)	(3)	(2)	(2)
Transfers and withdrawals from untaxed reserves	0	(3)	(1)	0	0	0
<b>Net result<sup>1</sup></b>	<b>110</b>	<b>(135)</b>	<b>50</b>	<b>80</b>	<b>188</b>	<b>62</b>

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

<sup>2</sup> Mainly the cost of First A sale

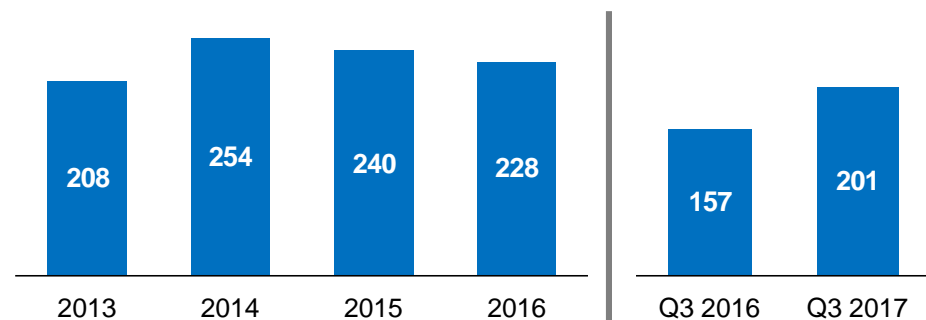
# FOCUS ON NON-LIFE BUSINESS

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



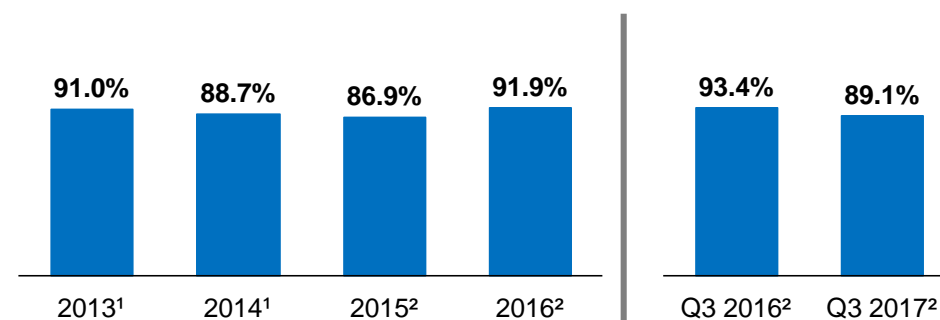
The income collection at end-September 2017 benefits from the increase in prices at end-2016 in Car and from a volume effect in Liability and Worker's compensation for the private sector (increase in new business) that has been offset by the loss of certain contracts in Worker's compensation for the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

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



- Robustness of the Non-Life model given the significant and recurring profitability for several years now
- Increase in non-life operational result in Q3 2017 namely due to the improvement of loss ratio in Auto and Fire

## Net combined ratio of Ethias (BGAAP)

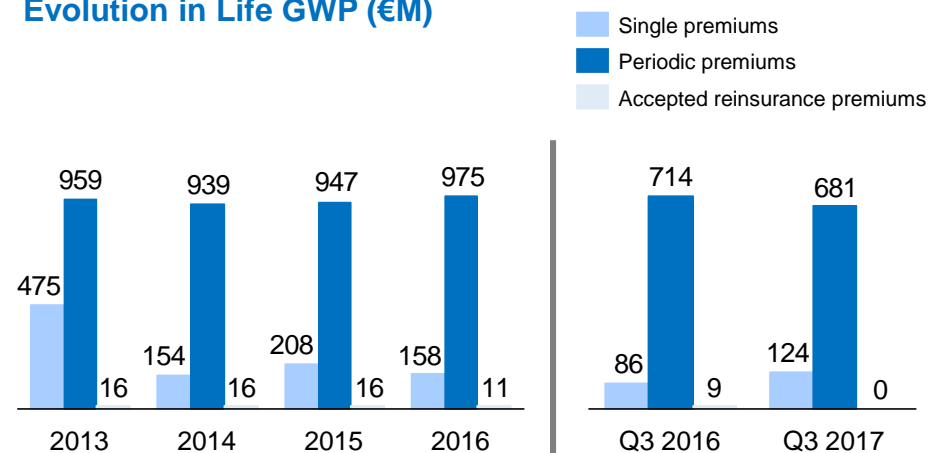


- Net CoR among the best of the Belgian market resulting, on the one hand, from the various optimizations operated since several years in terms of pricing, claims management and management of overheads and, on the other hand, from our distribution model which is primarily direct.
- Net CoR of 2015 impacted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

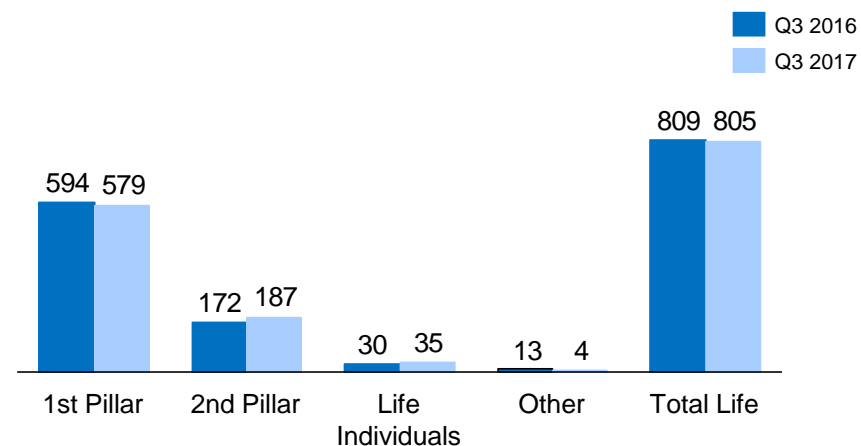
<sup>1</sup> Based on internal calculations ; <sup>2</sup> Based on Assuralia formula

# FOCUS ON LIFE BUSINESS (1/2)

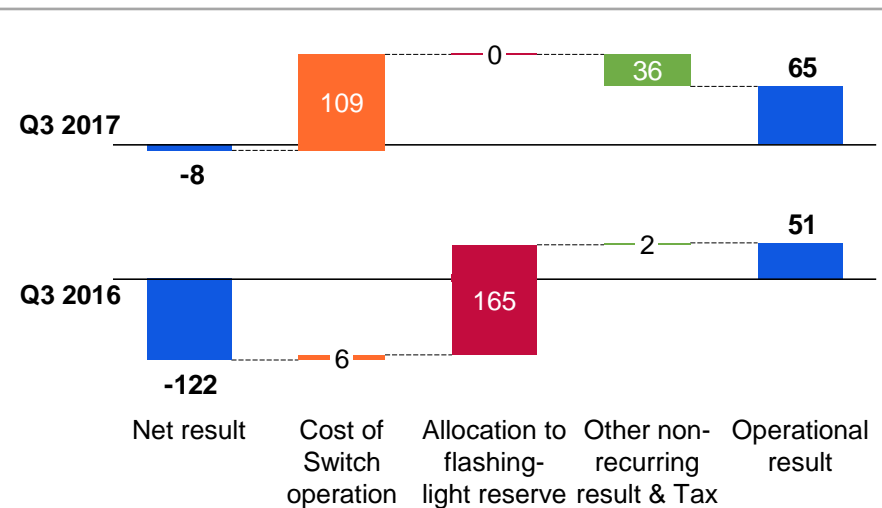
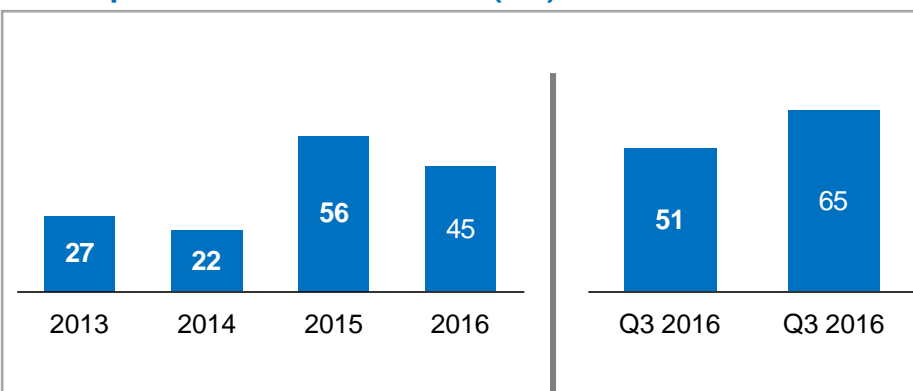
## Evolution in Life GWP (€M)



