



Annual results
31.12.2017



26.04.2018

Agenda

- **Key 2017 highlights**
- Main events in 2017
- Financial performance BGAAP ¹
- Financial performance IFRS ²
- Solvency II of Ethias SA³
- Investment portfolio ²
- Rating
- Appendix

¹ Figures are based on audited Ethias SA statutory accounts. Figures at end of 2017 are subject to approval by the shareholders meeting in May 2018

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

³ Figures are non audited and are based on Ethias SA solo

Key 2017 highlights

Key events		<ul style="list-style-type: none"> Fitch IFS rating of BBB+ stable outlook Switch VII operation : redemptions for an amount of €432M for a cost of €108M but with a positive impact on the SII margin of 18% Merger between Ethias and Whestia Agreement with the shareholders providing a prospect of stability in the shareholding for a period of 2 years Formal closing of the EC commitments Acquisition of AT67 portfolio (workers' compensation Law 67) of Ethias Droit Commun for a price of 1.5 million 			
Financial results	Operating result	BGAAP – Ethias SA		IFRS – Ethias Group	
	Net income	<ul style="list-style-type: none"> ▪ €285M o/w €228M from Non-Life ▪ €106M taking into account : <ul style="list-style-type: none"> ▪ Cost of Switch VII operation : -€108M ▪ Cost of Switch VI operation : -€1M ▪ Cost of sale of remaining First A portfolio : -€106M ▪ Other exceptional elements and tax: +€36M 		<ul style="list-style-type: none"> ▪ €332M o/w €264M from Non-Life ▪ €161M taking into account: <ul style="list-style-type: none"> ▪ Cost of Switch VII operation : -€108M ▪ Cost of Switch VI operation : -€1M ▪ Cost of sale of remaining First A portfolio : -€106M ▪ Shadow & LAT : +€90M ▪ Other exceptional elements and tax: -€46M 	
Business units (IFRS)		Non-Life		Life	
		<ul style="list-style-type: none"> ▪ GWP €1,334M ▪ Operational result €264M ▪ COR 87.7% 		<ul style="list-style-type: none"> ▪ GWP €1,106M ▪ Operational result €78M 	
Other key indicators		Equity (IFRS)	Debt ratio (IFRS)	Solvency II	Unrealised gains on assets (BGAAP)
		<ul style="list-style-type: none"> ▪ €2,521M, from €2,305M in 2016 	<ul style="list-style-type: none"> ▪ 17.0% vs 18.0% end 2016 	<ul style="list-style-type: none"> ▪ 205% vs 149% end 2016, before dividend – 183% vs 146% end 2016, after dividend 	<ul style="list-style-type: none"> ▪ €1,564M, down from €1,729M in 2016
Investment portfolio (IFRS)		<ul style="list-style-type: none"> ▪ €17,825M total investment portfolio o.w. : <ul style="list-style-type: none"> ▪ 81.2% invested in bonds (o.w. 62% government bonds, o.w. 93% rated BBB or higher) ▪ 3.6% held in cash ▪ 4.5% in shares (incl. funds & participations) ▪ 2.7% in real estate - office buildings and nursing homes (cash flow guaranteed over the long term) 			

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Main events in 2017

- 10/01/2017 ● Rating for Ethias SA's financial strength placed at **BBB with positive outlook**. Fitch has recognized the improvement in Ethias' capital position and the reduction in its sensitivity to interest rates
 - 20/03/2017 ● **Appointment of Philippe Lallemand as CEO**
 - 29/03/2017 ● **Closure of the financial recovery programme confirmed by the NBB** following the success of the measures aimed at improving our solvency level
 - 03/04/2017 ● **Acquisition of all Whestia shares by Ethias SA** (Ethias already held 25.10% of the company's capital), after approval by the NBB on the operation
 - 08/05/2017 ● **Signing of an agreement with the shareholders** providing for a perspective of stability in the shareholdership for a period of 2 years This decision is part of a general agreement (notably the objective of simplifying legal structures, strengthening corporate governance and maintaining the company offices of Liege and Hasselt)
 - 17/05/2017 ● **Distribution of a dividend of EUR 45 million** to Vitrufin in order to pay the residual coupons relating to its senior loan of EUR 278 million
 - 29/05/2017 ● **Launch of the operation "Switch VII"**: offering the holders of a "FIRST A" contract an exit premium equal to 25% of the mathematical reserve upon full surrender and announcement of our intention to sell the remaining portfolio. Successful operation: surrenders of EUR 432 million at a cost of EUR 108 million and a positive impact on the SII margin
 - 30/05/2017 ● Obtaining the FSMA's approval to begin the management of legal and supplementary pension commitments and **creation of a pension fund, Ethias Pension Fund** (OFP). The creation of this multi-employer and mixed pension fund hence allows Ethias to diversify its range of pension solutions
 - 23/06/2017 ● **Merger between Ethias SA and Whestia** with retroactive effect from 1 January 2017
 - 27/06/2017 ● Ethias SA's rating for financial strength raised to **BBB+ with stable outlook** so as to reflect the closure of the financial recovery programme.
 - 30/06/2017 ● **Confirmation of the closing of the commitments to the European Commission**
 - 01/09/2017 ● **Reorganization of the competencies of the Executive Committee** in line with the reorganization of the company (clients at the centre of the organization): Benoît Verwilghen remains Vice CEO and is in charge of managing the "Client Center", grouping all client-driven activities for the Public/Corporate Sector and Private Individuals (marketing, distribution channels, product development, reinsurance, actuarial service). Cécile Flandre was appointed as CFO, hence replacing Benoît Verwilghen, and Luc Kranzen is in charge of managing the "Services Center", grouping all service-oriented activities for the Public/Corporate Sector and Private Individuals (contracts and claims management). Brigitte Buyle becomes Chief Digital Transformation Officer with IT as main responsibility. Frank Jeusette remains CRO.
 - 11/10/2017 ● **Revision of the composition of the Board (16 members including 4 executive directors)** with respect for linguistic and gender parity
 - 31/12/2017 ● **Acquisition by Ethias SA of the "AT67" portfolio (Workers' Compensation Law '67) of Ethias Droit Commun**, mutual insurance association, for a price of EUR 1.5 million and transformation of Ethias Droit Commun's legal form into a Cooperative Company with Limited Liability (called EthiasCo) whose primary activity is the holding of participating interests
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- 20/02/2018 ● **The NBB takes note of the recovery plan filed by Ethias SA**
 - 16/04/2018 ● **Signing of the agreements with Laguna Life** (subsidiary of Monument Re), **purchaser of the remaining "FIRST A" portfolio**
 - 16/05/2018 ● Proposal to the General Assembly of Ethias SA to pay **a dividend of EUR 150 million** to Vitrufin

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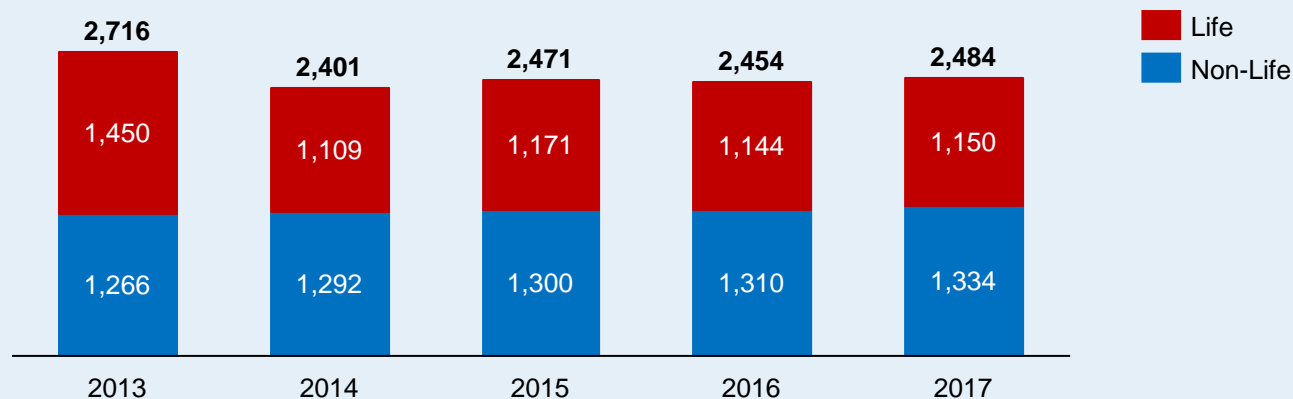
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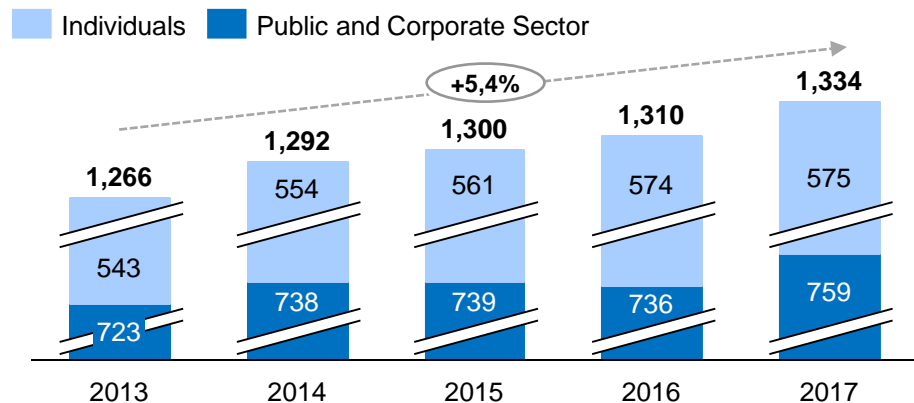
BALANCED NON-LIFE/LIFE INFLOWS DESPITE DISCONTINUATION OF LIFE INDIVIDUALS

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Evolution of GWP (€M)

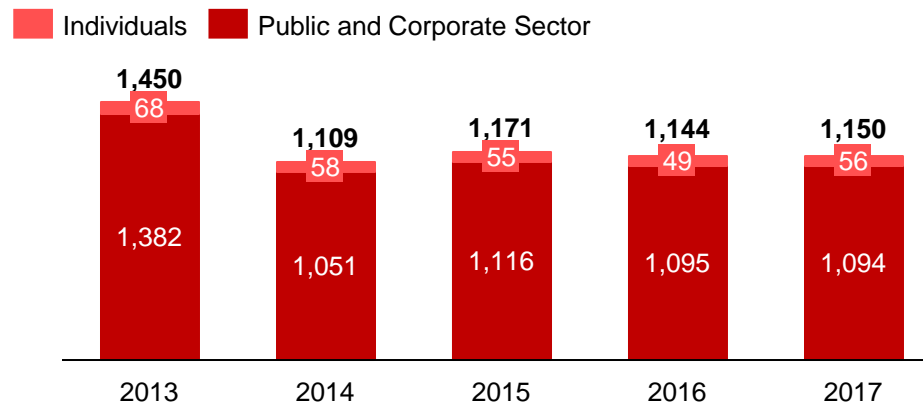


Evolution of Non-Life GWP (€M)