## Evolution in Life GWP (€M)



## Life operational result BGAAP (€M)

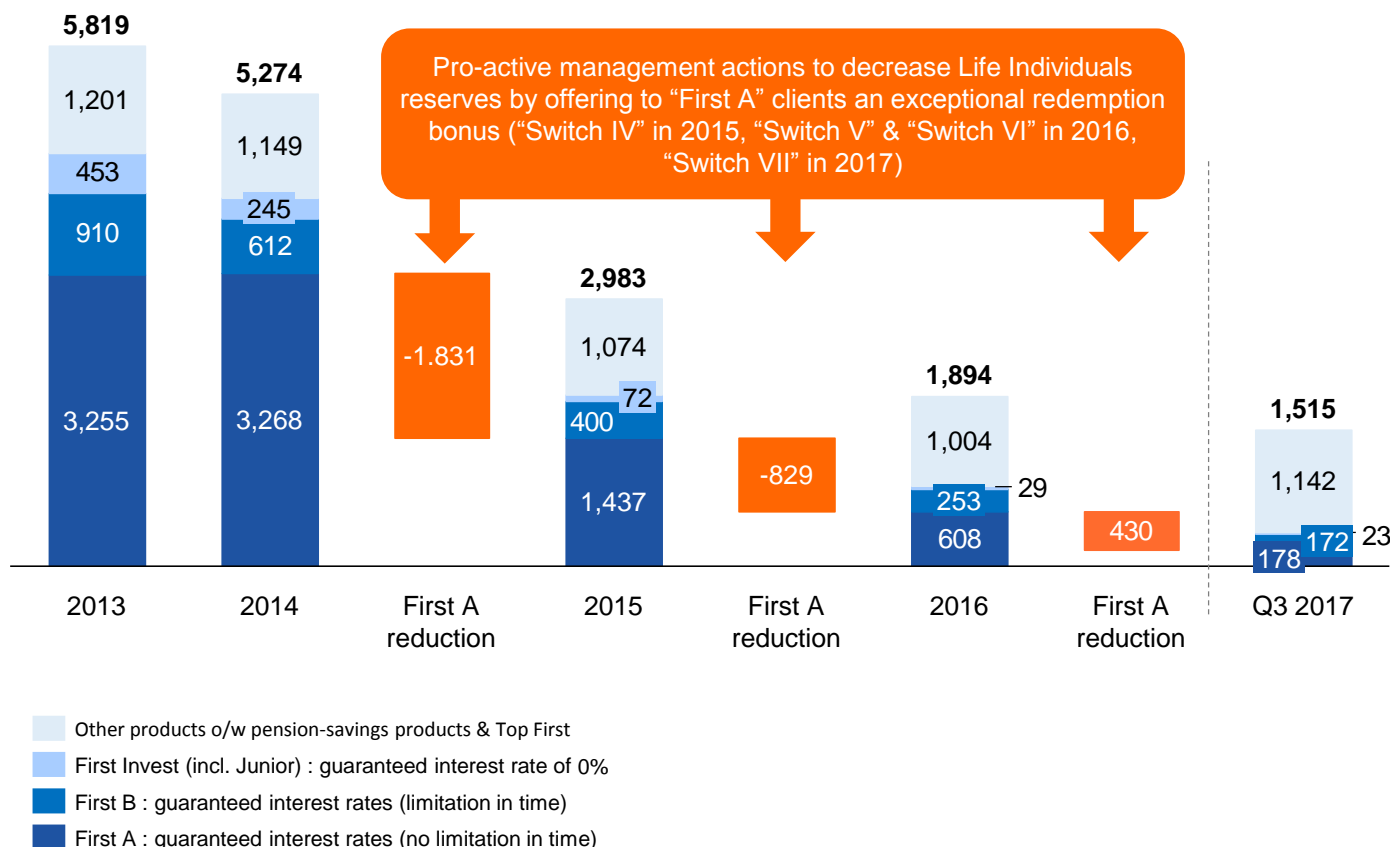


- Life operational result (before allocation to the flashing-light reserve and non-recurring items) has been positive since several years
- Life result mainly impacted by the cost of Switch operation (for 2015 – 2016 - 2017) and the allocation to the flashing-light reserve (for 2013-2016)



# FOCUS ON LIFE BUSINESS (2/2)

## Evolution in Life Individuals reserves (€M)

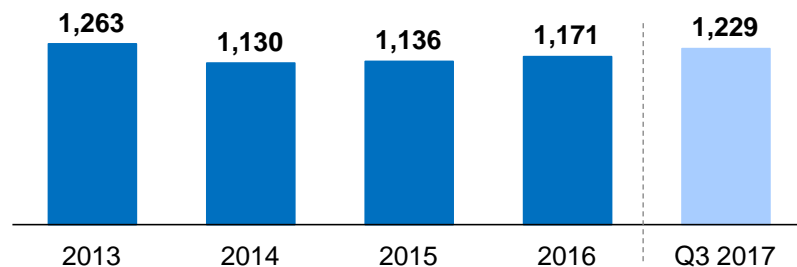


## Impact of redemption offers on First A :

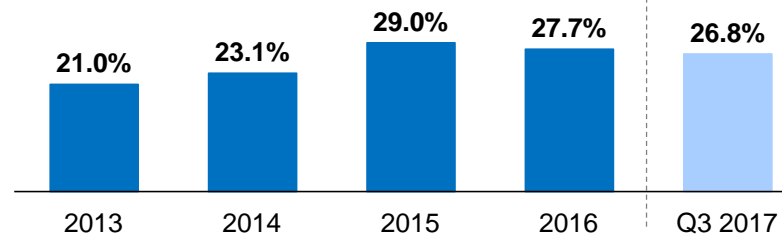
- In Q1 2015 : Switch IV operation (exceptional redemption bonus of 4 years' interest, equivalent to an exit premium of c.14%) with surrenders of €1.9 billion (for a cost of €243M)
- In Q2 2016 : Switch V operation (redemption bonus of 10%) with surrenders of €65M (for a cost of €6M)
- In Q4 2016 : Switch VI (redemption bonus of 25%) with surrenders of €785M (for a cost of €196M)
- In Q3 2017 : Switch VII (redemption bonus of 25%), with surrenders of €432M (for a cost of €108M)
- The surrenders recorded as per end of September 2017, combined with the interest capitalization on existing contracts involve a reduction of reserves for an amount of €430M compared to end 2016. Since 2014, First A reserves have been reduced by 95%
- All those Switch operations impact positively our SII ratio (+25% for Switch IV, +24% for Switch VI and +18% for Switch VII) and our duration gap
- No change in the average guaranteed interest rate of First A: 3.46% as per end of December 2016 and as per end of September 2017
- Note that the increase in the level of reserves for other products is linked to the takeover of Whestia

## OTHER KEY ELEMENTS

Evolution in equity (€M)

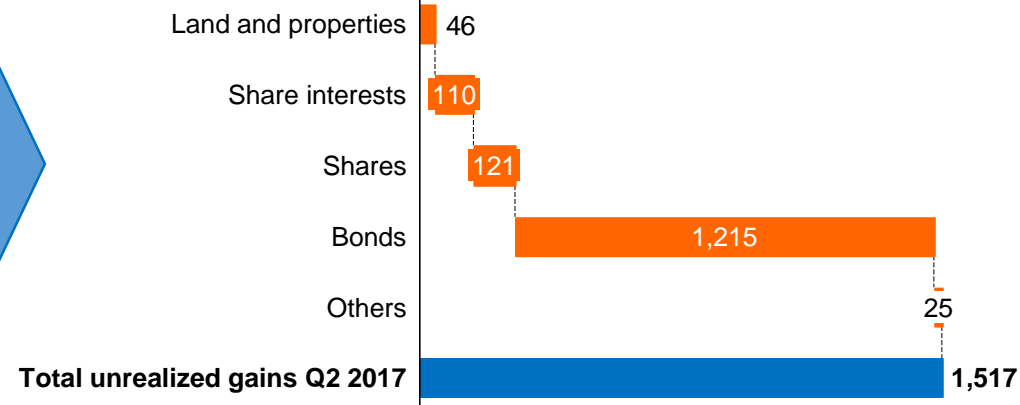
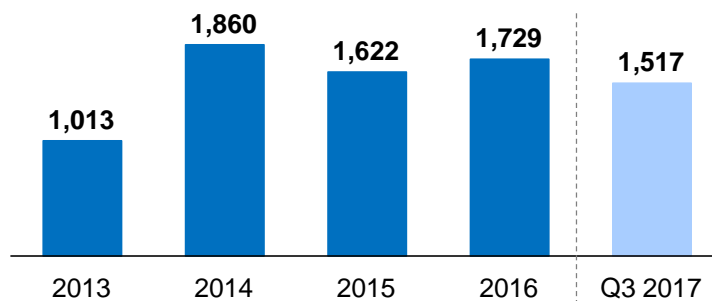


Evolution in debt ratio



- Deterioration of debt ratio in 2015 following the issuance of additional bonds for an amount of € 170.8M in par value
- Increase in the debt ratio in Q3 2017 due to the decrease in equity. Note that this ratio does not include the collateral received (€3M) 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 repos (€327M) concluded in the context of liquidity management for Switch operations

Evolution in unrealized gains (€M)