- Increase of Non-Life GWP between 2013-2017

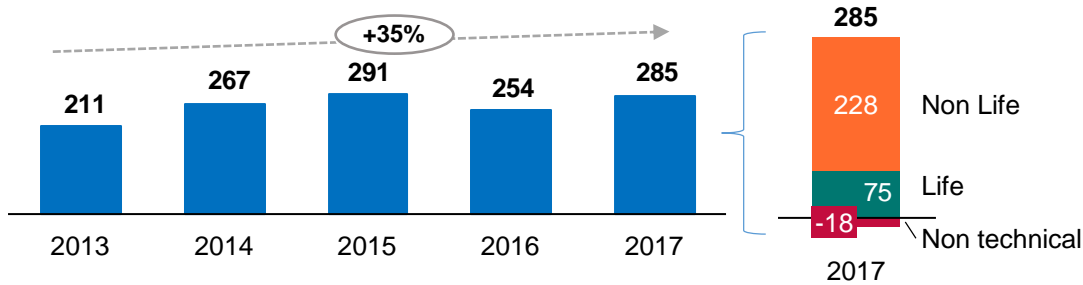
Evolution of Life GWP (€M)



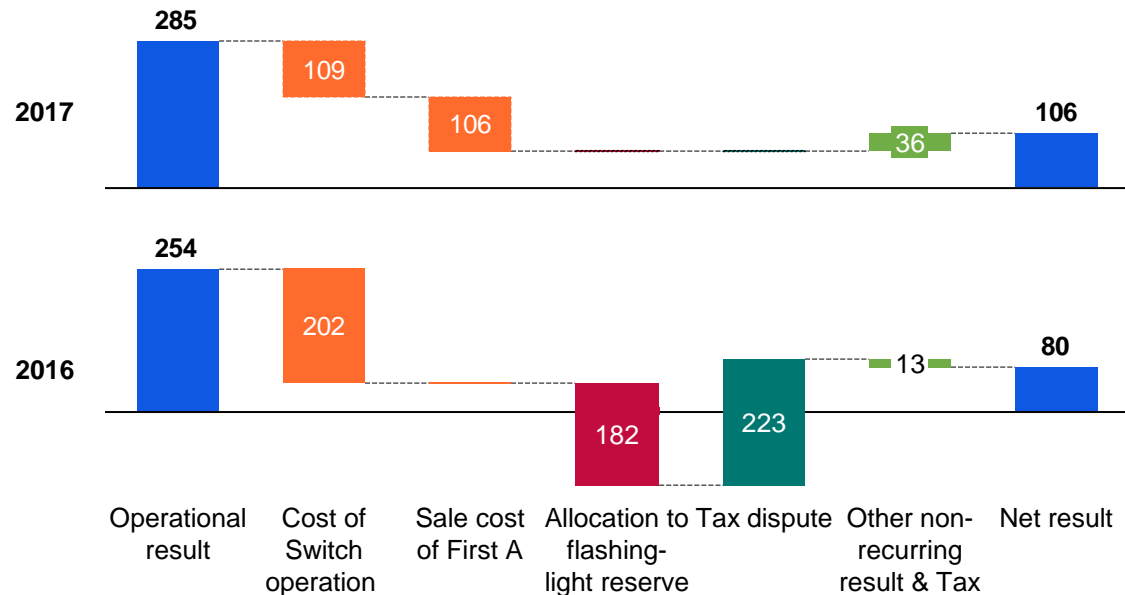
- High 2013 GWP of €1.4 billion of Life for Public & Corporate Sector impacted by one-offs (unique premiums)
- Few new business: life individuals in run-off and life group impacted by low interest rates environment

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 :
 - €(202)M gross costs related to Switch V and Switch VI
 - €(182)M allocation to the flashing-light reserve (*)
 - €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 2017 result of €285M**, after adjusting the reported net result of €106M by the following elements:
 - €(109)M cost related to Switch operations (cost of €1M for Switch VI and cost of €108M for Switch VII)
 - €(106)M cost of sale of remaining First A portfolio
 - €36M of non-recurring items (namely non-recurring financial revenue) and tax

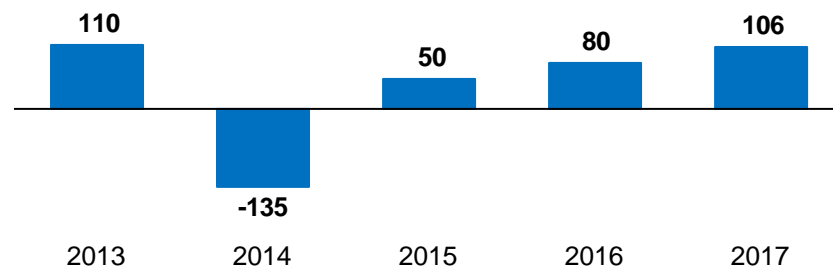
Strong growth in operational result between 2016 and 2017, resulting from Life activities. The Life operational result increases from €45M to €75M, despite an allocation to the provision for profit-sharing of €33M mainly linked to the 1st pillar ring-fenced funds (versus €21M end of 2016), thanks to a decrease in the average guaranteed interest rates for the savings products for Individuals (impact of Switch VII operation). The non-life operational result remains stable : the lower claims frequency in Car and Fire and the increase in new business (mainly in private sector Workers' compensation, in Car and in Civil Liability) are offset by higher overhead costs resulting from the additional amortization of certain IT costs

- **No allocation to flashing-light reserve** since 1st 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 financial statements as per 31st 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.
For the financial year ended at end-December 2017, no allocation to the flashing-light provision has been recorded following an exemption granted by the NBB.

EVOLUTION IN NET RESULT

Evolution in net result under BGAAP (€M)



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

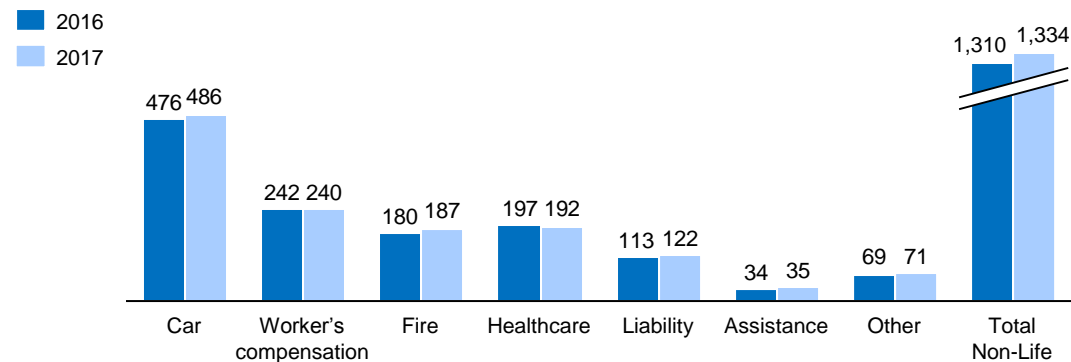
	2013	2014	2015	2016	2017
Technical result pre-allocation	235	401	164	117	268
o/w Non-Life	208	272	310	272	244
o/w Life	27	129	(146)	(155)	24
Allocation to the flashing-light reserve	(116)	(166)	(166)	(182)	0
Technical result post-allocation	119	235	(2)	(65)	268
o/w Non-Life	202	263	298	255	244
o/w Life	(83)	(28)	(300)	(320)	24
Non-technical result	(24)	(366)	56	148	(158)
o/w recurring items	(24)	(8)	(5)	(20)	(18)
o/w financial non-recurring items	0	20	17	3	2
o/w non-recurring items (tax dispute)	0	(378)	44	223	0
o/w other non-recurring items	0	0	0	(58) ¹	(142) ²
Tax	15	(1)	(3)	(3)	(3)
Transfers and withdrawals from untaxed reserves	0	(3)	(1)	0	(1)
Net result¹	110	(135)	50	80	106

¹ Mainly the cost of the 60+ retirement plan

² Mainly the cost of First A sale

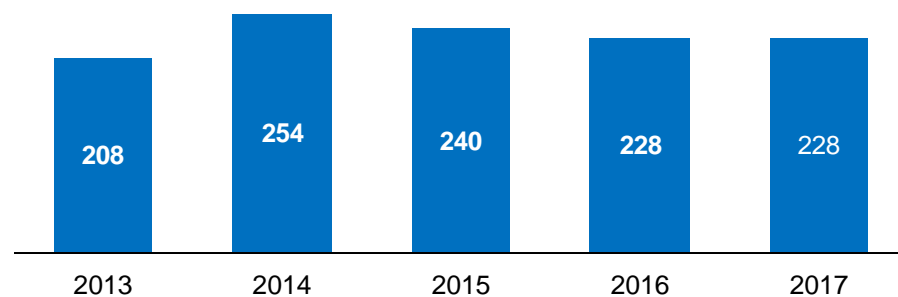
FOCUS ON NON-LIFE BUSINESS

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



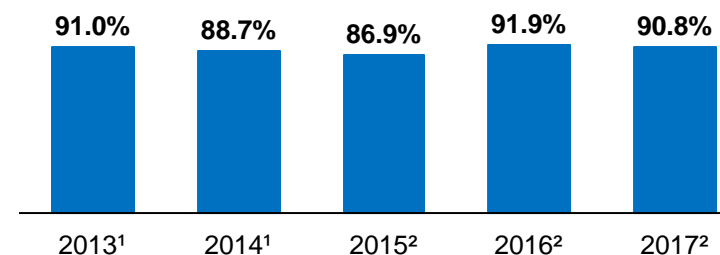
The Non-Life GWP as per end of December 2017 increases by 1,8% compared to the GWP of last year following a volume effect in Car, Liability and Worker's compensation for the private sector (increase in new business) that has been partly offset by the loss of certain contracts in Worker's compensation 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)

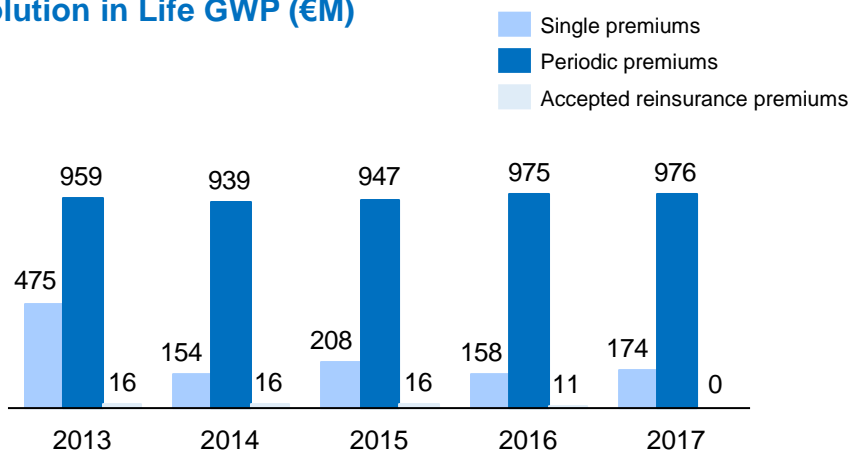


- Net CoR among the best of the Belgian market resulting, on the one hand, from the various optimizations operated since several years in terms of pricing, claims management and management of overheads and, on the other hand, from our distribution model which is primarily direct.
- Net CoR of 2015 impacted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