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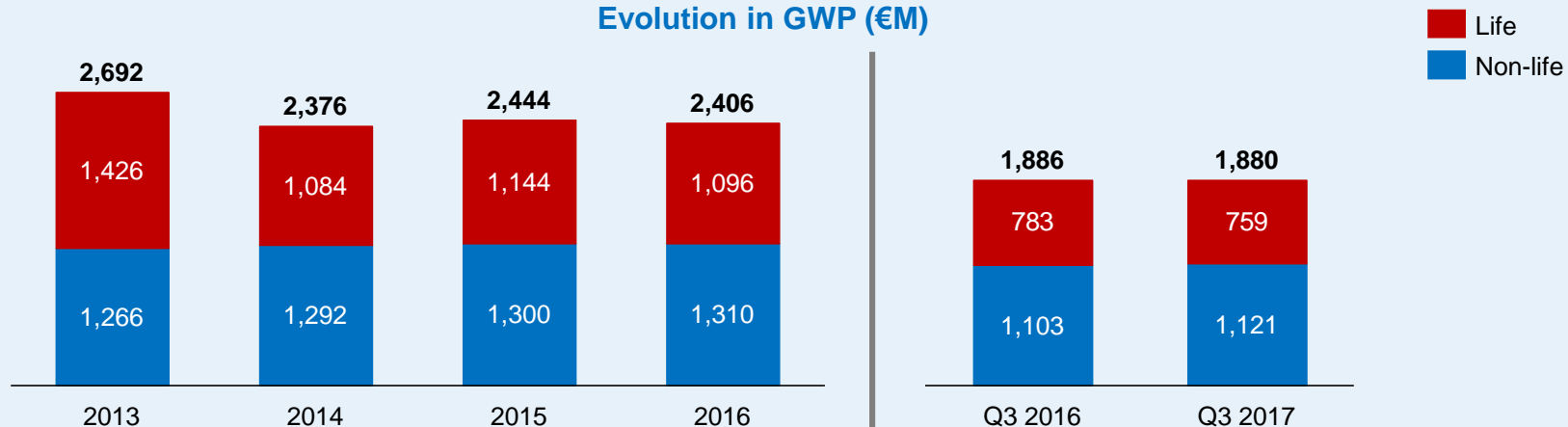
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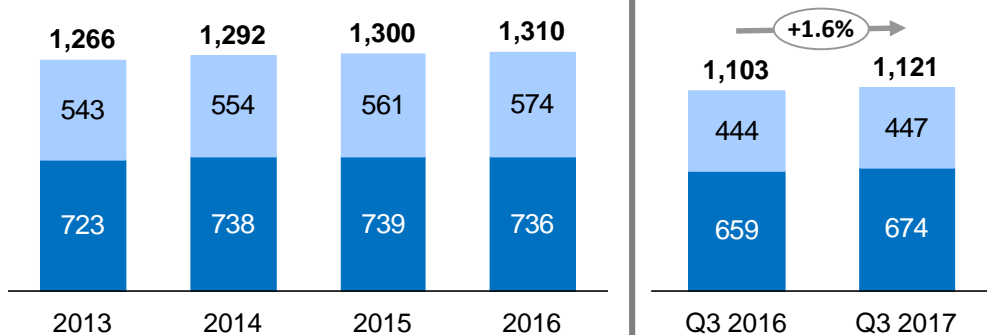
# BALANCED NON-LIFE/LIFE INFLOWS DESPITE DISCONTINUATION OF LIFE INDIVIDUALS

Evolution in GWP (€M)



Evolution in Non-Life GWP (€M)

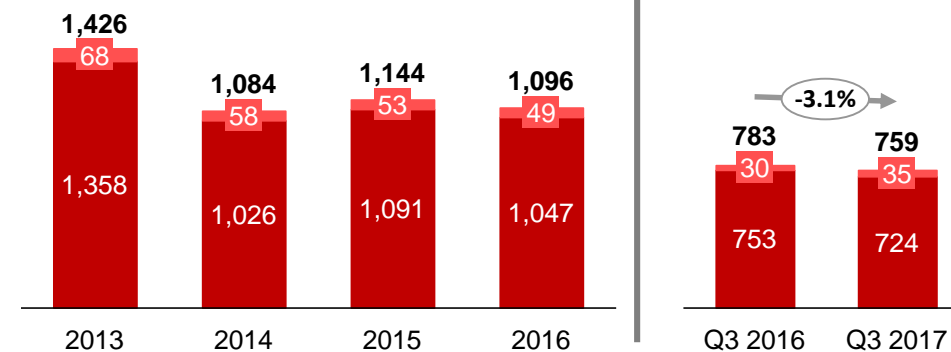
Individuals Public and Corporate Sector



- Steady increase of Non-Life GWP

Evolution in Life GWP (€M)

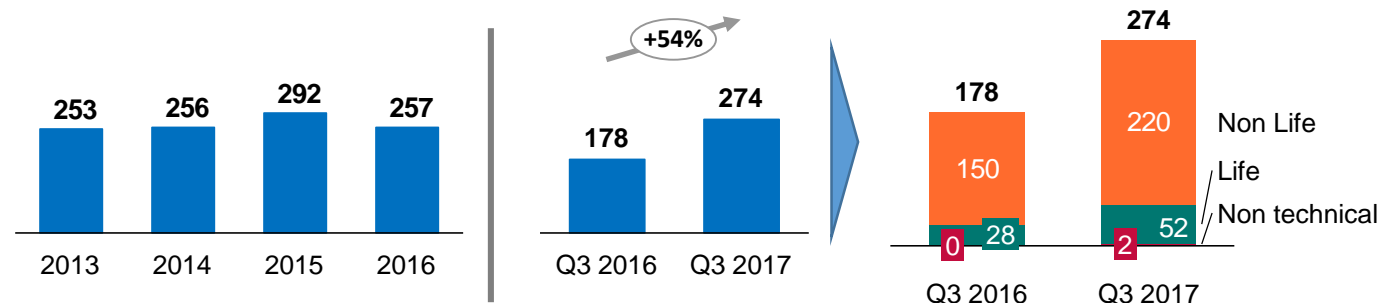
Individuals Public and Corporate Sector



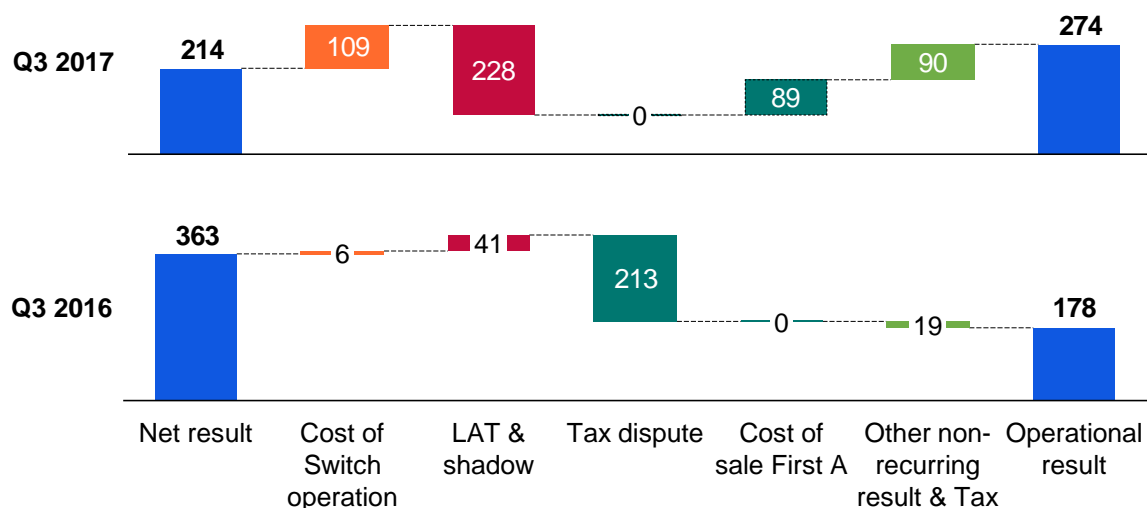
- High 2013 GWP of €1.4 billion of Life for Public & Corporate Sector impacted by one-offs (unique premiums)
- Few new business: life individuals in run-off and life group impacted by low interest rates environment

# EVOLUTION IN OPERATIONAL RESULT

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



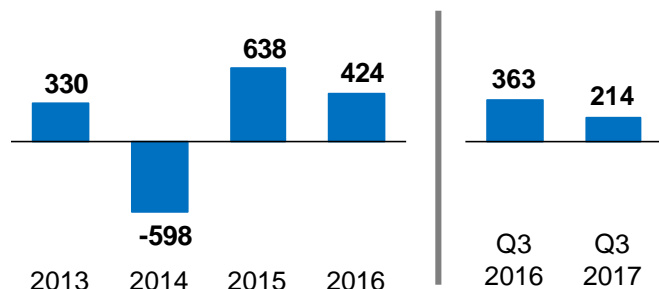
## Evolution in operational result under IFRS (€M) - Breakdown



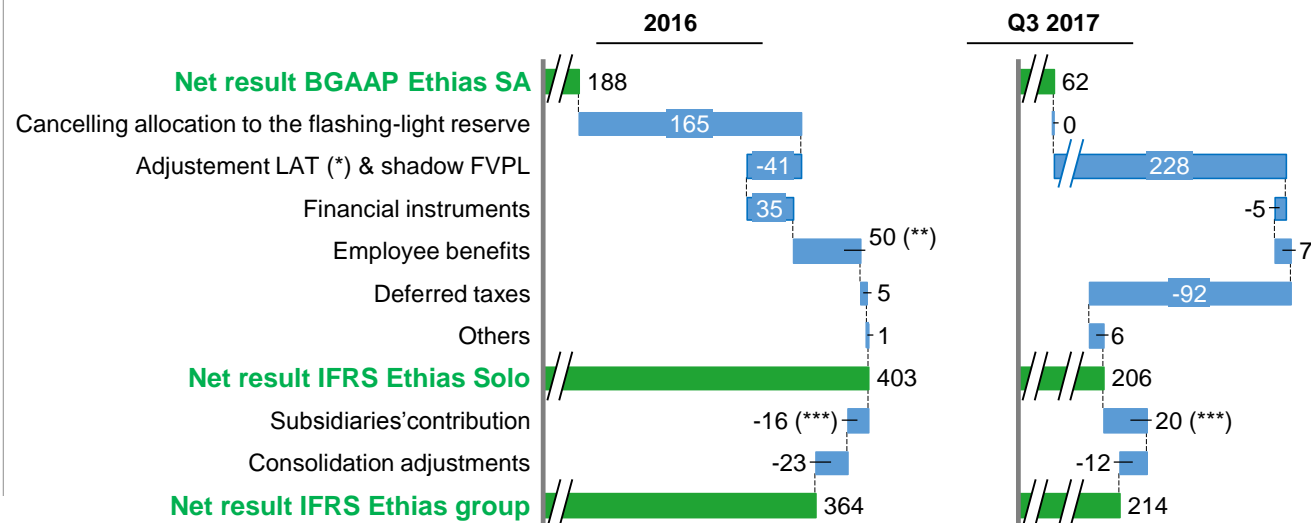
- **Strong increase in operational result between Q3 2016 et Q3 2017** namely due to the improvement of loss ratio in Auto and Fire.
- **Strong Q3 2017 operational result of €274M**, after adjusting the reported net result of €214M by the following elements:
  - Profit of 251 MEUR generated by the adjustment of the life provisions following the adequacy test of the reserves (LAT), essentially thanks to the success of the Switch VII operation and the anticipation of the sale of the First A portfolio
  - The valuation of some securities in market value – shadow FVPL (impact of -€23M)
  - The gross cost related to “Switch VI and VII” (impact of -€109M)
  - The assessed cost relative to the sale of First A portfolio (-€89M)
  - Other non-recurring items (€7M), essentially financial non-recurring items
  - Taxes of -€97M
- 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
  - Improvement of underwriting
  - Reduction of claim handling costs
  - Strengthening of sales force (omnichannel, digital strategy)

# EVOLUTION OF NET RESULT UNDER IFRS (€M)

Evolution in net result under IFRS (€M)



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



The NBB has granted the exemption to endow the flashing-light provision for the 2017 financial year following the exemption file introduced by Ethias, and this in compliance with the circular NBB\_2016\_39 issued in October 2016.