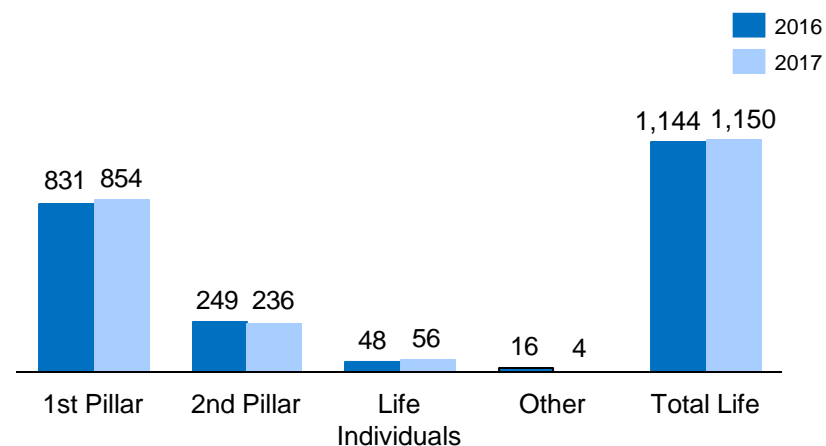
¹ Based on internal calculations ; ² Based on Assuralia formula

FOCUS ON LIFE BUSINESS (1/2)

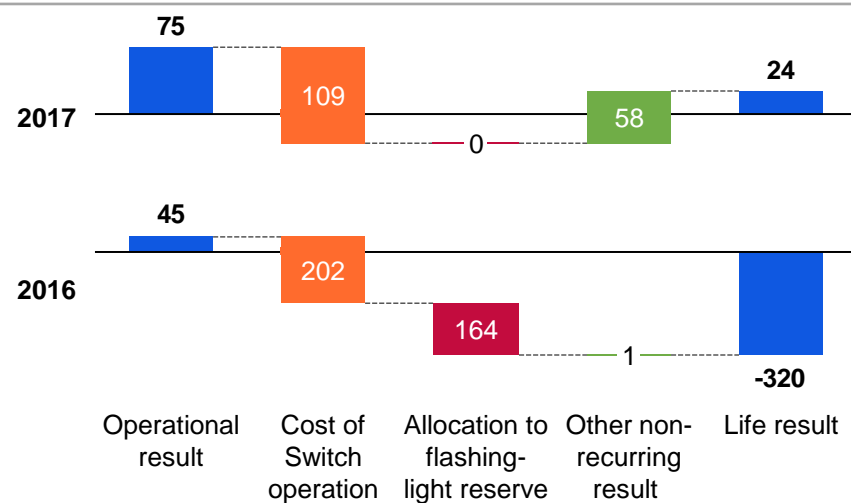
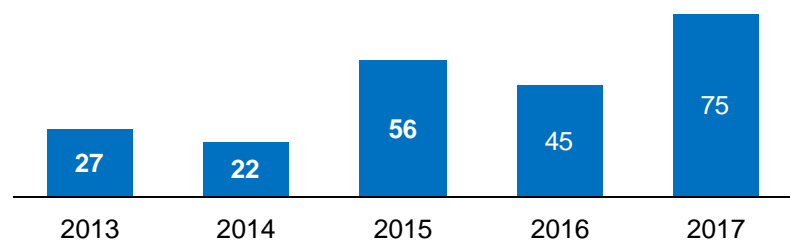
Evolution in Life GWP (€M)



Evolution in Life GWP (€M)



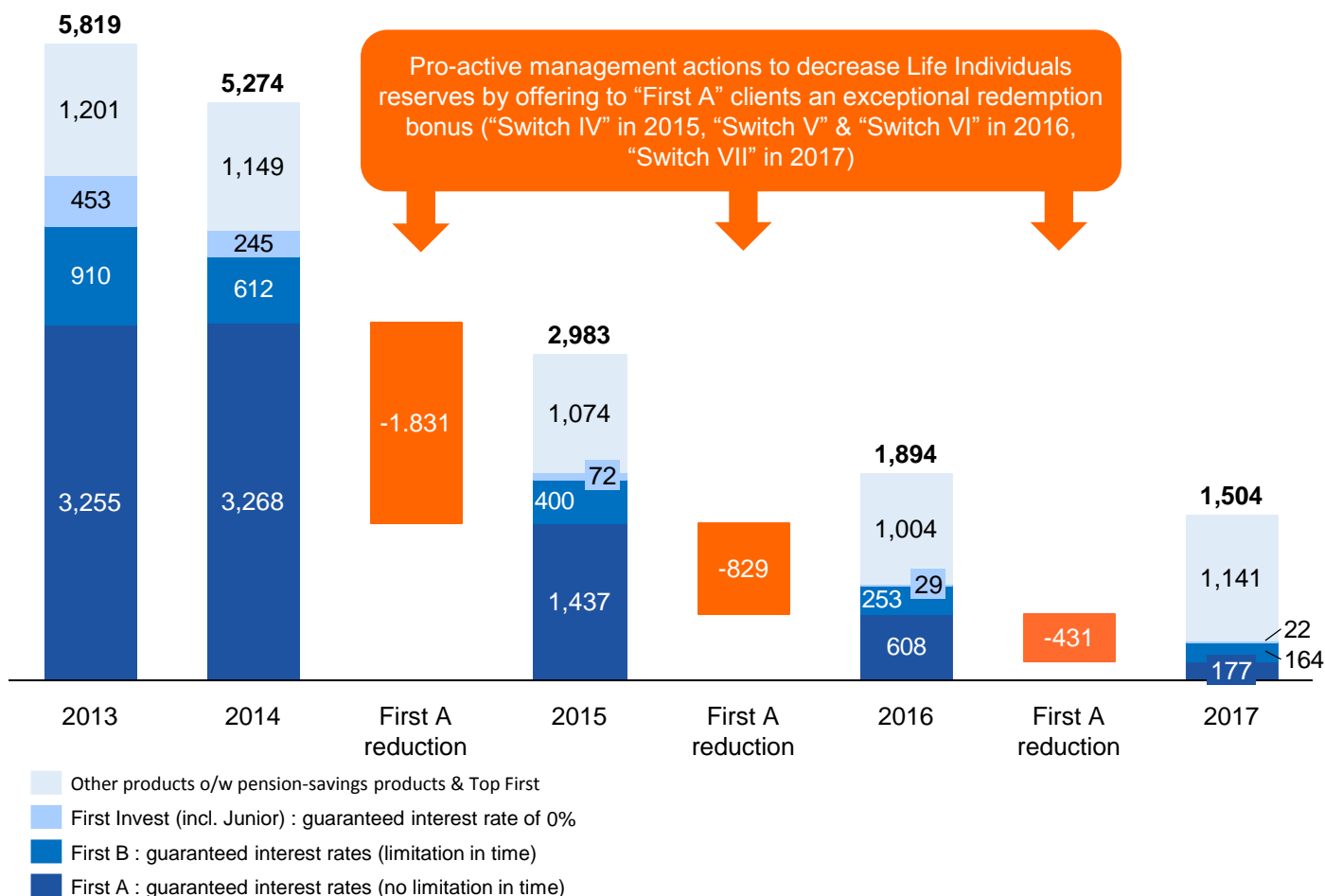
Life operational result BGAAP (€M)



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

FOCUS ON LIFE BUSINESS (2/2)

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



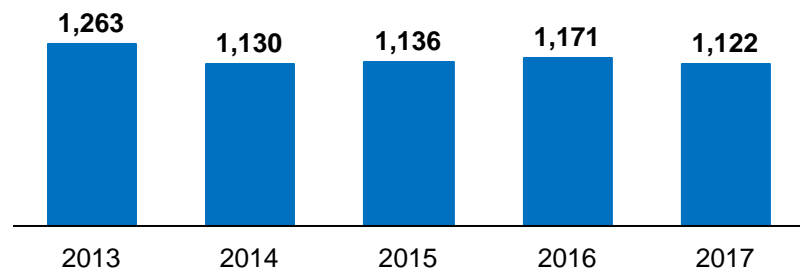
Impact of redemption offers on First A :

- 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 Q2 2017 : Switch VII (redemption bonus of 25%), with surrenders of €432M (for a cost of €108M)
- The surrenders recorded as per end of December 2017, combined with the interest capitalization on existing contracts, involve a reduction of reserves for an amount of €431M compared to end 2016. Since 2013, First A reserves have been reduced by more than 94%
- 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
- Stable average guaranteed interest rate of First A : 3,46% at the end of December 2016 and at the end of December 2017

Note that the increase in 2017 in the level of reserves for other products is linked to the takeover of Whestia

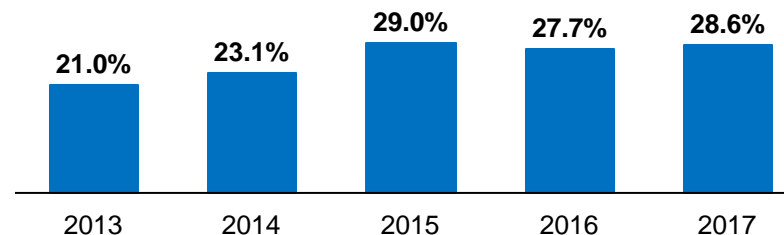
OTHER KEY ELEMENTS

Evolution in equity (€M)



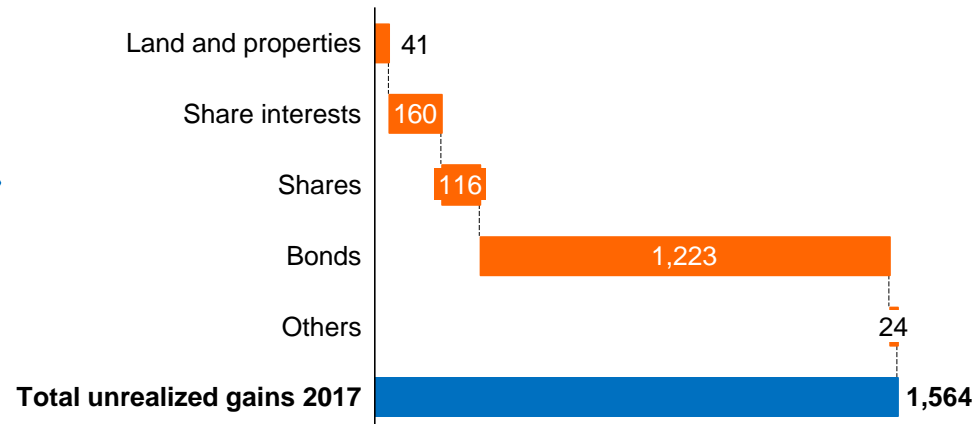
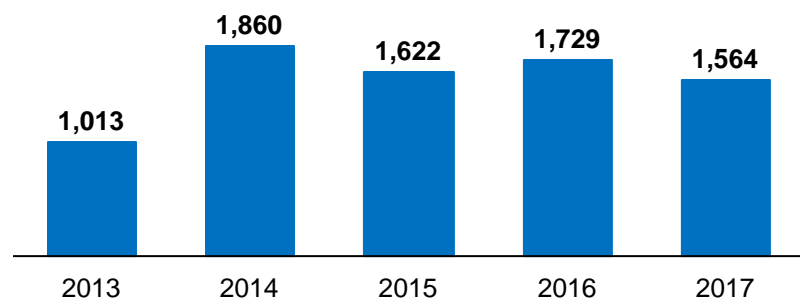
- Decrease in equity at end-December 2017: the net result for the financial year is namely offset by the payment of a dividend of €150M (subject to approval by the general assembly of Ethias SA in May 2018), being the first step which should enable Vitrufin to have the liquidities for reimbursing its senior loan of €278M in January 2019

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 2017 due to the decrease in equity. Note that this ratio does not include the collateral received (€8M) in guarantee of hedging operations (acquisition of forward swap and swaptions) against a decrease in interest rates (same amount on the asset side) and the repos (€335M) concluded in the frame of our investment strategy

Evolution in unrealized gains on assets (€M)



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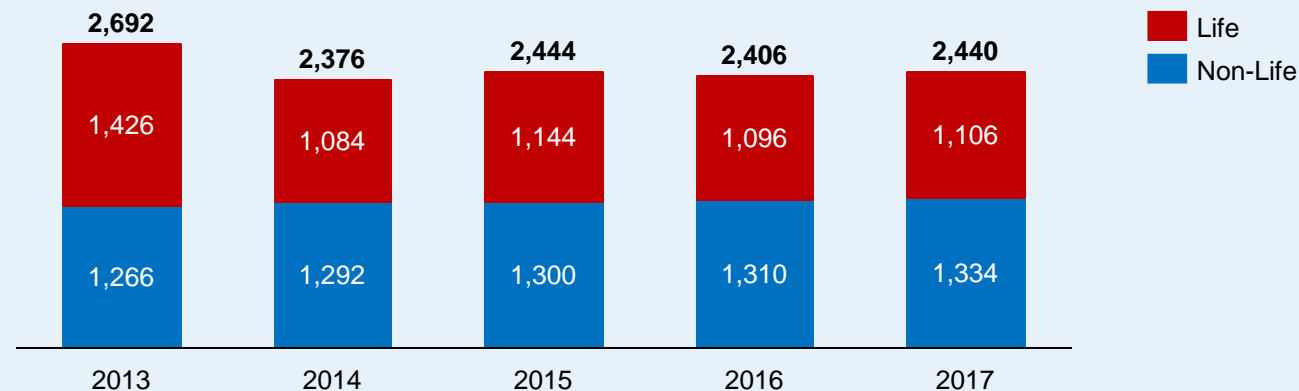
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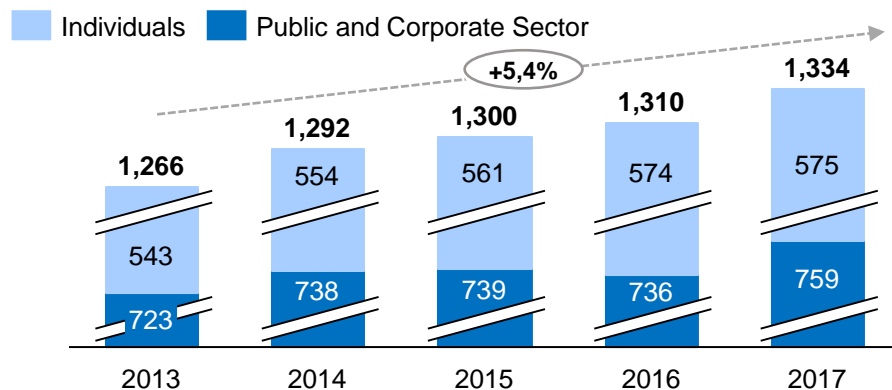
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BALANCED NON-LIFE/LIFE INFLOWS DESPITE DISCONTINUATION OF LIFE INDIVIDUALS

Evolution in GWP (€M)

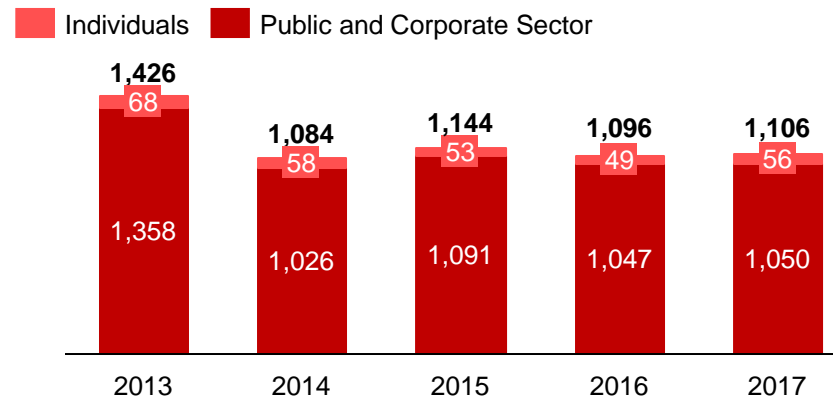


Evolution in Non-Life GWP (€M)



- Increase of Non-Life GWP between 2013–2017

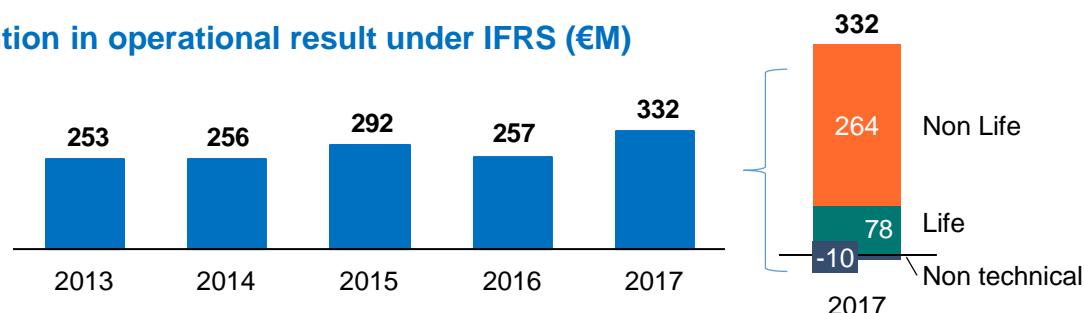
Evolution in Life GWP (€M)



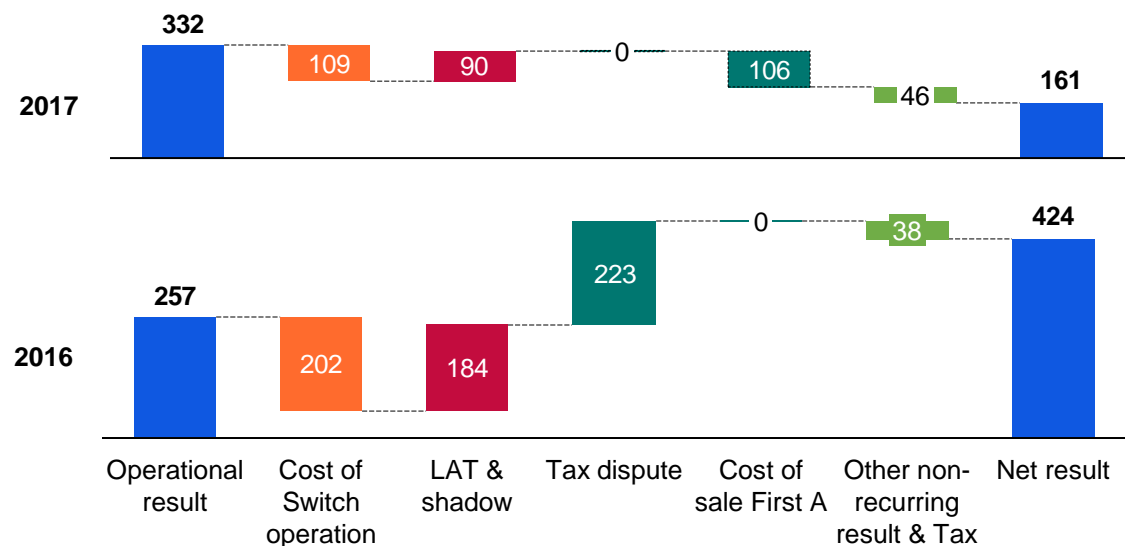
- High 2013 GWP of €1.4 billion of Life for Public & Corporate Sector impacted by one-offs (unique premiums)
- Few new business: life individuals in run-off and life group impacted by low interest rates environment

EVOLUTION IN OPERATIONAL RESULT

Evolution in operational result under IFRS (€M)



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



- **Strong 2016 operational 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 2017 operational result of €332M**, after adjusting the reported net result of €161M by the following elements:

- The reversal of Life insurance provisions (impact of €97M), mainly due to the new horizon of projection of the First A (from 30 years to 6 months)
- The valuation of some securities in market value – shadow FVPL (impact of -€7M)
- The cost related to Switch operations (cost of €1M for Switch VI and cost of €108M for Switch VII)
- The assessed cost relative to the sale of First A portfolio (-€106M)
- Other non-recurring items (+€38M), essentially financial non-recurring items
- Taxes of -€84M

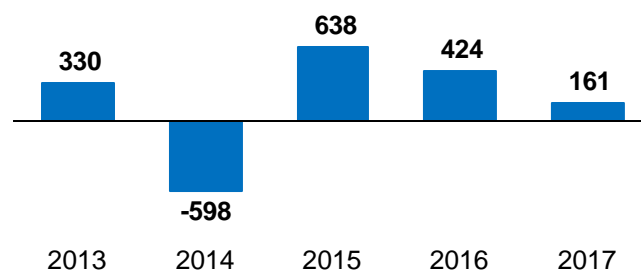
The Non Life operational result (€264M end of 2017 vs €235M end of 2016) is favourably impacted by a low loss ratio and by an increase in new business (mainly in private sector Workers' compensation, in Car and in Civil Liability). The Life operational result increases from €41M end of 2016 to €78M end of 2017, despite an allocation to the provision for profit-sharing of €33M mainly linked to the 1st pillar ring-fenced funds (versus €21M end of 2016), thanks to a decrease in the average guaranteed interest rates for the savings products for Individuals (impact of Switch VII operation).