Breakdown of net result under IFRS (€M)

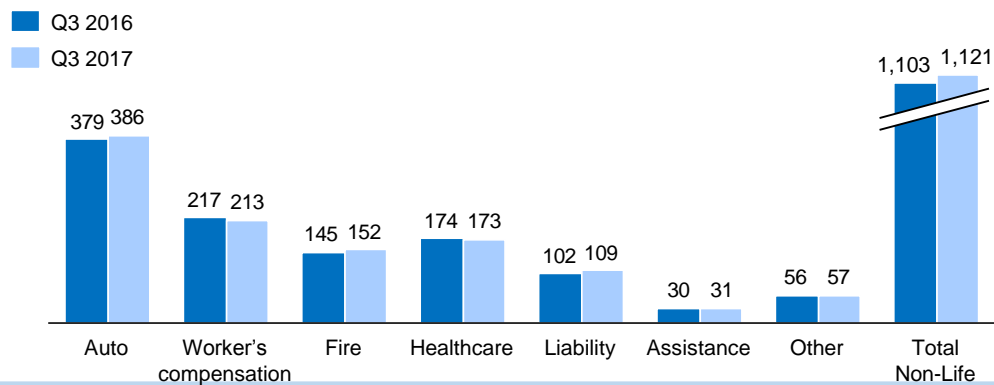
	2013	2014	2015	2016	Q3 2016	Q3 2017
Technical result	366	(439)	630	340	185	422
o/w Non-Life	233	242	306	278	165	231
o/w Life	133	(681)	324	62	20	191
Non-technical result	(6)	(326)	95	182	201	(111)
o/w recurring items	(6)	32	30	(19)	1	3
o/w financial non-recurring items	0	20	17	2	(1)	(3)
o/w non-recurring items (tax dispute)	0	(378)	44	225	213	0
o/w other non-recurring items	0	0	4	(26)	(12)	(111)
Tax	(30)	167	(87)	(98)	(23)	(97)
<b>Net result</b>	<b>330</b>	<b>(598)</b>	<b>638</b>	<b>424</b>	<b>363</b>	<b>214</b>
For reference :						
<b>Net result BGAAP</b>	<b>110</b>	<b>(135)</b>	<b>50</b>	<b>80</b>	<b>188</b>	<b>62</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



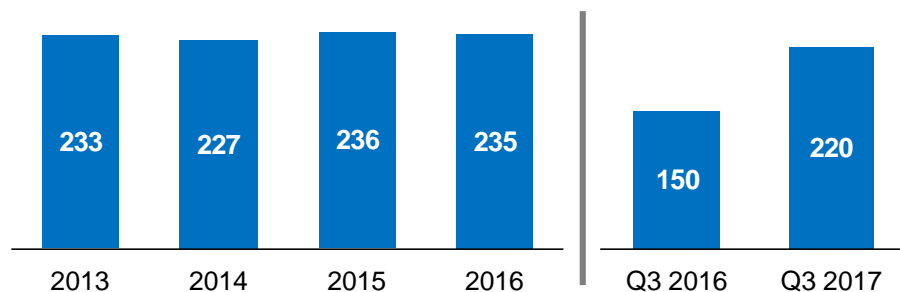
# FOCUS ON NON-LIFE BUSINESS

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



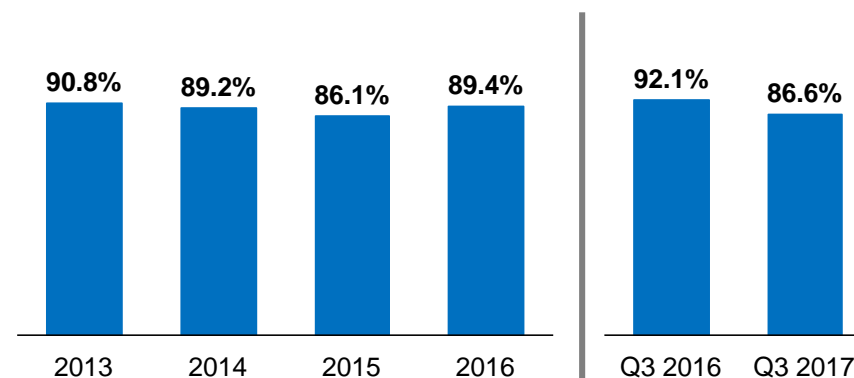
The income collection at end-September 2017 benefits from the increase in prices at end-2016 in Car and from a volume effect in Liability and Worker's compensation for the private sector (increase in new business) that has been offset by the loss of certain contracts in Worker's compensation for the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

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



- Robustness of the Non-Life model given the significant and recurring profitability for several years now
- Increase in non-life operational result in Q3 2017 namely due to the improvement of loss ratio in Auto and Fire

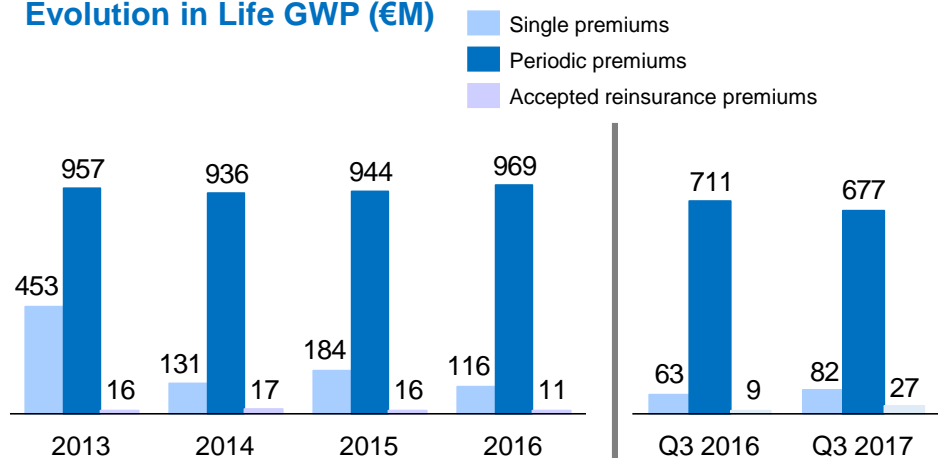
## Net combined ratio (IFRS)



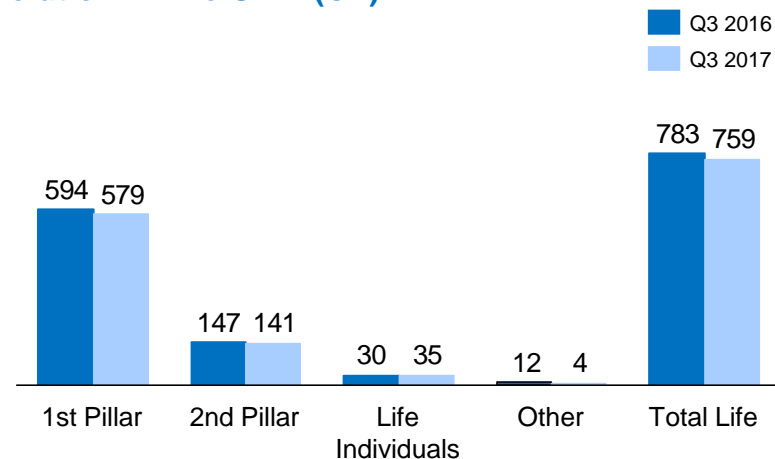
- Net CoR among the best of the Belgian market resulting, on the one hand, from the various optimizations operated since several years in terms of pricing, claims management and management of overheads and, on the other hand, from our distribution model which is primarily direct
- Net CoR of 2015 impacted by exceptional technical elements
- Net CoR generally lower than the one under BGAAP mainly due to a different accounting process of payroll costs (IAS19)