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

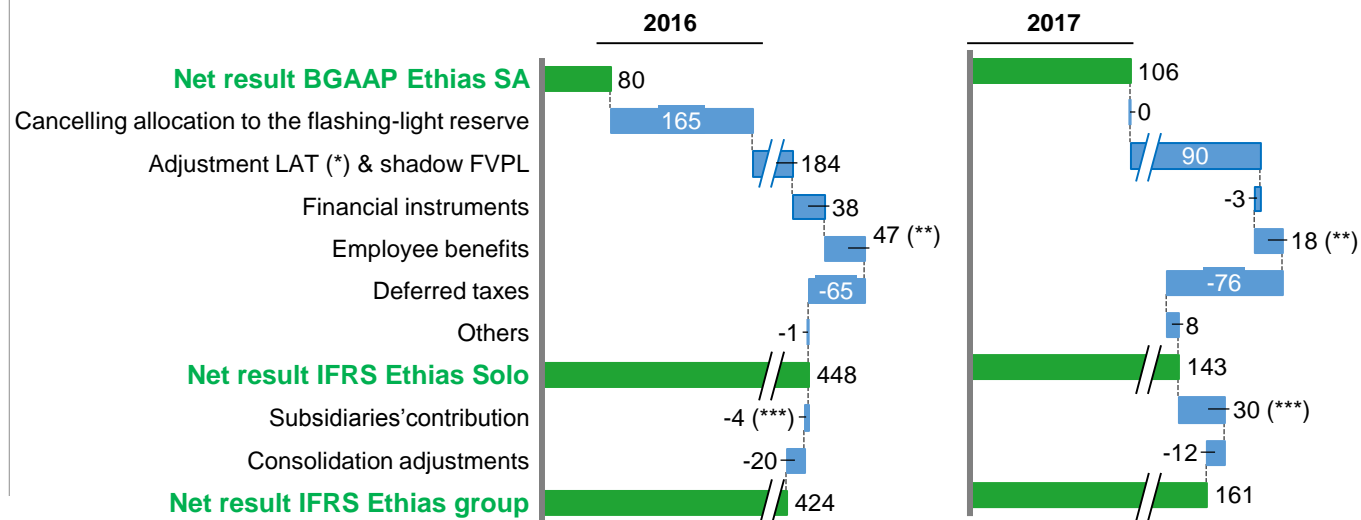
- Cost reduction (except investments to increase efficiency and to go digital)
- Operational and technical excellence
- Improvement of underwriting
- Reduction of claim handling costs
- Strengthening of sales force (omnichannel, digital strategy)

EVOLUTION OF NET RESULT UNDER IFRS (€M)

Evolution in net result under IFRS (€M)



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



The BGAAP financial statements as per 31st 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. For the financial year ended at end-December 2017, no allocation to the flashing-light provision has been recorded following an exemption granted by the NBB.

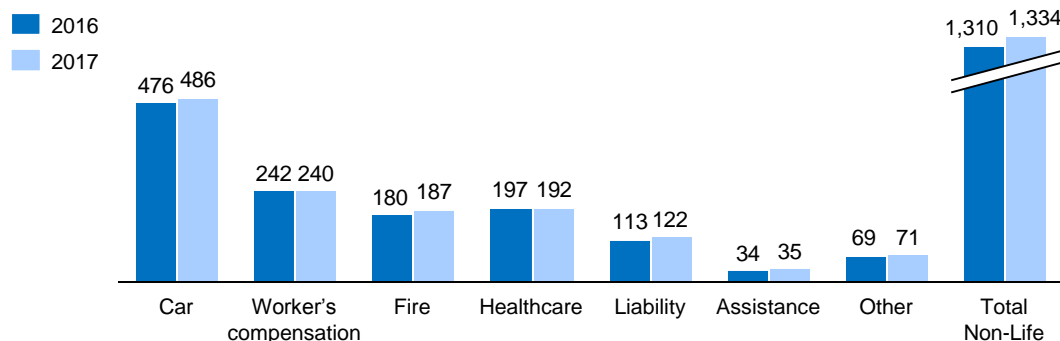
Breakdown of net result under IFRS (€M)

	2012	2013	2014	2015	2016	2017
Technical result	200	366	(439)	630	340	400
o/w Non-Life	171	233	242	306	278	299
o/w Life	29	133	(681)	324	62	101
Non-technical result	6	(6)	(326)	95	182	(155)
o/w recurring items	6	(6)	32	30	(19)	(8)
o/w financial non-recurring items	0	0	20	17	2	(4)
o/w non-recurring items (tax dispute)	0	0	(378)	44	225	0
o/w other non-recurring items	0	0	0	4	(26)	(143)
Tax	(59)	(30)	167	(87)	(98)	(84)
Net result	147	330	(598)	638	424	161
For reference :						
Net result BGAAP	180	110	(135)	50	80	106

(*) 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

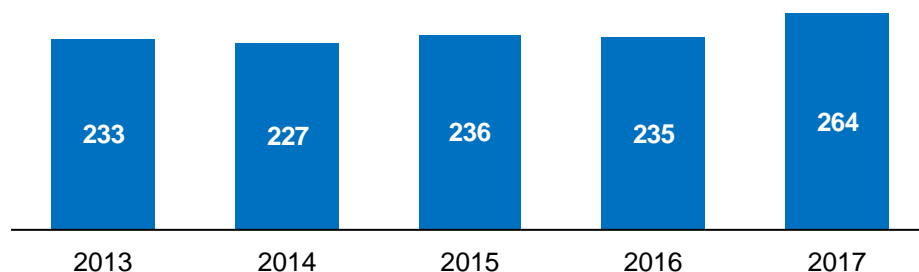
FOCUS ON NON-LIFE BUSINESS

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



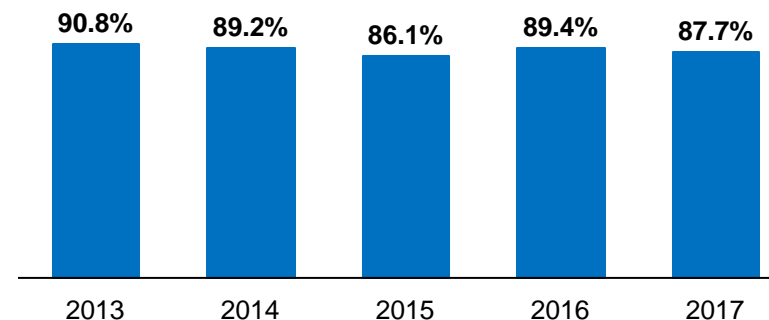
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Non-Life operational result IFRS (€M)



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

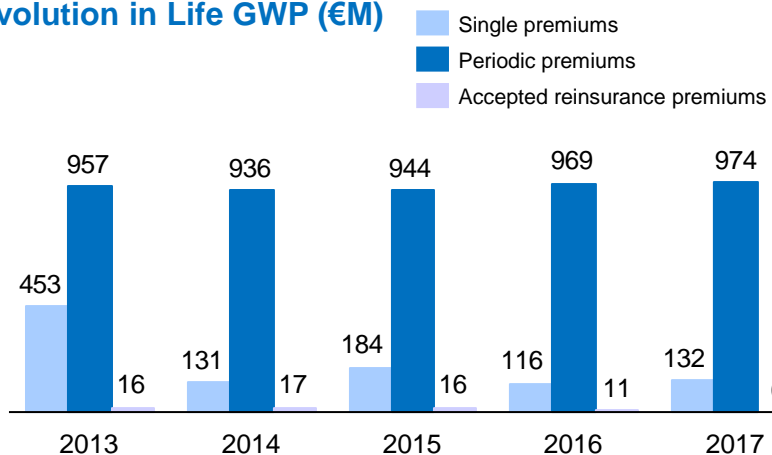
Net combined ratio (IFRS)



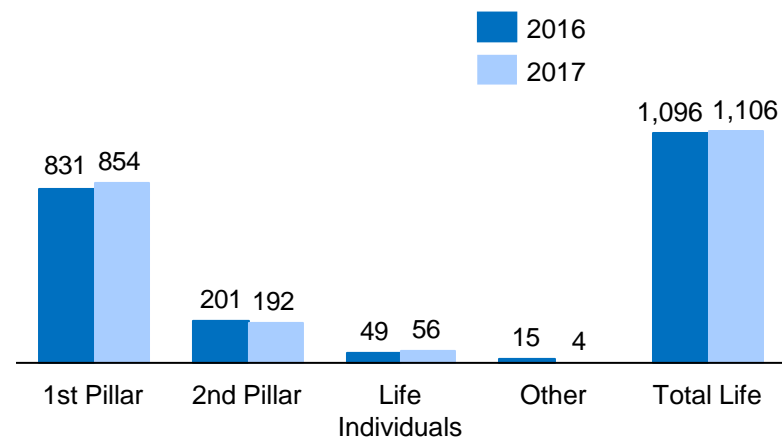
- Net CoR among the best of the Belgian market resulting, on the one hand, from the various optimizations operated since several years in terms of pricing, claims management and management of overheads and, on the other hand, from our distribution model which is primarily direct
- Net CoR of 2015 impacted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

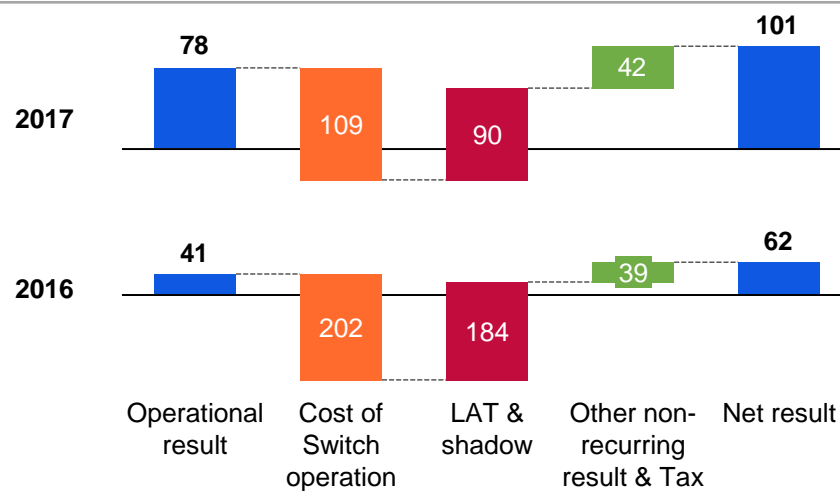
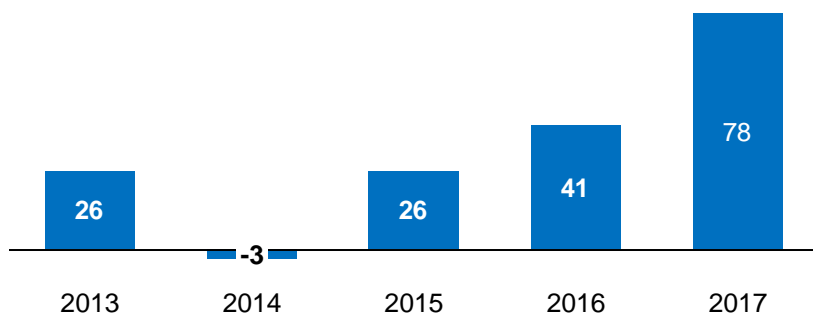
Evolution in Life GWP (€M)