# FOCUS ON LIFE BUSINESS (1/3)

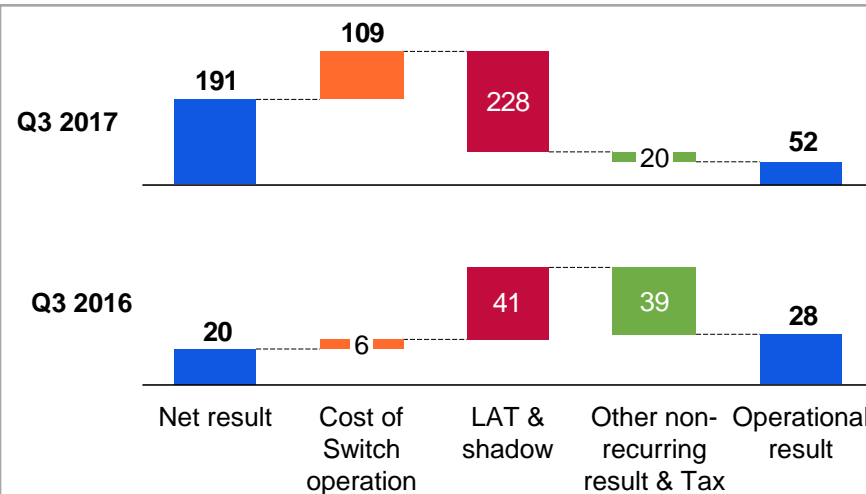
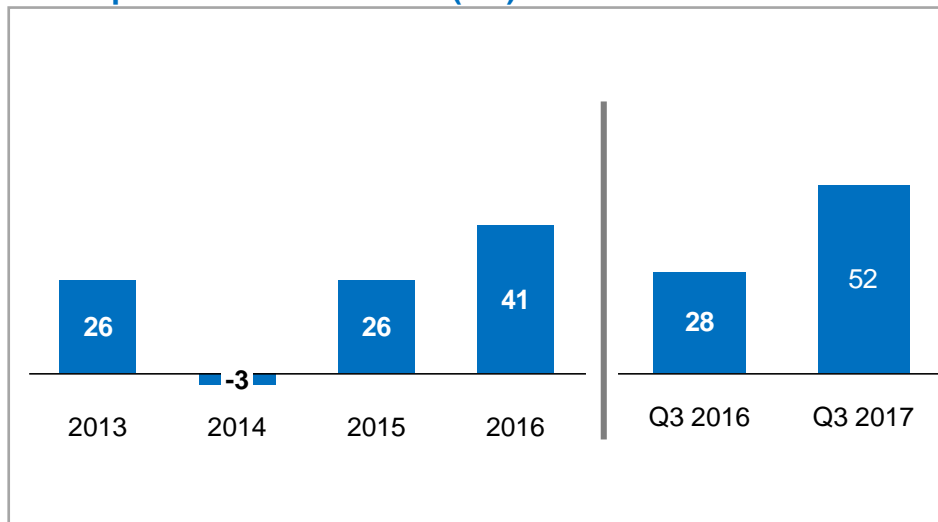
## Evolution in Life GWP (€M)



## Evolution in Life GWP (€M)



## Life operational result IFRS (€M)

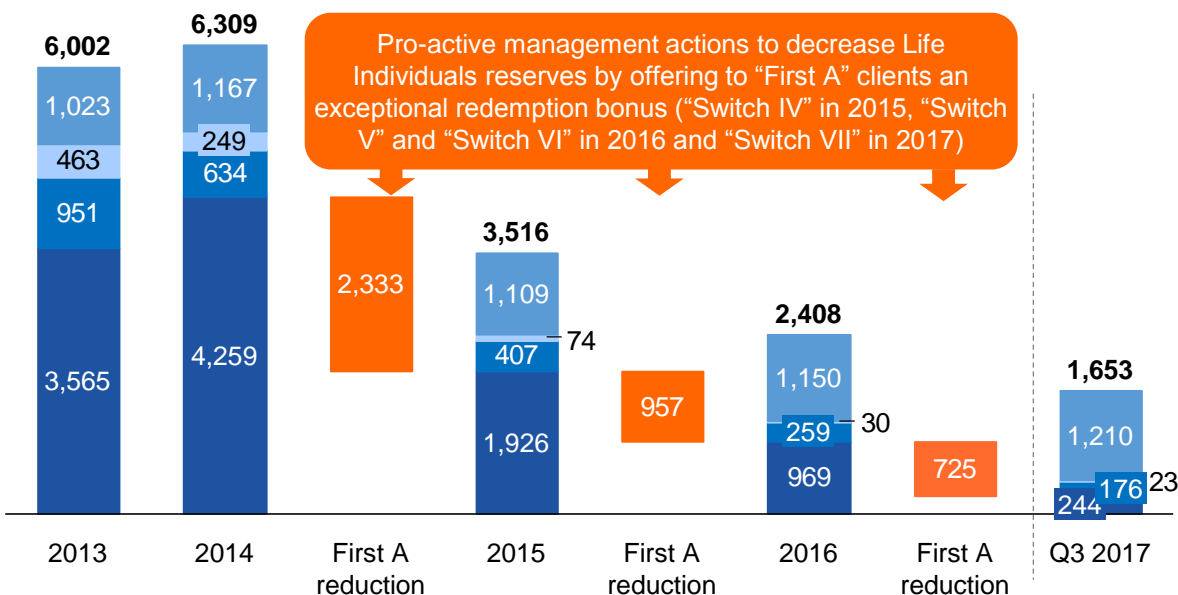


- With the exception of 2014, the Life result (excluding non-recurring items) is positive over the period 2013-2016

# 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

	31/12/2016			30/09/2017		
	Assets Duration	Liab. Duration	Duration gap	Assets Duration	Liab. Duration	Duration gap
Total Life	9.20	15.91	(2.81)	8.11	12.85	-0.53
Total Non-Life	4.64	5.73	0.79	4.87	5.32	1.30
TOTAL			(1.68)			0.06

## 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)
- In Q3 2017 : Switch VII (redemption bonus of 25%), with surrenders of €432M (for a cost of €108M)
- The surrenders recorded as per end of September 2017, combined with the interest capitalization on existing contracts involve a reduction of reserves for an amount of €725M compared to end 2016. Since 2014, First A reserves have been reduced by 94%
- All those Switch operations impact positively our SII ratio (+25% Switch IV, +24% Switch VI, +18% Switch VII) and our duration gap
- No change in the average guaranteed interest rate of First A : 3.46% as per end of December 2016 and as per end of September 2017

- Several actions have been undertaken since 2015 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)

## FOCUS ON LIFE BUSINESS (3/3)

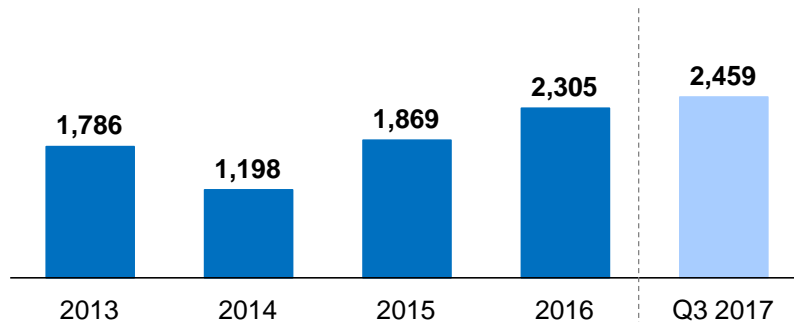
### Breakdown of reserves per guaranteed interest rates

	2015	2015	2016	2016	30/09/2017	
Ethias Life	Book reserves (IFRS)	Average guaranteed interest	Book reserves (IFRS)	Book reserves (IFRS)	Book reserves (IFRS)	Average guaranteed interest
First A	1.925.970.430	3,44%	968.849.783	3,46%	243.515.554	3,46%
First B	406.790.209	1,47%	259.024.890	0,72%	175.632.796	0,96%
First Invest	73.620.273	0,00%	29.610.940	0,00%	22.967.942	0,00%
Others	1.109.896.553	3,26%	1.150.874.495	3,15%	1.210.493.497	3,11%
Total Life Retail	3.516.277.465	3,08%	2.408.360.108	2,97%	1.652.609.789	2,85%
Total Group Life	8.742.854.480	2,61%	8.584.803.849	2,50%	8.242.667.481	2,05%
Branch 23 (Retail)	102.482.328		70.843.704		69.848.559	
Branch 23 (Group)	256.596.012		337.545.072		677.547.599	
Accepted Reinsurance	136.670.422		132.898.206		3.425.869	
Total Life reserves	12.754.880.707		11.534.450.938		10.646.099.297	

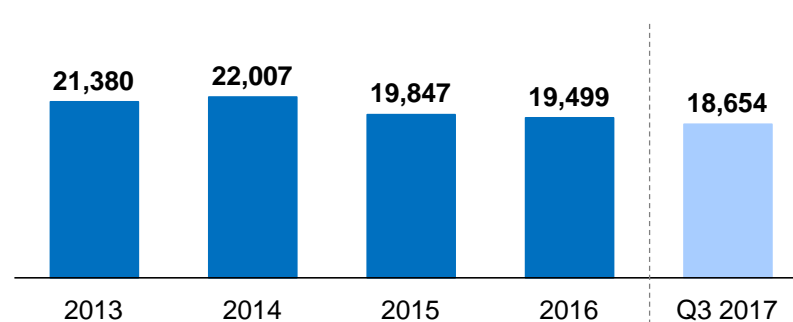


# OTHER KEY ELEMENTS

### Evolution in equity (€M)

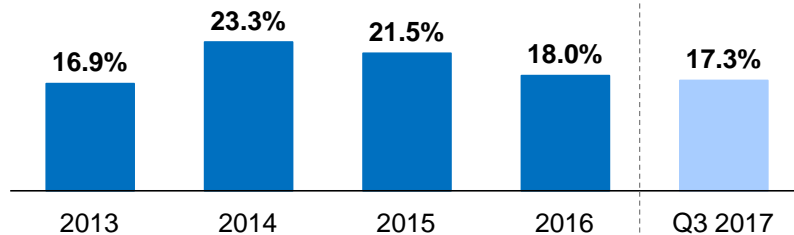


### Evolution in total assets (€M)



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

### Evolution in debt ratio



- The Q3 2017 ratio does not include the collateral received (€3M) 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 repos (€327M) concluded in the context of liquidity management for Switch operations