Evolution in Life GWP (€M)



Life operational result IFRS (€M)

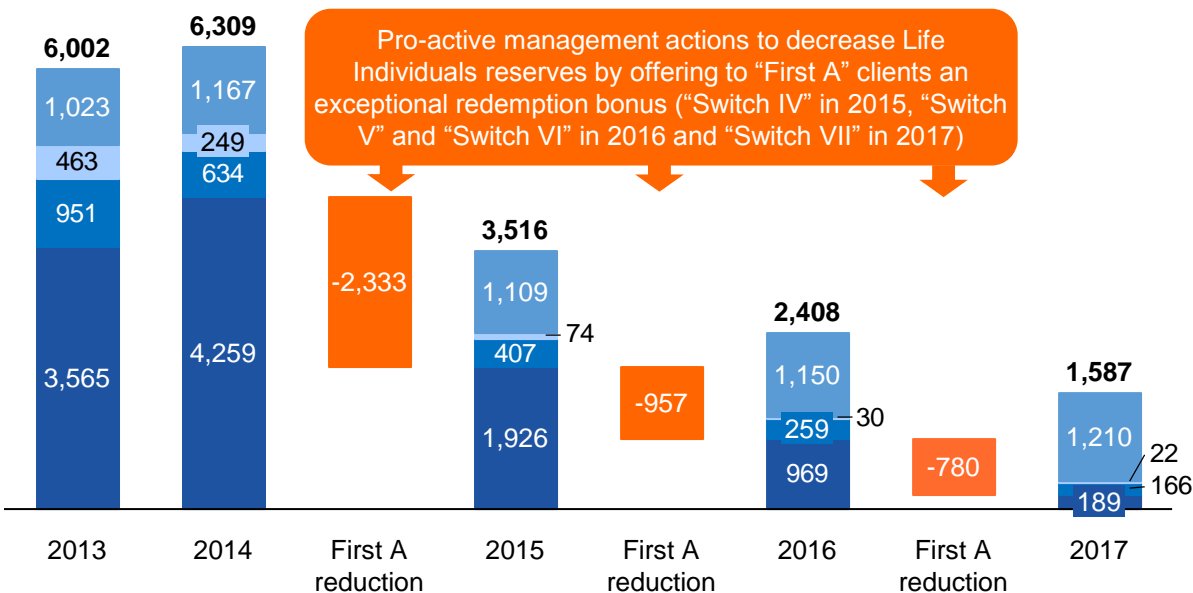


- With the exception of 2014, the Life result (excluding non-recurring items) is positive over the period 2013-2016

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

	31-12-16			31-12-17		
	Assets Duration	Liab. Duration	Duration gap	Assets Duration	Liab. Duration	Duration gap
Total Life	9.20	15.91	(2.81)	7.98	12.98	(0.92)
Total Non-Life	4.64	5.73	0.79	5.13	8.21	(1.04)
TOTAL			(1.68)			(0.96)

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 Q2 2017 : Switch VII (redemption bonus of 25%), with surrenders of €432M (for a cost of €108M)
- Since 2013, First A reserves have been reduced by more than 94%
- All those Switch operations impact positively our SII ratio (+25% Switch IV, +24% Switch VI, +18% Switch VII) and our duration gap
- Stable average guaranteed interest rate of First A : 3,46% at the end of December 2016 and at the end of December 2017

Note that the increase in 2017 in the level of reserves for other products is linked to the takeover of Whestia

- 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)
- The increase in the liabilities duration gap (for Non Life) at the end of December 2017 is explained by the acquisition by Ethias SA of the "AT67" portfolio (Workers' Compensation Law '67) from Ethias Droit Commun. The decrease in the assets duration gap (for Life) at end of December 2017 is linked to the Switch VII operation

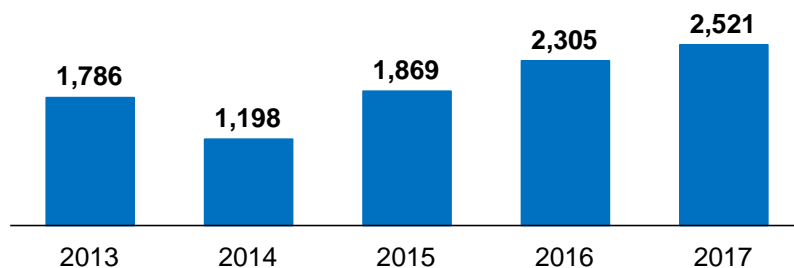
FOCUS ON LIFE BUSINESS (3/3)

Breakdown of reserves per guaranteed interest rates

Ethias Life	2016	2016	2016	2017	2017	2017
	Book reserves (IFRS)	Book reserves (BGAAP)	Average guaranteed interest	Book reserves (IFRS)	Book reserves (BGAAP)	Average guaranteed interest
First A	968.849.783	608.206.115	3,46%	189.351.837	177.318.884	3,46%
First B	259.024.890	253.494.623	0,72%	166.535.996	163.673.140	0,71%
First Invest	29.610.940	29.241.465,03	0,00%	22.237.390	22.059.120	0,00%
Others	1.150.874.495	933.771.640	3,15%	1.209.447.916	1.071.618.723	3,04%
Total Life Retail	2.408.360.108	1.824.713.843	2,97%	1.587.573.139	1.434.669.867	2,78%
Total Group Life	8.584.803.849	7.798.869.522,36	2,50%	8.199.671.704	7.275.470.201	2,03%
Branch 23 (Retail)	70.843.704	70.843.704		69.513.138	69.513.138	
Branch 23 (Group)	337.545.072	337.545.072		741.036.402	742.536.402	
Accepted Reinsurance	132.898.206	150.545.360		2.133.477	2.133.477	
Total Life reserves	11.534.450.938	10.182.517.501		10.599.927.860	9.524.323.084	

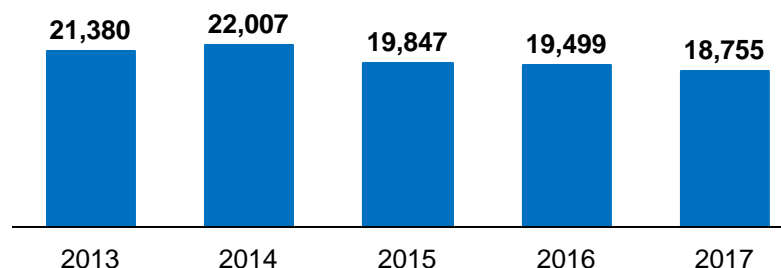
OTHER KEY ELEMENTS

Evolution in equity (€M)



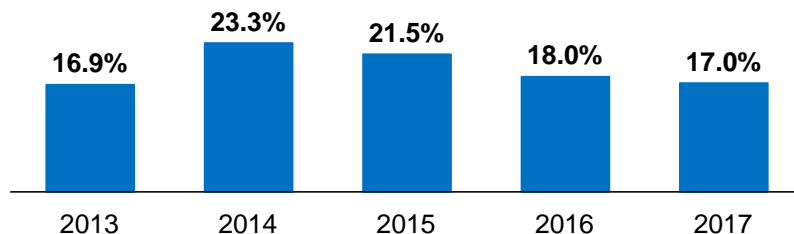
- Increase in equity as per end of December 2017 mainly linked to :
 - The result of the year (€161M)
 - The increase in the OCI (€109M) resulting from a lower transfer of unrealized gains to technical provisions (shadow accounting) partly offset by a lower level of unrealized gains
 - The dividend paid in May 2017 (-€45M)

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 debt ratio as per end of December 2017 decreases due to the increase of equity.
- The ratio as per end of 2017 does not include the collateral received (€8M) in guarantee of hedging operations (acquisition of forward swap and swaptions) against a decrease in interest rates (same amount on the asset side) and the repos (€335M) concluded in the frame of our investment strategy

Agenda

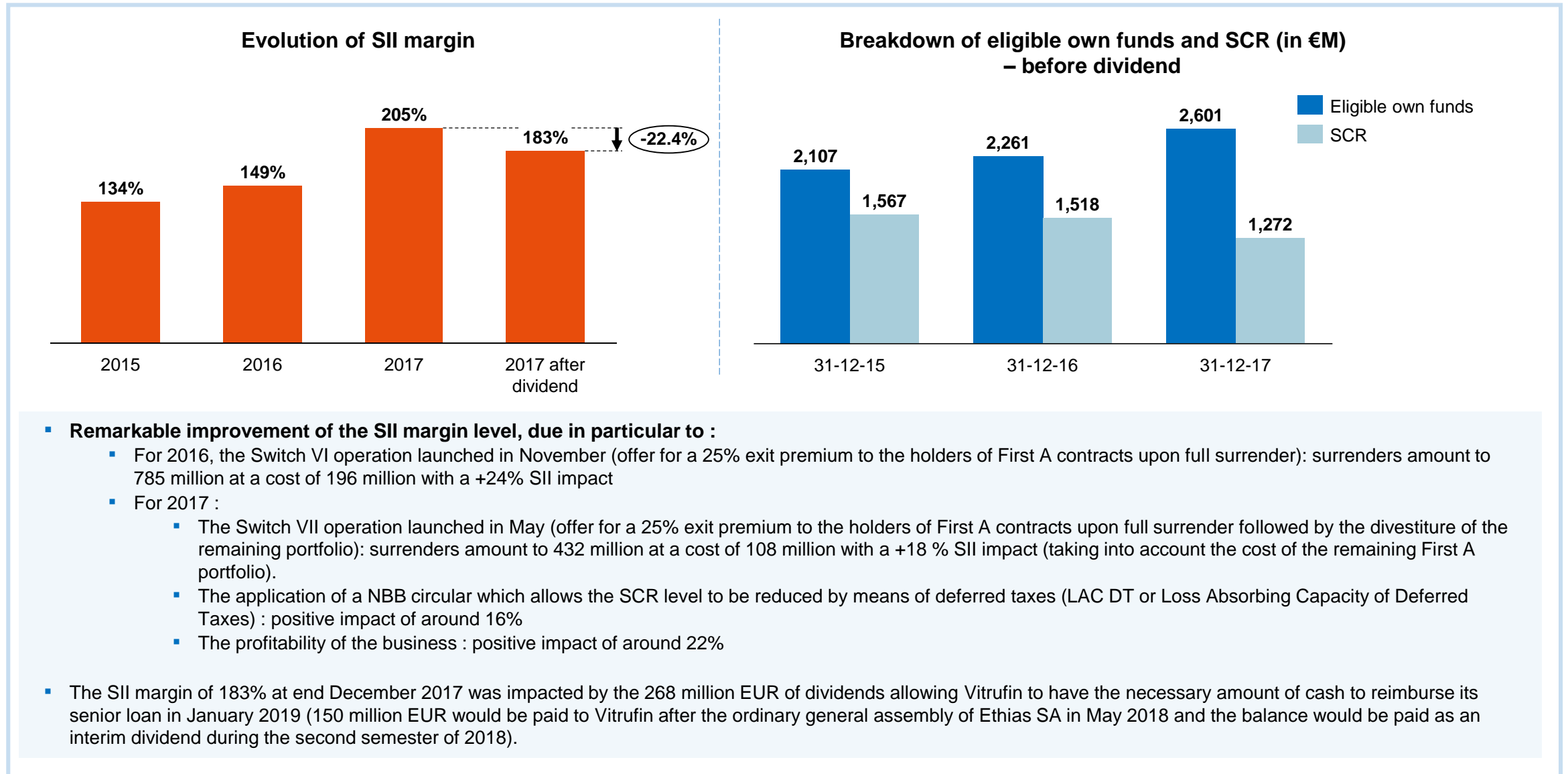
- Key 2017 highlights
- Main events in 2017
- Financial performance BGAAP ¹
- Financial performance IFRS ²
- **Solvency II of Ethias SA³**
- Investment portfolio ²
- Rating
- Appendix

¹ Figures are based on audited Ethias SA statutory accounts. Figures at end of 2017 are subject to approval by the shareholders meeting in May 2018

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³ Figures are non audited and are based on **Ethias SA solo**

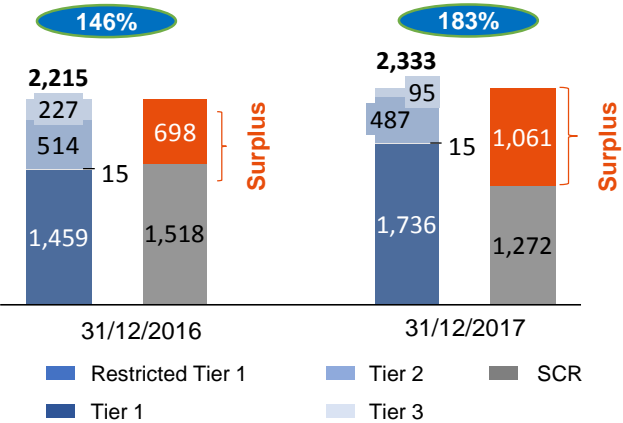
8. SOLVENCY II * – WITH USE OF THE STANDARD FORMULA (1/2)



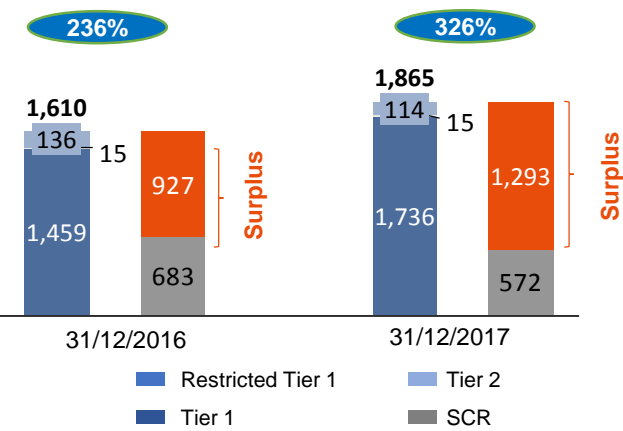
8. SOLVENCY II * – WITH USE OF THE STANDARD FORMULA (2/2)

Decomposition of eligible own funds (after dividend)

Consolidated SCR coverage ratio (€M)



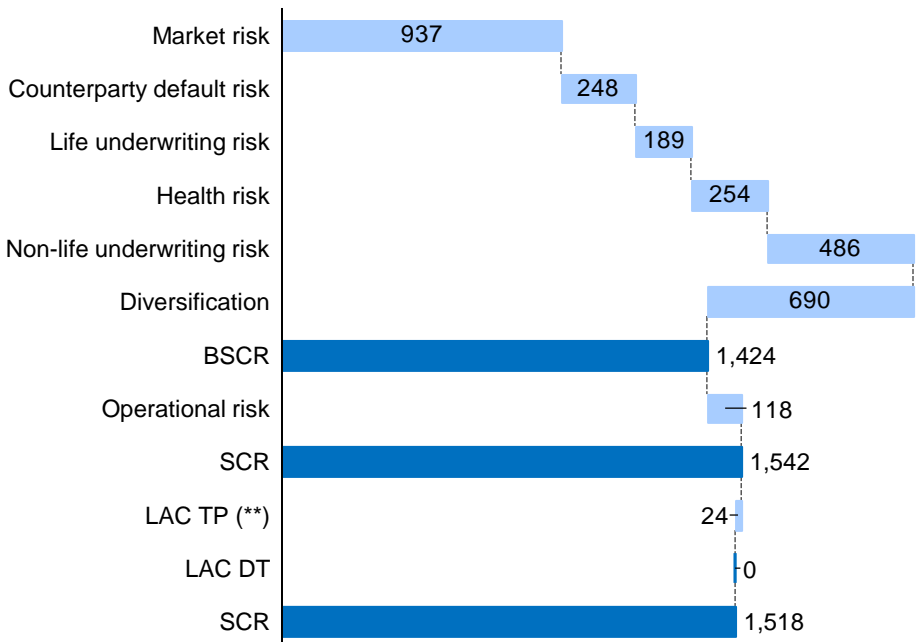
Consolidated MCR coverage ratio (€M)



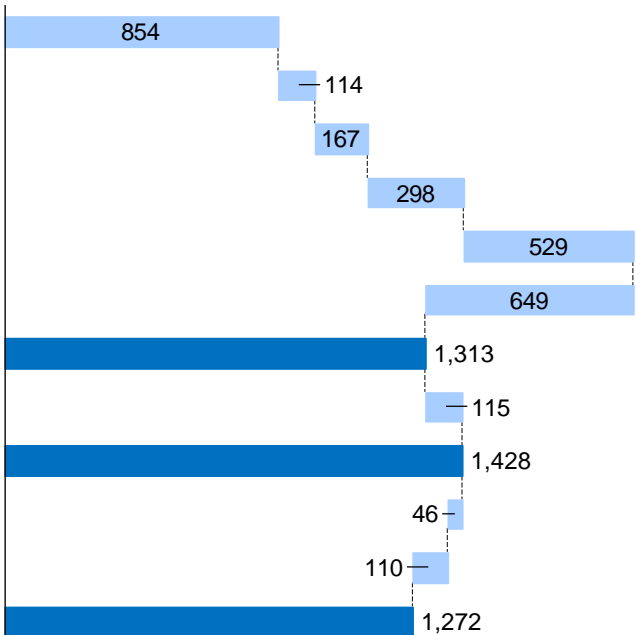
- **Very high quality capital structure**
Unrestricted Tier 1 SCR coverage > 100% as of Q4 2017
- Tier 1 capital represents 75% of total own funds
- Restricted Tier 1 and a part of Tier 2 (€75M in book value) capital grandfathered under Solvency II
- Tier 3 comprises deferred tax assets

Decomposition of SCR (after dividend)

31/12/2016



31/12/2017



- Decrease in market risk mainly related to the decrease in interest SCR due to Switch VII and taking into account the sale of First A in 2018
- Decrease in counterparty default risk mainly related to the termination of reinsurance contract between Ethias SA and Ethias Droit Commun due to the acquisition by Ethias SA of the « Workers Compensation Law 1967 » portfolio of Ethias Droit Commun
- Increase in health risk due to the increase in BE claims and a change in the calculation methodology for the catastrophe risk
- Increase in non-life underwriting risk due to the increase in BE claims, the increase in Fire insured amounts and the review of reinsurance capacity

* Figures resulting from the annual QRT as per end of December 2017 ** The effect of LAC TP has been isolated (included in the market risk in the prior presentations)

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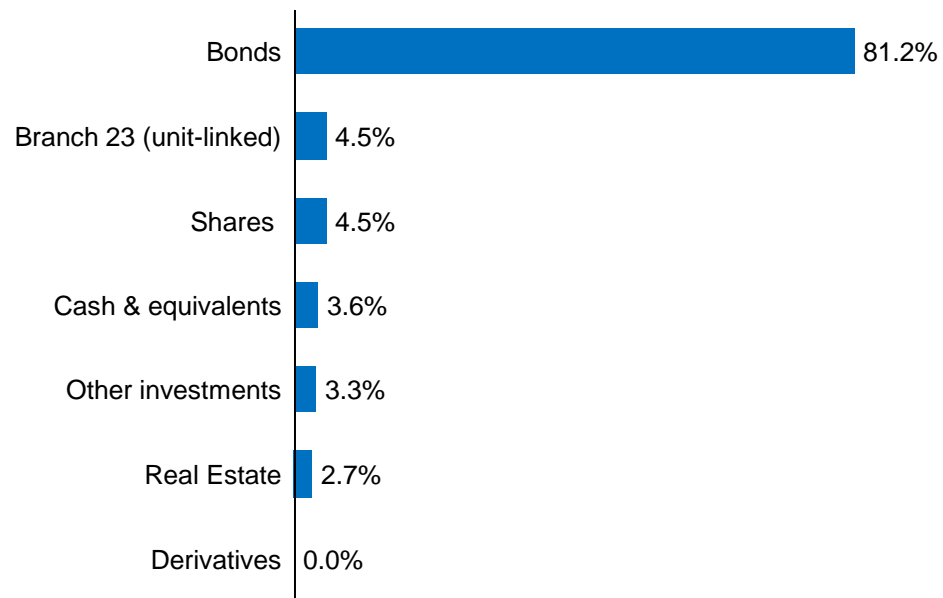
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TOTAL INVESTMENT PORTFOLIO AS OF 31 DECEMBER 2017

Total investment portfolio by asset class



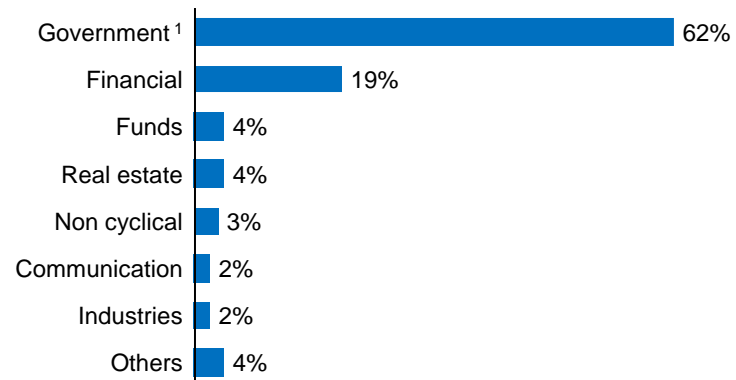
Asset class (€M)	IFRS value
Bonds	14,477
<i>a/w Government bonds</i>	8,871
Branch 23 (unit-linked)	811
Shares (incl. funds & participations)	808
Cash & cash equivalents	640
Other investments	594
Real Estate	488
Derivatives	7 (*)
Total	17,825