# Agenda

- Key Q3 2017 highlights
- Main events in Q3 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

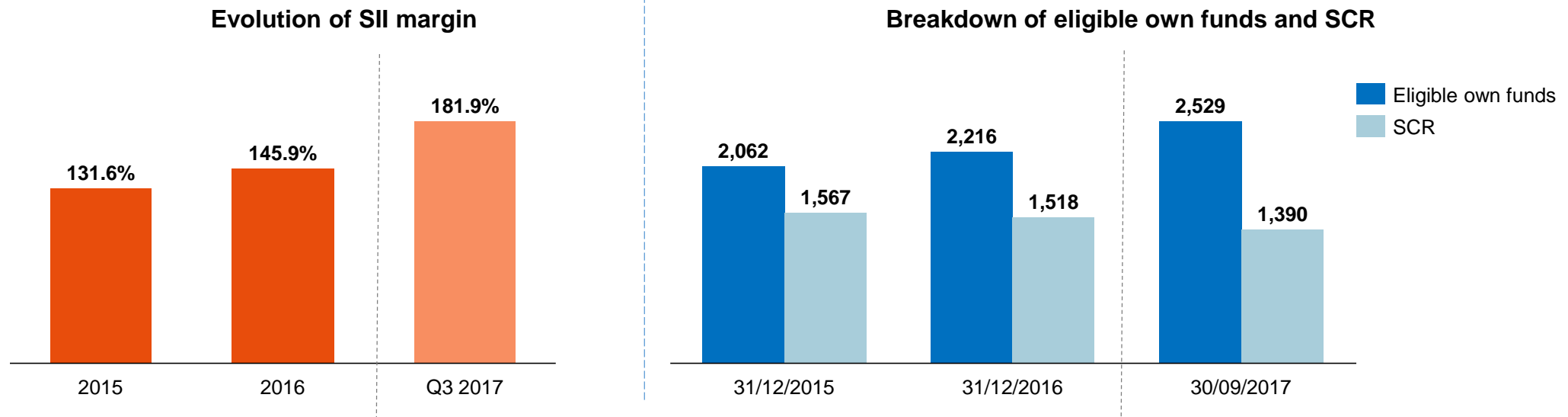
<sup>1</sup> Figures as per end of September 2017 are based on non-audited statutory accounts

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## 8. 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

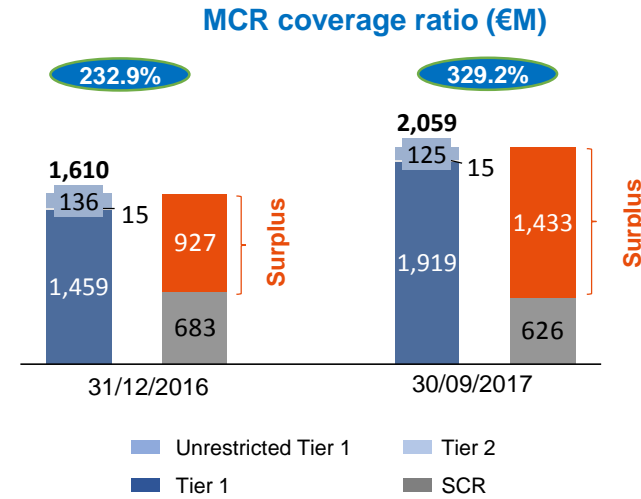
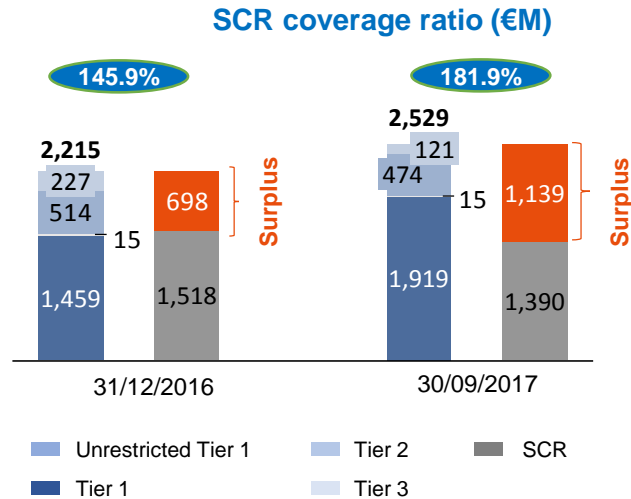
Increase in SII margin thanks to:

- 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%.
- Switch VII operation launched in May 2017 (holders of First A were offered an exceptional redemption bonus of 25%) with surrenders of €432M for a cost of €108M and an SII impact of +18%

SII margin at the end of September 2017 takes into account the sale of remaining First A portfolio and a forecast of €150M dividend

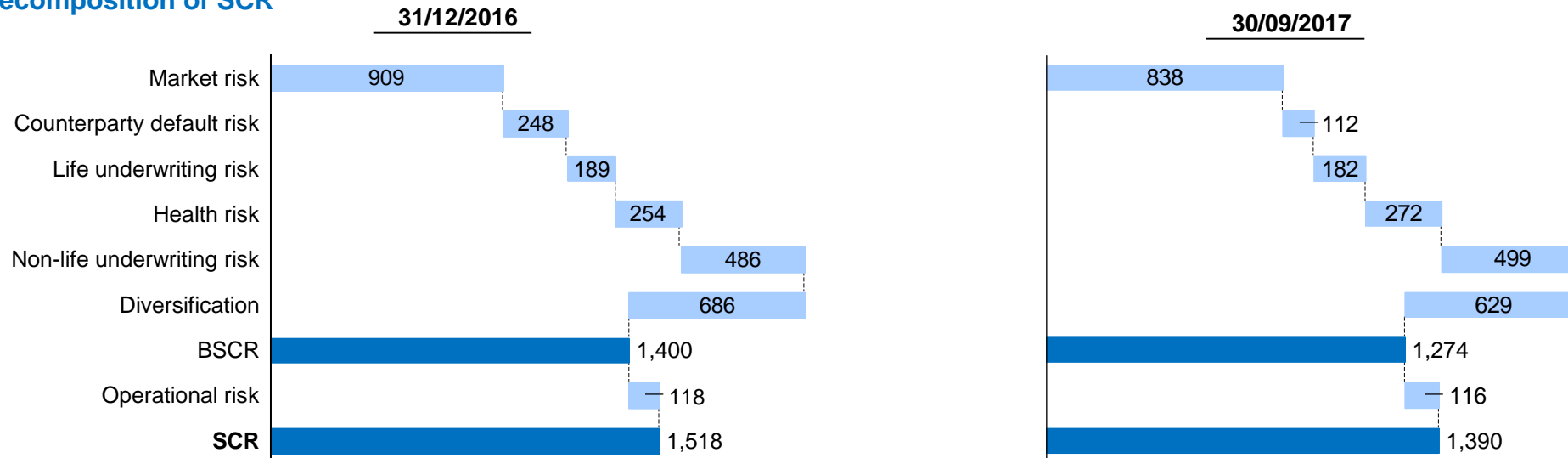
## 8. SOLVENCY II – WITH USE OF THE STANDARD FORMULA (2/2)

### Decomposition of eligible own funds



- **Very high quality capital structure**  
Unrestricted Tier 1 SCR coverage > 100% as of Q3 2017
- Tier 1 capital represents 76% 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 Q3 2017 highlights
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- **Investment portfolio <sup>2</sup>**
- Rating
- Appendix

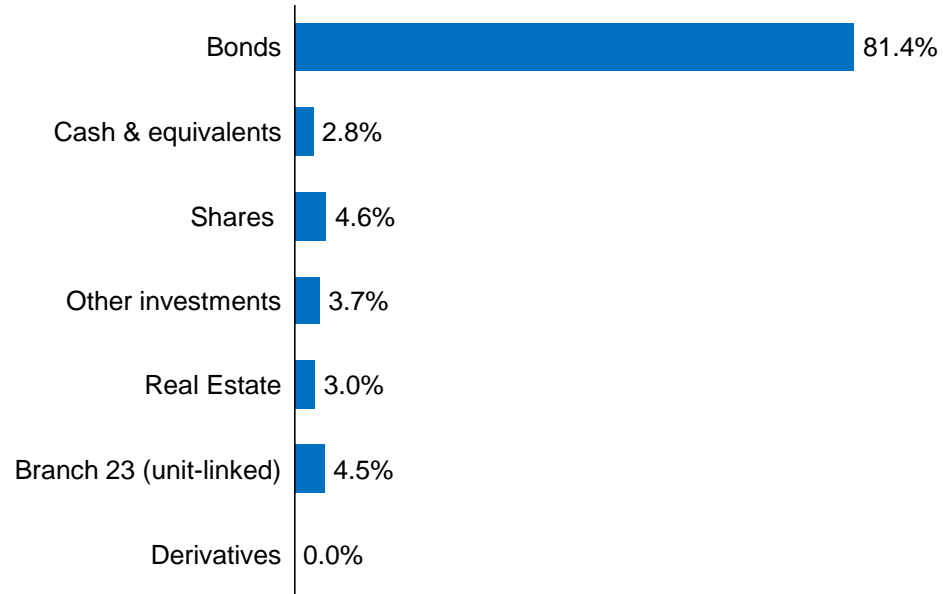
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# TOTAL INVESTMENT PORTFOLIO AS OF 30 SEPTEMBER 2017