(*) The derivative financial instruments in the liability side amount to EUR 5 million

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

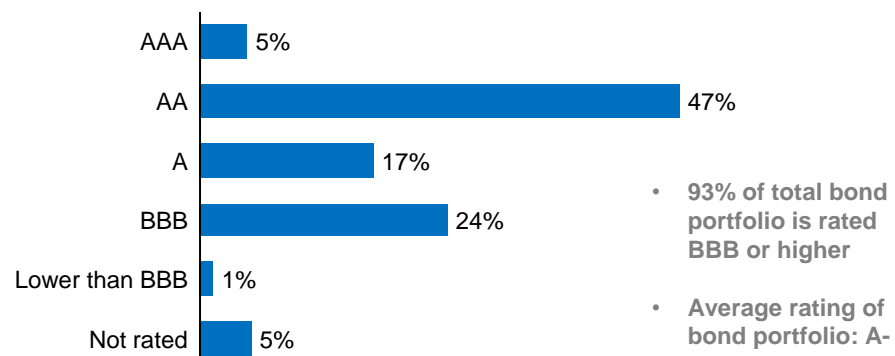
TOTAL INVESTMENT PORTFOLIO AS OF 31 DECEMBER 2017

Bond portfolio by sector



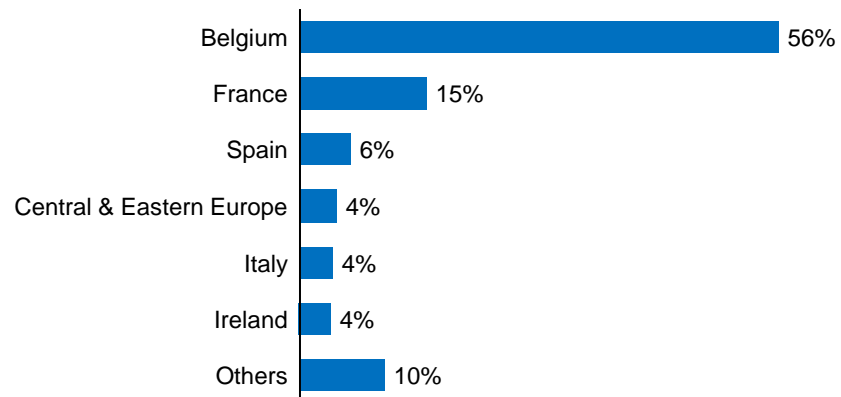
Total 2017 IFRS value = €14,477M

Bond portfolio by rating



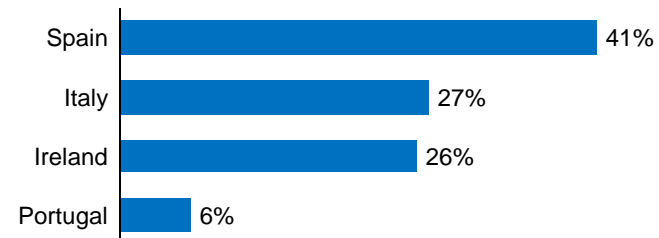
Total 2017 IFRS value = €14,477M

Government bond portfolio by country



Total 2017 IFRS value = €8,871M

PIIGS exposure



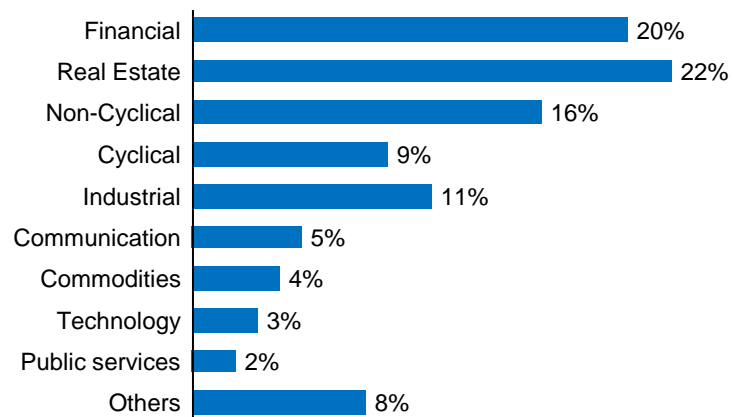
Total 2017 IFRS value = €1,327M

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

¹ Including bonds issued by Public Sector and guaranteed by the Belgian State

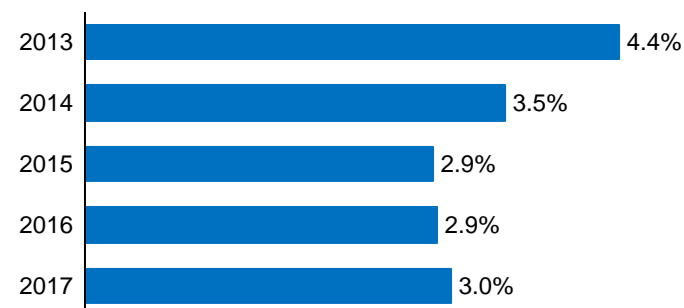
SHARES (INCL. FUNDS) AND REAL ESTATE PORTFOLIO AS OF 31 DECEMBER 2017

Shares (incl. funds & participations) by sector

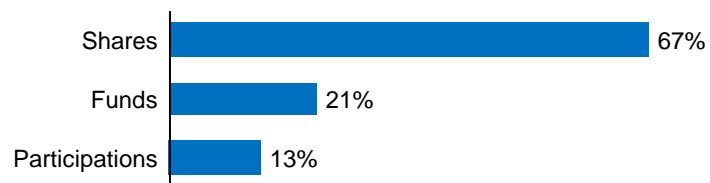


Total 2017 IFRS value = €808M

Evolution of shares (in % of total investment portfolio – without funds & participations)

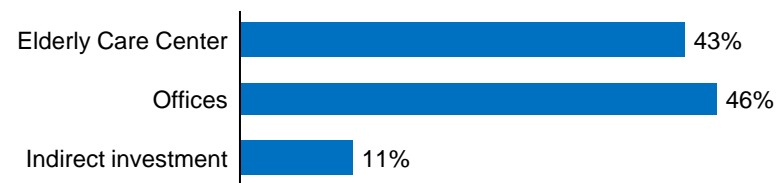


Shares (incl. funds & participations) by asset class



Total 2017 IFRS value = €808M

Direct real estate by nature



Total 2017 IFRS value = €488M

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

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Rating overview



Insurer Financial Strength	BBB+	Stable outlook
----------------------------	-------------	----------------

Long-Term Issuer Default Rating	BBB	Stable outlook
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Subordinated Debt Rating	BB+
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Last review	27 June 2017
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"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	2017
Assets					
Goodwill	29	30	45	45	60
Other intangible assets	13	14	46	94	113
Properties and other fixed assets	133	132	136	140	145
Investments in associates	25	21	0	1	1
Investments properties	357	391	433	495	488
Financial investments	16.773	17.310	15.912	15.948	16.696
Reinsurers' share of insurance liabilities	141	114	134	122	132
Deferred tax assets	126	279	170	74	0
Receivables arising from insurance operations or accepted reinsurance	1.226	1.269	1.291	1.344	212
Receivables arising from ceded reinsurance operations	65	62	57	64	91
Other receivables	634	210	278	179	153
Other assets	286	281	258	242	24
Cash and cash equivalents	1.567	1.893	1.087	751	640
Available-for-sale assets including assets from discontinued operations	4	1	0	0	0
Total assets	21.380	22.007	19.847	19.499	18.755
Liabilities					
<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>936</i>
<i>Net profit (loss) of the period</i>	<i>325</i>	<i>-604</i>	<i>633</i>	<i>424</i>	<i>158</i>
<i>Other items of comprehensive income</i>	<i>170</i>	<i>177</i>	<i>233</i>	<i>276</i>	<i>381</i>
Equity of the Group	1.744	1.146	1.835	2.257	2.475
Non-controlling interests	42	52	34	48	46
Total equity	1.786	1.198	1.869	2.305	2.521
<i>Insurance contract liabilities</i>	<i>8.136</i>	<i>8.530</i>	<i>8.607</i>	<i>8.541</i>	<i>8.612</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>4.946</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>811</i>
<i>Profit sharing liabilities</i>	<i>13</i>	<i>21</i>	<i>38</i>	<i>24</i>	<i>34</i>
Insurance and investment contract liabilities	18.096	19.250	16.359	15.174	14.407
Subordinated debts	322	322	454	454	479
Other financial debts	42	46	56	387	403
Employee benefits	537	603	502	535	286
Provisions	149	119	63	30	150
Derivative financial instruments	0	0	20	8	5
Tax payables	35	39	49	52	30
Deferred tax liabilities	4	4	0	21	34
Liabilities from operating activities	186	208	216	227	232
Other liabilities	218	214	259	306	208
Liabilities related to assets available for sale and discontinued operations	5	2	0	0	0
Total other liabilities	19.594	20.809	17.978	17.194	16.234
Total liabilities	21.380	22.007	19.847	19.499	18.755

Consolidated income statement (IFRS)

(in €M)	2013	2014	2015	2016	2017
Gross premiums	2.692	2.376	2.444	2.406	2.440
Premiums ceded to reinsurers	-72	-41	-38	-37	-31
Change in the provision for unearned premiums and outstanding risks ¹	-12	-15	-7	-17	-2
Other income from insurance activities	3	4	5	5	5
Revenues from insurance activities¹	2.611	2.324	2.404	2.357	2.412
Revenues from other activities	163	173	199	384	259
Revenues	2.775	2.497	2.603	2.741	2.671
Investment income	658	621	624	646	479
Net realized gains or losses on investments	33	120	34	62	85
Change in fair value of investment through profit or loss ²	82	22	26	-2	44
Net financial income	773	764	684	706	608
Net revenues	3.548	3.261	3.287	3.447	3.279
Benefits and claims	2.633	3.185	2.137	2.326	2.274
Net expenses or revenues ceded to reinsurers	-26	-15	-48	-15	-7
Management costs ³	281	285	258	274	287
Technical expenses for insurance activities	2.887	3.455	2.347	2.585	2.554
Expenses for other activities	175	542	201	306	425
Operating expenses	3.062	3.997	2.548	2.891	2.979
Change in depreciation and amortization on investments (net)	25	23	41	-10	10
Other investment financial expenses	83	-11	-45	14	15
Finance costs	18	18	20	30	30
Financial expenses	126	30	16	34	55
Net expenses	3.188	4.027	2.563	2.925	3.034
Goodwill impairment					
Net profit (loss) before tax	360	-766	724	522	245
Income taxes	-30	167	-87	-98	-84
Net profit (loss) after tax	330	-599	637	424	161
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 operat	0	0	1	0	0
Net consolidated profit (los) attributable to :	330	-598	638	424	161
Owners of the parent	325	-604	633	424	158
Non-controlling interests	5	6	5	0	3

¹ Net of reinsurance; ² Includes change in fair value at of the fair value of investments of which the financial risk is supported by the insured; ³ 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