## Total investment portfolio by asset class



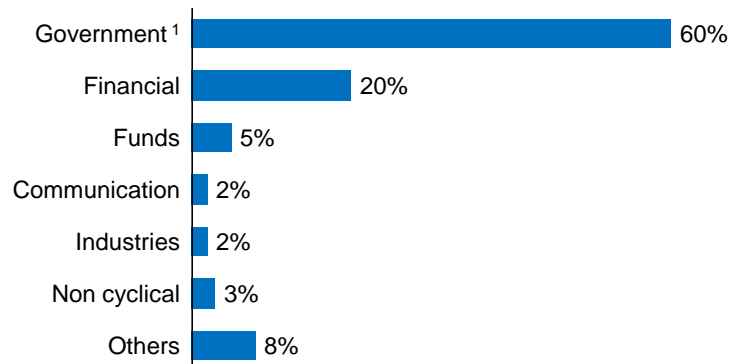
Asset class (€M)	IFRS value
Bonds	13,619
<i>a/w Government bonds</i>	<i>8,127</i>
Cash & cash equivalents	475
Shares (incl. funds & participations)	768
Other investments	613
Real Estate	494
Branch 23 (unit-linked)	747
Derivatives	4 (*)
<b>Total</b>	<b>16,720</b>

(\*) The derivative financial instruments in the liability side amount to EUR 13 million

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

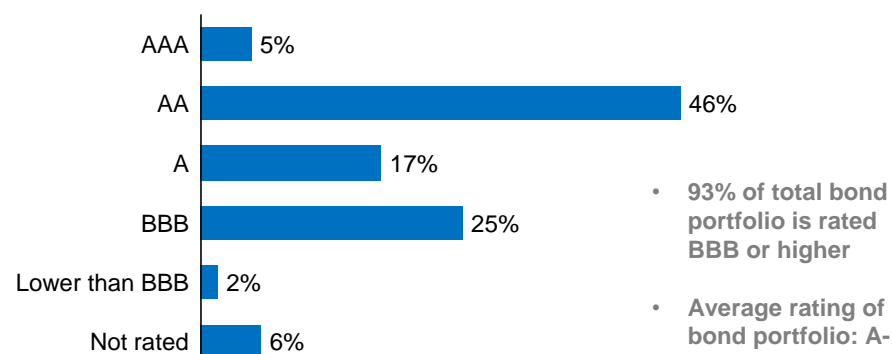
# TOTAL INVESTMENT PORTFOLIO AS OF 30 SEPTEMBER 2017

## Bond portfolio by sector



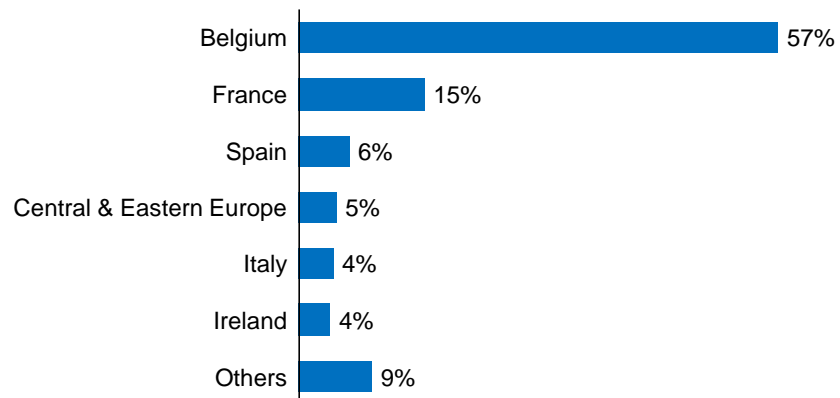
Total Q3 2017 IFRS value = €13,619M

## Bond portfolio by rating



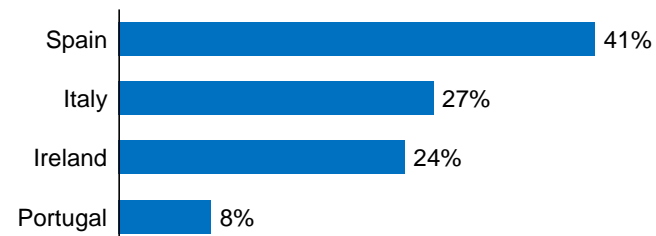
Total Q3 2017 IFRS value = €13,619M

## Government bond portfolio by country



Total Q3 2017 IFRS value = €8,127M

## PIIGS exposure



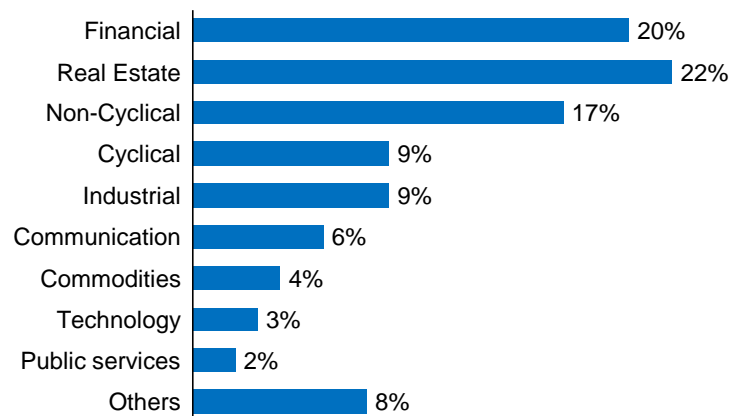
Total Q2 2017 IFRS value = €1,246M

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

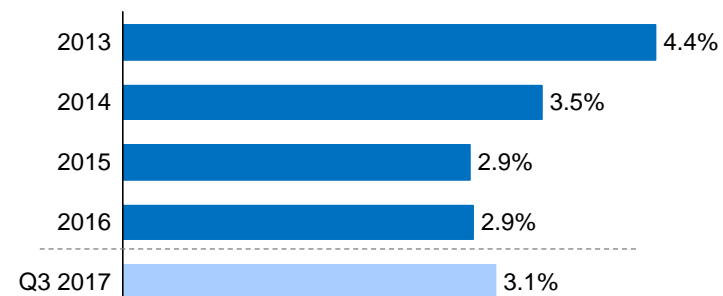
# SHARES (INCL. FUNDS) AND REAL ESTATE PORTFOLIO AS OF 30 SEPTEMBER 2017

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

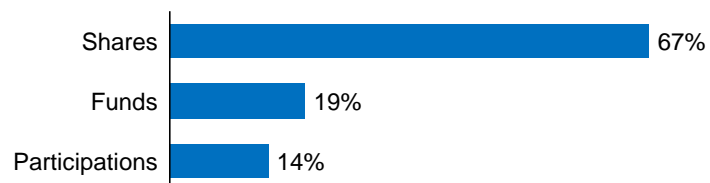


Total Q3 2017 IFRS value = €768M

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

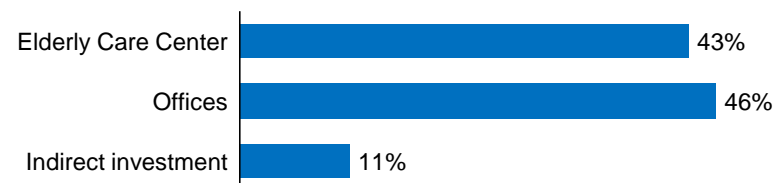


## Shares (incl. funds & participations) by asset class



Total Q3 2017 IFRS value = €768M

## Direct real estate by nature



Total Q3 2017 IFRS value = €494M

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

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- **Rating**
- Appendix

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# Rating overview



Insurer Financial Strength

**BBB+**

Stable Outlook

Long-Term Issuer Default Rating

**BBB**

Stable Outlook

Subordinated Debt Rating

**BB+**

Last review

27 June 2017

*"The upgrades reflect the completion of Ethias's recovery plan in May 2017 and resulting strengthening of capital profile and reduced exposure to interest rate risk"*

Fitch June 27th, 2017

## Selected extracts from Fitch report (07/2017):

**"Strong Non-Life Performance:** Fitch considers Ethias' non-life financial performance strong. The operational non-life IFRS result for Ethias was EUR235 million (2015: EUR236 million). The net combined ratio (calculated in accordance with IFRS) for the group deteriorated slightly to 89.4% in 2016 (2015: 86.1%) but it remains strong compared with peers. Tight control of operating costs remains a key aspect for the group and the combined ratio also benefits from Ethias' direct distribution model."

**"Improving Regulatory Capital:** Fitch considers Ethias group's regulatory capitalization strong. In 2016, Ethias group regulatory Solvency II was 146%, excluding transitional arrangements (132% at end-2015). It improved to 157% in 1Q17 following data enhancements. The target Solvency II ratio for Ethias is 150%."

**"Strong Prism Score:** Ethias' score based on year-end 2016 results in Prism FBM is "Strong", after deduction of the Vitruvin debt. The Prism score has improved since 2014, when it was "Somewhat Weak". The further reduction of the amount of First A reserves (following the Switch V and Switch VI operations in 2016) and the reversal of provisions following an increase in interest rates were beneficial for the Prism FBM score."

**"Exposed to Interest-Rate Risk:** Ethias is exposed to interest-rate risk as life technical liabilities are subject to relatively high minimum guaranteed returns. However, Fitch considers this risk to be reducing as liabilities reduce. Therefore, the agency place limited reliance on the duration gap between assets and liabilities, despite the potential for it to increase with change in business mix."

**"Solid Business Position, Concentration in Belgium:** Ethias has a solid business in the Belgian insurance market. It is the third-largest insurer by gross written premiums (GWP) in 2016, with a 9% market share for all activities combined and 7% in life and 11% in non-life. The company has strong historical links with Belgian local public organisations, with a market share of more than 80% in this sector, and Ethias is the strongest insurance brand in Belgium, with a high satisfaction rate and a loyal customer base."

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# Consolidated balance sheet (IFRS)

	2013	2014	2015	2016	Q3 2017
<b>Assets</b>					
Goodwill	29	30	45	45	60
Other intangible assets	13	14	46	94	116
Properties and other fixed assets	133	132	136	140	137
Investments in associates	25	21	0	1	0
Investments properties	357	391	433	495	494
Financial investments	16.773	17.310	15.912	15.948	15.751
Reinsurers' share of insurance liabilities	141	114	134	122	126
Deferred tax assets	126	279	170	74	0
Receivables arising from insurance operations or accepted reinsurance	1.226	1.269	1.291	1.344	1.246
Receivables arising from ceded reinsurance operations	65	62	57	64	70
Other receivables	634	210	278	179	149
Other assets	286	281	258	242	30
Cash and cash equivalents	1.567	1.893	1.087	751	475
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>18.654</b>
<b>Liabilities</b>					
Share capital	1.000	1.000	1.000	1.000	1.000
Reserves and retained earnings	249	574	-31	557	935
Net profit (loss) of the period	325	-604	633	424	214
Other items of comprehensive income	170	177	233	276	265
<b>Equity of the Group</b>	<b>1.744</b>	<b>1.146</b>	<b>1.835</b>	<b>2.257</b>	<b>2.414</b>
Non-controlling interests	42	52	34	48	45
<b>Total equity</b>	<b>1.786</b>	<b>1.198</b>	<b>1.869</b>	<b>2.305</b>	<b>2.459</b>
Insurance contract liabilities	8.136	8.530	8.607	8.541	8.602
Investment contract liabilities with discretionary participation features	9.470	10.279	7.351	6.197	5.086
Investment contract liabilities without discretionary participation features	0	4	4	4	4
Liabilities belonging to unit-linked insurance contracts	477	416	359	408	747
Profit sharing liabilities	13	21	38	24	2
<b>Insurance and investment contract liabilities</b>	<b>18.096</b>	<b>19.250</b>	<b>16.359</b>	<b>15.174</b>	<b>14.441</b>
Subordinated debts	322	322	454	454	472
Other financial debts	42	46	56	387	389
Employee benefits	537	603	502	535	270
Provisions	149	119	63	30	150
Derivative financial instruments	0	0	20	8	13
Tax payables	35	39	49	52	52
Deferred tax liabilities	4	4	0	21	31
Liabilities from operating activities	186	208	216	227	195
Other liabilities	218	214	259	306	182
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>16.195</b>
<b>Total liabilities</b>	<b>21.380</b>	<b>22.007</b>	<b>19.847</b>	<b>19.499</b>	<b>18.654</b>

# Consolidated income statement (IFRS)

(in €M)	2013	2014	2015	2016	Q3 2016	Q3 2017
Gross premiums	2.692	2.376	2.444	2.406	1.887	1.880
Premiums ceded to reinsurers	-72	-41	-38	-37	-37	-33
Change in the provision for unearned premiums and outstanding risks <sup>1</sup>	-12	-15	-7	-17	-130	-119
Other income from insurance activities	3	4	5	5	4	8
<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>1.724</b>	<b>1.736</b>
Revenues from other activities	163	173	199	384	299	188
<b>Revenues</b>	<b>2.775</b>	<b>2.497</b>	<b>2.603</b>	<b>2.741</b>	<b>2.023</b>	<b>1.924</b>
Investment income	658	621	624	646	511	360
Net realized gains or losses on investments	33	120	34	62	-2	74
Change in fair value of investment through profit or loss <sup>2</sup>	82	22	26	-2	22	35
<b>Net financial income</b>	<b>773</b>	<b>764</b>	<b>684</b>	<b>706</b>	<b>531</b>	<b>469</b>
<b>Net revenues</b>	<b>3.548</b>	<b>3.261</b>	<b>3.287</b>	<b>3.447</b>	<b>2.554</b>	<b>2.393</b>
Benefits and claims	2.633	3.185	2.137	2.326	1.754	1.489
Net expenses or revenues ceded to reinsurers	-26	-15	-48	-15	-18	-5
Management costs <sup>3</sup>	281	285	258	274	218	244
<b>Technical expenses for insurance activities</b>	<b>2.887</b>	<b>3.455</b>	<b>2.347</b>	<b>2.585</b>	<b>1.954</b>	<b>1.728</b>
Expenses for other activities	175	542	201	306	197	308
<b>Operating expenses</b>	<b>3.062</b>	<b>3.997</b>	<b>2.548</b>	<b>2.891</b>	<b>2.151</b>	<b>2.036</b>
Change in depreciation and amortization on investments (net)	25	23	41	-10	-14	7
Other investment financial expenses	83	-11	-45	14	9	14
Finance costs	18	18	20	30	22	23
<b>Financial expenses</b>	<b>126</b>	<b>30</b>	<b>16</b>	<b>34</b>	<b>17</b>	<b>44</b>
<b>Net expenses</b>	<b>3.188</b>	<b>4.027</b>	<b>2.563</b>	<b>2.925</b>	<b>2.168</b>	<b>2.080</b>
Goodwill impairment						
<b>Net profit (loss) before tax</b>	<b>360</b>	<b>-766</b>	<b>724</b>	<b>522</b>	<b>386</b>	<b>313</b>
Income taxes	-30	167	-87	-98	-23	-97
<b>Net profit (loss) after tax</b>	<b>330</b>	<b>-599</b>	<b>637</b>	<b>424</b>	<b>363</b>	<b>216</b>
Investment in associates through profit or loss	0	1	0	0	0	0
Net profit (loss) before tax of available-for-sale companies and of discontinued operations	0	0	1	0	0	0
<b>Net consolidated profit (los) attributable to :</b>	<b>330</b>	<b>-598</b>	<b>638</b>	<b>424</b>	<b>363</b>	<b>216</b>
Owners of the parent	325	-604	633	424	364	214
Non-controlling interests	5	6	5	0	1	2

<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

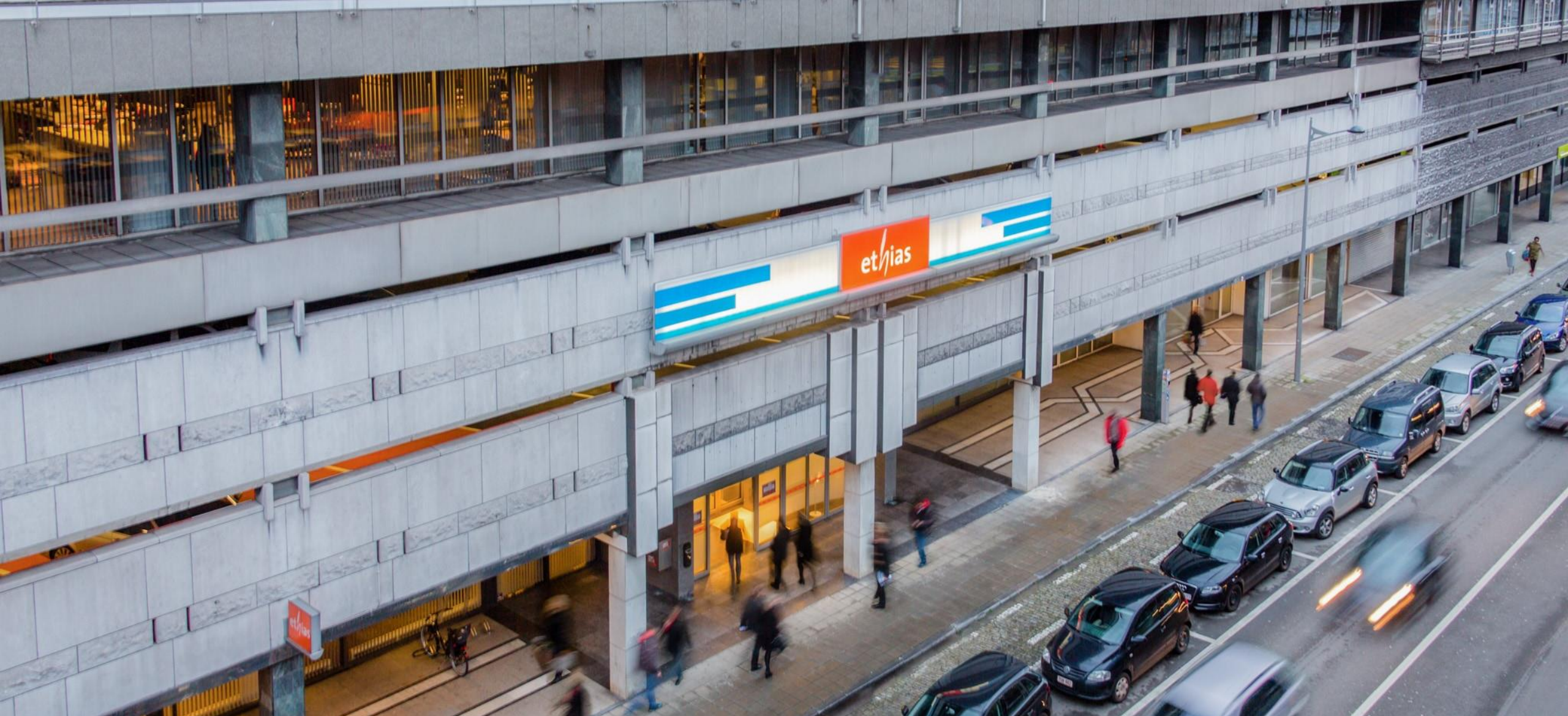
These assessments are, as always, subject to the disclaimer provided below.

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)

